

The purpose of this study is to gain a clearer picture of arts funding in Los Angeles in the context of the region’s wider cultural economy, and to look at how funding sources and patterns have changed over the past five years. The study is a follow up to previous surveys of arts funding agencies in Los Angeles conducted in 1998, 2000 and 2002 by Southern California Grantmakers, the regional association of philanthropic foundations. These surveys dramatically highlighted the vulnerable state of Los Angeles County’s arts community, and suggested that the future of arts funding might indeed be in the balance. Several years later, do these findings—particularly in the context of the state’s continued fiscal uncertainty—still apply? What do current developments suggest for the future of culture and the arts in Los Angeles?

The key finding is that current and future public and private funding flows are unlikely to meet the financial needs of L.A.’s arts and culture nonprofit sector. Total public and private arts funding amounted to \$158 million in 2004/2005. Expressed in constant dollars, these funding flows are about the same as they were in 2000, even though the nonprofit arts and culture sector has expanded by 12% since then. And, while there are indications that funding flows are stabilizing, they are unlikely to increase to levels that could sustain the resource requirements of L.A.’s growing nonprofit arts community.

The key insight that emerges from the study is that of a trilemma comprising the growing needs for arts funding, stagnating financial support, and limited accessibility to available private funding sources. **While funding remains constant in actual dollars, it is diminishing relative to the operating budgets of the growing nonprofit arts sector in Los Angeles County.** Arts organizations are doing more with less.

Major findings:

- With a total of \$800 million in expenditure, the arts and culture nonprofit sector in 2004/2005 was 12% larger than in 2000. However, the L.A. nonprofit sector as a whole has experienced a 20% expansion during this period. This relatively higher growth applies to the region’s cultural economy as well, which also grew about 20% between 2001 and 2004/2005.
- Between 2000 and 2004/2005, the expansion of the arts and culture nonprofit sector coincided with significant fluctuations of arts funding. These fluctuations amounted to a decline in the overall significance of arts funding relative to the size of the sector. In constant dollars, 2004/2005 funding levels by private and public funders are close to or below the 1998 levels when the nonprofit arts sector was considerably smaller.

- There are indications that the revenue structure of L.A. arts nonprofits, in the aggregate, differs from the national average. This difference is evidenced in a lower reliance on public funding, with lower contributions across all levels of government including local, state and federal. Public arts support amounts to about 1% of nonprofit arts expenditures, a share well below the national average of 10%.

- However, the local public funders covered in the survey were the only ones to report an increase in support for arts and culture between 1998 and 2004/2005. Nonetheless, with significantly lower funding by the California Arts Council, overall public funding is 21% lower in 2004/2005 than in 1998 and 36% lower than in 2002.

- Funding patterns suggest disproportionate support of larger and more established organizations, a tendency much less pronounced for public funders. **Small and medium sized arts organizations are more fragile because they have less diverse funding support than larger, more established organizations.**

- Arts funders reported support for a wide range of organizations, with arts education, museums and galleries, theater, and music as the major areas. According to our survey, most arts funding is for specific projects and events (about 78%), with far less support available for general operating costs, endowment build-up, and capital campaigns (22%).

- Total funding to individual artists was about \$4.5 million in 2004/2005, with 1,000 grants. Whereas most public funders tend to support individual artists, only one in five among private funders do, suggesting for the latter a near exclusive reliance on nonprofit organizations as vehicles of support.

- Compared to other major cultural capitals in the country, L.A.’s nonprofit arts and cultural sector stands out in terms of its more

pronounced emphasis on three fields: film and video, media and communications, and cultural and ethnic awareness. These account for almost a quarter of all nonprofit arts expenditures in L.A., but receive about 12% in terms of grant dollars. In contrast, funding patterns suggest an emphasis on the performing arts and museums, which receive 70% of total arts funding.

- **Private funders are increasingly inclined to accept proposals by invitation only.** The process of private arts funding in L.A., in particular among local foundations, is less open to potential grantees than public funding. The application process has in some ways become more restrictive: half of private funders (versus one-third in 2002) say that they accept proposals by invitation only. At the same time, there is an increase in the accessibility of information and application material on the Internet. Likewise, the share of local private funders who are in favor of a common electronic application form increased from about one-third in 2002 to just under half in 2004/2005.

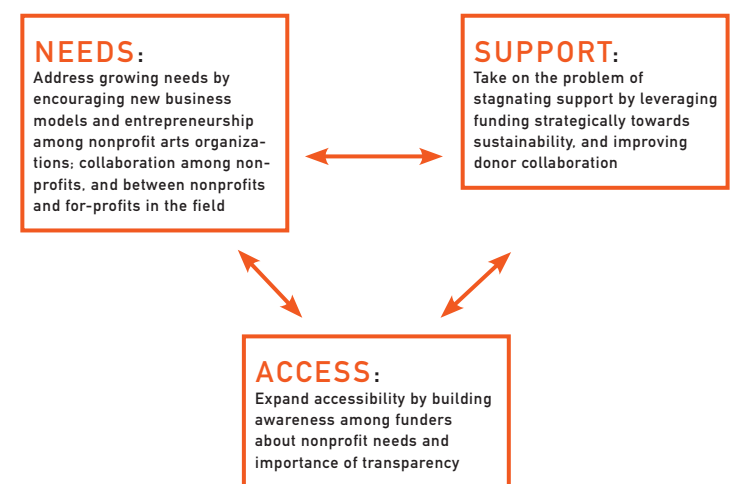
Our recommendations assume that public and private funding flows are unlikely to meet the financial needs of L.A.’s arts and culture nonprofit sector in the future. With arts funding either stagnating or continuing to decline relative to the overall scale of nonprofit arts and culture activities in the region, what could be done to address the trilemma many nonprofit arts organizations find themselves in? **Can arts funding help negotiate the triple challenge of growing needs, stagnating financial support and limited accessibility? The answer is affirmative but requires arts funders to become more strategic and forward-looking in their grant-making.**

Key recommendations:

Together, our recommendations imply first, that private arts funders take steps towards increased accessibility to available sources of support (Figure 1). They should expand awareness and

understanding of the needs of nonprofit arts organizations across the funding community. Second, funders should address the issue of stagnating support by working with the grantee community to find ways of leveraging philanthropic dollars strategically and with greater effectiveness toward sustainability; better coordination among funders themselves is a prerequisite for this strategy to work. Third, funders should take on the issue of growing needs for support by encouraging new business models and entrepreneurship among nonprofit arts organizations; and encouraging collaboration among nonprofits including mergers, and between nonprofits and for-profits in the field, in particular the commercial entertainment industry.

Figure 1: ADDRESSING THE ARTS NONPROFIT TRILEMMA



- Southern California Grantmakers (SCG) or other leaders in the L.A. arts world should reach out to existing and new donors to support arts and culture in L.A., and encourage long-term and strategic engagement with L.A.’s diverse artistic communities. Through SCG, Los Angeles arts funders should invest in “community building” among themselves, and improve mutual awareness and understanding.

- Next to increasing awareness and understanding among arts funders is the development of synergies across sectors. It is criti-

cal to encourage public and private funders to communicate with each other, and to include the arts and culture organizations themselves, prominent artists, experts, and representatives of the cultural economy, in particular the for-profit entertainment industry.

- The long-term vitality and sustainability of the L.A. arts and culture nonprofit sector seems to depend ever more on developing links with the wider cultural economy. This means forging and enhancing connections between nonprofit arts and cultural organizations and, specifically, the for-profit entertainment industry and the vast and expanding for-profit arts sector around it. There is a need for common forums that bring both public and private funders, and representatives of grantees and grantee organizations together, including cross-sector forums for different parts of L.A.’s cultural economy.

- Funding should be strategically directed to activities that move emerging and existing nonprofits to greater financial autonomy by encouraging “cultural entrepreneurship.” It seems clear that nonprofit arts organizations need a new business model to sustain themselves in the future. Such a model would move away from a reliance on private grants and public subsidies and include a greater emphasis on business models and practices for generating revenue.

Examples are program-related investments, funding individual artists to explore options for artistic/commercial endeavors in L.A.’s cultural economy, supporting partnerships and business-to-business relations among nonprofits, and between for-profits and nonprofits, etc.

- Of course, not all arts nonprofits will be able to develop new business models, but we can assume that the local arts and culture community harbors significant entrepreneurial talent. We encourage funders to revisit their funding patterns and explore how entrepreneurial approaches could be harvested and supported, and how organizational resources and capacities could likewise be freed to achieve greater financial self-reliance. In other words,

we anticipate a period of experimentation in business models for arts and culture in search of the creative, innovative, and sustainable arts organizations of the future.

Finally, we encourage funders and nonprofit arts organizations to “widen the message” sent to policymakers and the general public about the importance of the arts. One part of the message (i.e., the economic importance of the arts), is currently being made and could indeed be voiced even more confidently given the relative importance of nonprofits to the for-profit entertainment industry specifically and for cultural tourism generally. The search for new business models for arts organizations resonates well with economic rationale for arts funding. In a nutshell, that part of the message is **“art for our economy’s sake.”**

The expanded message, however, would go beyond the economic rationale and emphasize the importance of intrinsic values that arise from having a vibrant arts and cultural sector. It would include the significant role that arts and cultural organizations play for the diverse communities of Los Angeles. **Having vibrant nonprofit arts and cultural organizations is an important way of giving voice to the increasing number of diverse communities across the region.** Supporting art and culture thus becomes a way of creating and maintaining a wider sense of cohesion, and achieving the social inclusion a community of diverse communities needs. The message is not **“art for art’s sake,”** but **“art for our community’s sake.”**

However, this part of the message implies a challenge, and requires arts funders and arts organizations to assume a more active role in voicing it. Indeed, in an era of continued funding uncertainty, we see the future of the region’s nonprofit arts sector closely intertwined with its ability to advocate for its causes and needs, and to find voice for itself and for those it seeks to serve and represent. In sum, nonprofit arts organizations can and should be involved in advocacy and lobbying as a way to build strength not only in their own organizations but in the communities they serve as well.

1: ARTS FUNDING TO LOS ANGELES

COUNTY, BY SPECIFIC FUNDERS

2000-2004 (adjusted to 2004 dollars)

PUBLIC GRANTMAKERS

	1998 (in thousands)	2000 (in thousands)	2002 (in thousands)	2004 (in thousands)	% CHANGE 1998-2004
California Arts Council	\$ 4,053	\$ 6,891	\$ 3,937	\$ 233	-94%
Los Angeles County Arts Commission	\$ 1,484	\$ 2,668	\$ 2,388	\$ 2,455	65%
Los Angeles, City of, Cultural Affairs Dept.	\$ 2,973	\$ 2,451	\$ 3,489	\$ 3,210	8%
National Endowment for the Arts	\$ 1,720	\$ 1,806	\$ 2,637	\$ 2,033	18%
Santa Monica Cultural Affairs Division, City of	\$ 204	\$ 331	\$ 397	\$ 278	41%
West Hollywood, City of	\$ 20	\$ 63	\$ 53	\$ 59	191%

PRIVATE GRANTMAKERS

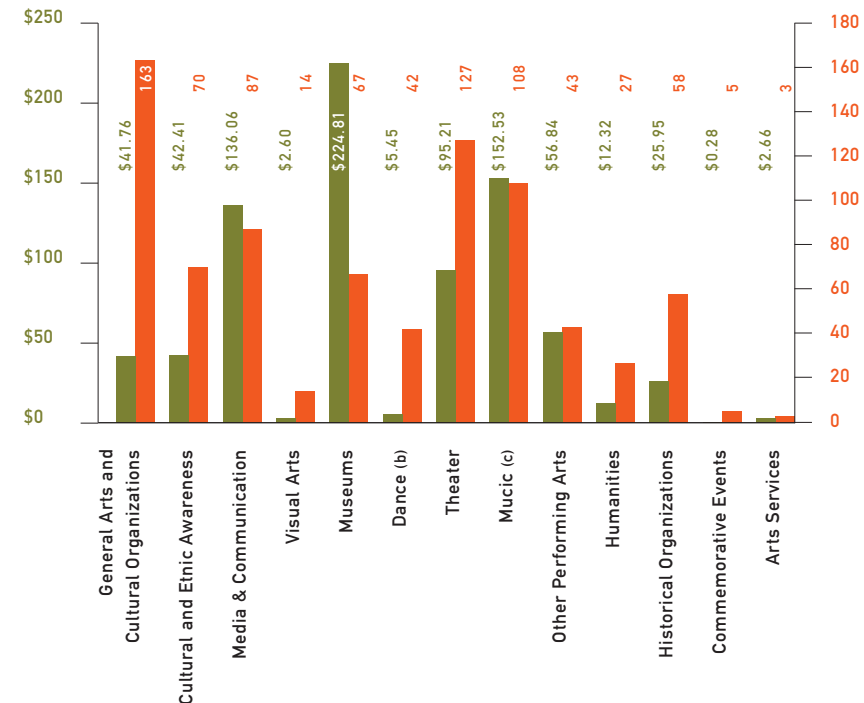
Ahmanson Foundation	\$19,904	\$10,874	\$ 7,243	\$13,176	-34%
California Community Foundation	\$ 735	\$ 437	\$ 274	\$ 1,500	104%
Getty Foundation	\$ 1,652	\$ 4,102	\$ 3,398	\$ 3,161	91%
James Irvine Foundation	\$ 1,701	\$ 1,975	\$ 1,428	\$ 3,555	109%
Norton Family Foundation	\$ 896	\$ 780	\$ 730	\$ 1,548	73%
Ralph M. Parsons Foundation	\$ 6,169	\$ 5,112	\$ 2,743	\$ 4,093	-34%
Weingart Foundation	\$ 681	\$ 620	\$ 8,671	\$ 1,507	121%

source 2005 Arts Funders Survey

Except for the California Arts Council, public funders participating in this survey have increased their support, while the patterns among private funders has been mixed.

2: COMPOSITION OF LOS ANGELES COUNTY NONPROFIT ARTS

SECTOR (a), # OF ORGANIZATIONS AND EXPENDITURE, 2004



General Arts & Cultural organizations (i.e. Cultural & Ethnic Awareness, Arts Education, Folk Arts) represent the largest share of organizations (163); this is followed closely by Theater organizations (127) and then Music organizations (108). The 67 nonprofit museums (i.e. Natural History, Science & Technology, Children's) in Los Angeles County rank first in terms of expenditure (\$225 million). This is followed by Music organizations with \$153 million in annual expenditure; and Theater organizations, with \$95 million in expenditure.

Source: IRS Core Files, 2004 (organizations with at least \$25,000 in revenue)
 (a) As determined by the National Taxonomy of Exempt Entities
 (b) Includes dance and ballet
 (c) Includes music, symphony orchestra, opera, singing and choral groups, and bands and ensembles

3: TOTAL GRANTS + TOTAL GRANT VALUE FOR RECIPIENT ORGANIZATIONS

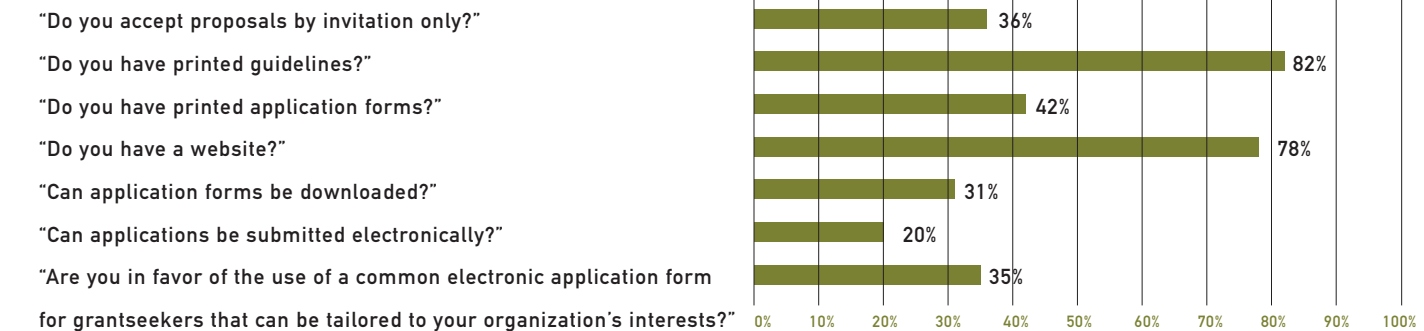
IN THE FIELD OF ARTS, CULTURE, AND HUMANITIES (a), 2004

	GRANT VALUE (in thousands)	% GRANT dollars	# of GRANTS	% GRANTS	AVERAGE GRANT SIZE (in thousands)
Arts & Culture	\$ 5,136	11%	148	15%	\$ 35
Media & Communication	\$ 3,634	8%	47	5%	\$ 77
Visual Arts	\$ 272	1%	20	2%	\$ 14
Museums	\$17.90	40%	111	11%	\$161
Performing Arts					
Performing Arts	\$ 460	1%	42	2%	\$ 19
Performing Arts Centers	\$ 860	2%	23	2%	\$ 37
Dance (b)	\$ 1,320	3%	47	5%	\$ 28
Theater	\$ 4,240	9%	174	17%	\$ 24
Music (c)	\$ 6,881	15%	268	27%	\$ 26
Performing Arts Schools	\$ 345	1%	12	1%	\$ 29
subtotal	\$14,108	31%	548	54%	\$ 26
Humanities	\$ 113	0%	3	0%	\$ 38
Historical Organizations	\$ 147	0%	14	1%	\$ 10
Arts Services	\$ 27	0%	3	0%	\$ 9
Arts, Culture, & Humanities, Other support (d)	\$ 3,393	8%	68	7%	\$ 50
Not Elsewhere Classified	\$ 270	1%	45	5%	\$ 6
total	\$44,997	100%	1007	100%	\$ 45

(a) As determined by the National Taxonomy of Exempt Entities
 (b) This category includes Dance and Ballet.
 (c) This category includes Music, Symphony Orchestras, Opera, Singing and Choral Groups, and Bands and Ensembles.
 (d) This category includes Alliances and Advocacy, Management and Technical Assistance, Fundraising and Distribution, other forms of support, and organizations not elsewhere classified (NEC).

Among Arts, Culture, and Humanities organizations, Museums (40%) and Performing Arts (31%) garner the largest share of grant dollars. Among Performing Arts organizations, large shares of all grant dollars are allocated to Theater (9%) and Music (15%). Performing Arts garners over half of all grants to Arts organizations (54%), while Arts and Culture organizations (15%) and Museums (11%) also garner substantial shares of the total number of grants awarded. Out of the major Performing Arts categories, funding for Dance is substantially lower than Theater and Music in terms of share of grant dollars and numbers of grants and museums receive grants that are on an average much larger than grants awarded to other types of arts organizations.

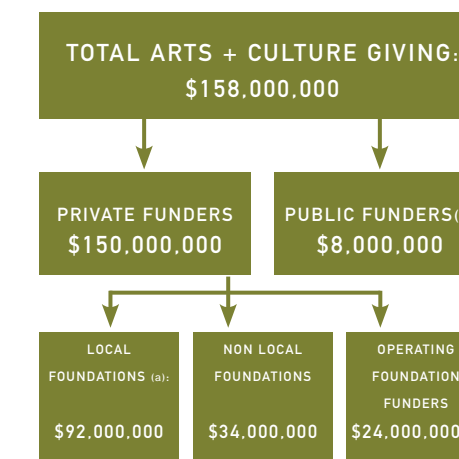
4: PERCENTAGE OF "YES" RESPONSES TO QUESTIONS REGARDING APPLICATION PROCESS, PRIVATE FOUNDATIONS (N=55), 2004



How open and accessible is the application process?

Figure 4 shows that about a third of all private funders in our survey accept proposals by invitation only (45% for local foundations and 13% for non-local foundations); and the great majority of all funders have printed guidelines (82%) and a website (78%). However, only 20% of private foundations allow applications to be submitted electronically.

5: ARTS FUNDING TO LOS ANGELES COUNTY (TOTAL DOLLARS), 2004/5



Source: Foundation Search 2004, giving in the arts and culture category by all foundations, local and nonlocal to recipients in Los Angeles County; UCLA Center for Civil Society Arts Funders Survey 2005.

Note: Foundations listed on Foundation Search (www.foundationsearch.com) are updated on a daily basis and fluctuates slightly; therefore data represents a "snapshot" of as of July 2004. Also note that Foundation Search has its internal criteria of categorizing "arts and culture" grants as listed on a foundation's PF 990 form. Therefore, a grant considered by a foundation as "arts and culture" on its PF 990 may not necessarily be categorized as such in Foundation Search. Therefore there is a degree of discrepancy between categories of grants listed on a foundations PF 990 and the Foundation Search Categorizations.

(a) Based on the location of foundation's headquarters, only cities within LA county were considered local foundation, with the exception of the Irvine Foundation and Annenberg Foundation, since these two foundations were considered "local" in our survey dataset.

(b) Examples include Norton Simon Foundation giving to the Norton Simon Museum of Art at Pasadena (\$4.2 million); Skirball Foundation giving to the Skirball Cultural Center (\$7.2 million); or The Milken Family Foundation giving to the Milken Archive of American Jewish Music (\$2.4 mil).

(c) Data for public funders from UCLA Center for Civil Society Arts Funders Survey 2005 only; funders include the Los Angeles City of Cultural Affairs, the Los Angeles County Arts Commission; the city of West Hollywood, etc.

Total giving to Los Angeles County from all sources, private local fundations, private non-local funders, and public funders, amounts to about \$158 million in 2004/5. Approximately 95% of this amount is given by private funders and 5% is given by public funders. Of the \$150 million, \$92 million represents giving by local foundations; non-local foundations gave \$34 million; and approximately \$24 million was giving by operating foundations such as the Skirball Foundation to the Skirball Cultural Center.

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and the UCLA Center

for Civil Society to conduct

the fourth survey of

arts funding in Los Angeles.

This latest report is

the most in-depth review

of its kind to date.

A copy of the full report can

be found at the websites for

Southern California Grantmakers

www.socalgrantmakers.org

and the Center for Civil Society

www.spa.ucla.edu/ccs

ARTS IN THE BALANCE: ARTS FUNDING IN LOS ANGELES COUNTY 1998-2005

A joint project of
 Southern California Grantmakers
 and UCLA Center for Civil Society