How Much Is Enough?

An exploration of philanthropic capacity for arts and culture in Greater Milwaukee
ABOUT THE PUBLIC POLICY FORUM

Milwaukee-based Public Policy Forum – which was established in 1913 as a local government watchdog – is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of regional public policy issues.

PREFACE AND ACKNOWLEDGMENTS

This report was undertaken to provide citizens, policymakers, philanthropists, and civic and cultural leaders in the Greater Milwaukee region with independent analysis of the capacity of private philanthropy to help meet the current and future needs of the region’s arts and cultural assets. We hope that policymakers and community leaders will use the report’s findings to inform larger conversations about the role of arts and cultural institutions in defining the region’s identity; and about the full range of funding strategies, both public and private, that may be needed to sustain them in the future.

Report authors would like to thank the more than two dozen members of the philanthropic and arts and cultural communities who generously contributed their time and insights to serve as key informants for this research. We also give special thanks to Phillip Laper, the Forum’s 2013-14 Norman N. Gill Civic Engagement Fellow. Phillip designed the quantitative historical data analysis on foundation giving to arts and culture, drafted initial quantitative findings, and served as both informant and external reviewer.

Finally, we wish to thank the Spirit of Milwaukee and the Herzfeld Foundation for commissioning and funding this research.
# Table of Contents

Introduction .............................................................................................................................. 3
Methodology / Design of Study .................................................................................................. 4
Recent Trends in Foundation Giving in Greater Milwaukee .................................................. 6
  Overall foundation giving ........................................................................................................ 6
  Foundation support for arts and culture .................................................................................. 9
Summary .................................................................................................................................... 15
The Views of Key informants .................................................................................................... 16
  General observations .............................................................................................................. 16
  Opportunities ........................................................................................................................ 18
  Threats .................................................................................................................................... 21
  Additional themes .................................................................................................................. 26
Conclusion ................................................................................................................................. 30
INTRODUCTION

The recent flurry of debate across Wisconsin over who will pay for a new Milwaukee Bucks basketball arena has illuminated a number of soul-searching questions for Greater Milwaukee’s leaders and citizens. What does it mean to be a top-tier city? What are the assets within the Greater Milwaukee region that make it an attractive place in which to live, work, and play? What cultural, economic, or social components are we missing, if any, to be the metropolitan destination we want to be?

Underlying these high-level questions are the narrower questions of who will pay to maintain the region’s existing array of arts, cultural, and entertainment offerings, and whether there is sufficient demand and community support to sustain them in the future.

The Public Policy Forum has conducted two comprehensive studies exploring this issue, but mainly from the perspective of public support. In Pulling Back the Curtain, released in December 2013, we assessed the needs of the Milwaukee County-owned parks and cultural facilities, privately-owned arts and cultural venues, and major publicly-funded sports and convention facilities within Milwaukee County. The report revealed immense capital needs for the county-owned facilities and a mixed fiscal assessment of six privately-owned cultural venues – with vulnerabilities such as a heavy reliance on earned revenues and the prospect of multiple concurrent capital campaigns looming as potential fiscal challenges in the near future.

In March 2014, we released the second report, The Show Must Go On?, which analyzed public funding models used to support cultural and entertainment assets in five other regions. The report also modeled how such funding mechanisms might be applied in Milwaukee, and considered the efficacy of different models in the context of distinct policy objectives.

Since these reports were published, public debate over the future of Greater Milwaukee’s cultural assets has been largely subsumed by the deliberations over a new arena. But when this debate resumes, in addition to discussing the potential role of public funding, policymakers and concerned citizens will need to consider the potential role that private philanthropy might play in addressing the vast needs identified in our earlier research.

In this report, we seek to shed light on the capacity of Greater Milwaukee’s philanthropic community to sustain and expand previous levels of support for the region’s arts and cultural institutions and organizations. Using both quantitative and qualitative methodologies, we assess recent trends in philanthropic giving to the arts and culture sector, challenges that have emerged that may impede such giving, and opportunities that might exist to enhance it.

As with our previous research in this area, our objective is not to advocate for greater public or private support for arts and cultural institutions in Greater Milwaukee. Instead, our goal is to paint a more complete picture of the key elements that should be considered as the community discusses the needs of its cultural and entertainment assets, and contemplates possible strategies to address them.
Methodology / Design of Study

The definition of private philanthropy used for the purposes of this research is broad. It includes a variety of sources, including private institutional and community foundations, family foundations, individuals, and various forms of corporate support (e.g., corporate foundation grants, sponsorships, in-kind donations).

The first section of the report involves a quantitative review of historical philanthropic giving. Data used for this analysis come from two databases: Foundations in Wisconsin Online Edition and the Foundation Center’s Foundation Directory Online. Both were accessed through the Funding Information Center at Marquette University.

Unfortunately, while both sources offer rich sets of quantitative data, they were only current through 2011. Consequently, we used a series of key informant interviews both to assess the current and future capacity of the philanthropic sector to meet the needs of the region’s arts and cultural assets, and to dig deeper into the story behind the data on past donor behaviors. In addition, we posed to our key informants a set of deeper questions that we hoped would illuminate the underlying considerations of key funders when considering support for arts and culture:

- To what extent is philanthropic capacity driven by a donor’s past or future tendency to give to arts and culture versus the size of its asset base?
- How do we assess and predict latent giving capacity on the part of donors who could and would support arts and culture but have not yet been asked or have not yet found the cause that would inspire them to make a generous gift?
- What is the role of arts and culture and what priority should it be assigned in light of some of the social challenges Milwaukee faces related to poverty and racial disparities?
- How many arts and cultural institutions do we need and have we already reached our tipping point?
- What is the role of the private funding community versus publicly-elected bodies to define and shape the arts and cultural landscape?
- Do our existing arts and cultural institutions have sufficient infrastructure and capacity to effectively use and steward the philanthropic resources they currently or might eventually receive?

As shown in the figure on the following page, our 25 key informant interviews (representing 28 constituencies) embody a variety of viewpoints in the arts/culture provider and funder arenas. They included executive and development directors of major arts and cultural institutions, fundraising consultants, board leaders, foundation leaders, individual donors, and corporate leaders. We selected our informant pool with an aim of capturing representative perspectives of multiple funder communities and a diversity of organizations in terms of size, art/culture form, and target audience. Some informants represented more than one constituency, and some interviews included more than one informant.
Key informants represented

**Key Informants**

- Number of Interview Sessions: 25
- Number of Constituencies: 28

**Donors = 16**
- 13

**Arts & Cultural Organizations = 9**
- 6

**Subject Matter Experts = 3**
- 2

Categories:
- Museums
- Zoo
- Performing Arts
- Corporate
- Private

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RECENT TRENDS IN FOUNDATION GIVING IN GREATER MILWAUKEE

Our quantitative research used historical data on foundation giving in Milwaukee, Ozaukee, Washington, and Waukesha Counties as a proxy for overall giving across the wider private philanthropic sector.¹ In particular, we sought to discern trends in foundation grantmaking to arts and culture in Greater Milwaukee before, during, and after the Great Recession (December 2007 to June 2009). For some of our data sets, we were able to track trends using annual figures between 2004 and 2011, while for others we only were able to access more recent data. Also, it is important to note that unless otherwise indicated, the charts below exclude the top 5% of grants in terms of grant size, as such grants often are of a one-time nature and can skew overall trend analysis.

OVERALL FOUNDATION GIVING

Total foundation giving (to all nonprofit sectors in the four-county area) generally was on the rise until 2007 and then dropped in each year of the recession. But by 2011, the last year for which complete data sets are available, giving levels showed signs of returning to pre-recession capacity levels. In fact, as shown in Chart 1, by 2011, both foundation assets and grant amounts had mostly rebounded from their recession-era drops.

Chart 1: Total grants paid and assets of foundations in Greater Milwaukee, 2006-2011

![Chart 1: Total grants paid and assets of foundations in Greater Milwaukee, 2006-2011](image)

Source: Foundations in Wisconsin, Marquette University

The number of grants awarded in the four-county area – as opposed to total giving – also increased between 2009 and 2011, from 3,254 to 3,557. Chart 2 provides additional perspective by showing the various sizes of grant awards in the 2007-2011 timeframe. The data show that the number of

¹ As noted in the Methodology section, our data sources were Foundations in Wisconsin Online Edition and the Foundation Center’s Foundation Directory Online.
relatively small grants (less than $15,000) fell slightly while the number of high-value grants increased, raising the average grant values slightly (by 1.1%).

**Chart 2: Sizes of local foundation grants to Greater Milwaukee recipients, 2007-2011**

Our analysis also suggests that local foundations attempted to shield grant recipients from recessionary impacts. As shown in **Chart 3**, even when foundation assets declined precipitously from 2007 to 2008, the value of the grants they provided dropped by only 4%. This suggests that foundations recognized the challenges faced by nonprofits during the depths of the recession and strived to maintain their giving behavior even as the value of their assets plummeted. A number of our key funder informants confirmed that was the case.
Chart 3: Percentage change in foundation assets and value of grants, 2006-2011

Source: Foundations in Wisconsin, Marquette University

Chart 4 illustrates, from a different angle, the effort on the part of foundations to insulate grantees from the effects of the downturn. Federal law requires private foundations to disburse a minimum of 5% of their assets each year. The chart shows how, at the height of the recession, foundations did not lower their grantmaking to the federal minimum disbursement. Instead, they paid out more than 9% of assets in 2008. The grants-to-assets ratio returned to near-pre-recession levels by 2011.

Chart 4: Ratio of grants made to assets, 2004-2011

Source: Foundations in Wisconsin, Marquette University

At the same time, our research also finds that the value of grants earmarked for capital projects fell 66% between the start of the recession in 2007 and 2011, as shown in Chart 5. Given the
importance of capital projects for many organizations as a strategy to drive earned revenue and control maintenance costs, this trend raises concern. Based on what some of our key informants reported anecdotally, this trend may have been a consequence of foundations temporarily transferring their support from capital toward unrestricted purposes as a way to shore up grantees’ basic finances through the worst of the economic downturn. But whether that is true and to what extent cannot be verified with these data. Informants also suggested that some of this decline could have been a result of organizations delaying capital campaigns and other major fundraising initiatives until the economy (and therefore funding) showed signs of recovery.

Chart 5: Foundation support for capital needs, 2004-2011

![Foundation support for capital needs, 2004-2011](chart)

Source: Foundation Center

FOUNDATION SUPPORT FOR ARTS AND CULTURE

Although overall foundation giving in Greater Milwaukee appears to have weathered the Great Recession relatively well, the same cannot be said for giving to arts and cultural programs specifically. As shown in Chart 6, between 2007 and 2009, the value of arts and culture grants given by foundations in the four-county area to recipients in the four-county area (“intra-Milwaukee grants”) fell by nearly 50%. In addition, giving had not rebounded by 2011.
Also, whereas our trend analysis of overall philanthropic giving indicated that foundations had moved toward awarding fewer small grants in favor of slightly increased average grant amounts, the opposite is true for grants directed specifically for arts and cultural purposes. In the case of the arts/cultural arena, the number of grants less than $5,000 has grown steadily, while the number of higher-value grants has not, as shown in Chart 7. The result is an overall decline in both the total value of all grants to arts and culture programs and in the average grant value since the beginning of the recession in 2007 (Chart 8).

Chart 7: Intra-Milwaukee arts and culture grants, 2007-2011
As with overall foundation grantmaking, the geographic focus of local foundation giving to arts and culture programs is predominantly within the Milwaukee metropolitan area, and this has remained a stable pattern through the pre- and post-recession years. Of the total amount given to programs across the country, 71% was given to local recipients in 2011, similar to the 73% average since 2004.

However, another potential threat to arts and cultural organizations is the concentration of the majority of grantmaking in an extremely small number of foundations. Between 2004 and 2011, intra-Milwaukee grants for arts and culture came from 134 foundations, but the amount given by each varies widely. In fact, as shown in Chart 9, 61% of the arts and culture grants during that period originated from only five funders. Those five consist of three private foundations, one community foundation, and one corporate foundation.

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2 Charitable gifts attributed to the Greater Milwaukee Foundation include both the foundation’s discretionary grantmaking and all contributions from individual and family donor advised funds. As such, practically speaking, Greater Milwaukee Foundation contributions represent an aggregate of a large number of relatively small contributions.
This concentration is particularly concerning because two of those funders – the Argosy Foundation and the Northwestern Mutual Foundation – have shifted giving patterns in recent years such that they are giving considerably less to arts and cultural programs than they did in the past. In fact, many of the arts and culture provider informants we interviewed reported concern over these shifts and indicated they already are planning strategies to find alternative funding sources to continue to meet their fiscal and programmatic needs.

Including the five funders discussed above, grants from the top 50 local arts and culture foundation funders in Greater Milwaukee between 2004 and 2011 account for between 87% and 99% of the value of all intra-Milwaukee arts and culture grants. In our analysis of these 50 foundations, we find that support for arts and culture programs has declined relative to giving in other program areas, a finding that explains why overall philanthropic giving in the region has largely bounced back to pre-recession levels while arts and culture giving appears to be slipping.

Chart 10 illustrates the sharp decline in the value of grants devoted to arts and culture programs as a percentage of overall grantmaking by the top 50 funders since 2008. If funders had dedicated 6.5% of their grantmaking budgets to arts and culture programs in 2011 as they did in 2005, then they would have infused another $5.7 million into the arts and culture sector – nearly 75% more than was actually given in 2011.

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3 We chose 2005 for comparison because it was the year prior to the recession where the ratio of arts and culture grants to total grants was closest to the average ratio between 2004 and 2011.
One possible explanation for the downward trend in the share of grant dollars given to local arts and cultural programs potentially could be that there was a constant level of giving in that sector and rising support in other areas. However, further analysis shows that has not been the case. Chart 11 shows that, excluding extraordinary gifts (the top 5% of grants by value), intra-Milwaukee support for arts and culture fell steadily between 2007 and 2011 even as foundation assets began to rebound post-recession.

Chart 11: Arts and culture grants and total assets of top 50 local funders, 2004-2011

Source: Foundation Center
This apparent shift in giving from arts and culture toward other philanthropic interests after the recession was reflected frequently in our conversations with key informants, as will be discussed in detail later in this report. In fact, many cited this as one of the major challenges to future sustainability in Milwaukee’s arts and culture sector.

Earlier charts excluded the top 5% of grants because, as outliers, they can disproportionately skew our understanding of typical trends reflected by the vast majority of grants and grantees. Frequently, these grants do not constitute recurring annual support. Instead, they tend to be one-time grants for specific projects such as capital campaigns or creation of new programs. However, they make up a considerable share of the funding that flows to local arts and culture programs.

Chart 12 illustrates this point. In 2008, the top 5% of intra-Milwaukee arts and culture grants were comprised of only 30 distinct grants, ranging from $100,000 to $5.2 million. Together, these 30 grants accounted for 64% of the total value of intra-Milwaukee arts and culture grants. In 2011, the share of grant value covered by the top 5% of grants dropped to 52%, still more than half of all giving devoted to all arts and culture purposes.

Chart 12: Value of top 5% of intra-Milwaukee arts and culture grants vs. all grants, 2006-2011

Although extraordinary gifts are hard to predict for any one organization, they are an essential component of the region’s future arts and cultural landscape. As previously mentioned, past Forum research has documented an extensive list of deferred maintenance and planned capital needs as well as other episodic programmatic needs at many of the region’s prominent arts and cultural venues. If those needs are to be addressed, they likely will require major investments outside of routine annual philanthropic support.
SUMMARY

The data presented in this section, though limited to foundation giving in the four-county area between 2004 and 2011, suggest the following set of conditions that could influence the potential for private philanthropy to support arts and cultural pursuits in the region:

- While overall foundation giving in Greater Milwaukee dropped but then rebounded after the recession, giving to arts and culture did not show the same resilience.

- The Great Recession seemed to dampen support for capital projects, and that trend continued through 2011.

- With about 60% of all arts and culture giving emanating from only five foundations, Greater Milwaukee’s arts and culture sector is extremely dependent on only a handful of funding sources.

- Even after the recession, the largest 5% of grants accounted for over half of all foundation giving to arts and culture, indicating the importance of large capital and major programmatic projects to the sector’s vitality.
The Views of Key Informants

In this section, we discuss the results of 25 key informant interviews with representatives of major arts and cultural funders and providers. Through these conversations, we explored the capacity of the region’s private philanthropic community to help meet the future needs of the region’s arts and culture sector.

General Observations

Although our review of foundation giving data indicated that charitable support for arts and culture was on the decline, key informants as a group seemed to believe that philanthropic support of all kinds – from foundations, corporations, individuals, and sources external to the region – are, in the aggregate, back to pre-recession levels or higher. In fact, with the exception of corporate philanthropy, informants felt that giving to the arts and cultural sector is steady or on the rise overall.

The following summarizes important observations made by our key informants with regard to trends in philanthropic giving to the arts and culture sector.

Giving by major private foundations is perceived to be flat or slightly up. Although informants felt that there are only a few major foundations in the region that give substantially to arts and culture, there was general consensus that local private foundations largely have maintained a stable giving pattern to arts and culture through the recession. Our interviewees also felt that some cultural institutions have even experienced dramatic spikes in giving as foundation assets have rebounded. This may be attributable to perceived drops in corporate philanthropy (discussed below), and a general trend our informants observed of local private foundations playing a crucial role in absorbing the volatility and cyclical giving patterns in other philanthropic sectors.

Individual donors and small family foundations are seen as trending up and likely to grow. Many arts and cultural organizations are enhancing efforts to develop funding relationships with individual donors and small family foundations in light of some fundamental shifts in corporate giving and constraints on the assets of private foundations. Although cultivating individuals for major and planned gifts requires considerable professional capacity (as will be discussed later in this report), organizations recognize individual giving as the greatest opportunity to raise unrestricted resources that tend to be sustained over many years. This giving sector stands to grow as the boomer generation continues to age. Some informants expect this group to establish family foundations or donor-advised funds at the Greater Milwaukee Foundation as a part of estate planning. It is an open question, however, as to how large these foundations will become and to what extent they will be supporting arts and culture.

Contributions to the United Performing Arts Fund continue to increase, but individual groups feel volatility. Between 2011 and 2014, annual aggregate allocations to UPAF member and affiliate groups have risen steadily and there has been an overall increase of 20%. However, individual organizations can see positive or negative fluctuations from year to year depending on how they rate in UPAF’s allocation criteria.
External and national funding sources are diminishing. With few exceptions, organizations that have been attracting grants from the National Endowment for the Arts or gifts from major national private foundations have seen a decline in both the number of remaining funders and the amounts of their grants. But even for those who have managed to maintain their support from large external funding institutions, such resources are volatile from year to year as funders change focus and interest, and organizations cannot depend on them for fundamental business planning purposes.

Corporate giving is down, and there is more pessimism about corporate giving to arts and culture than any other form of giving. Informants agreed that, whether in the form of direct philanthropic gifts or event-related sponsorships, corporate contributions to the arts and culture sector have been flat (at best) since the recession. Moreover, they expect corporate giving to arts and cultural entities across the region to decline going forward. This shift appears to stem, in part, from efforts by corporations to closely align their corporate giving strategies with their overall mission and strategic objectives. For example, some feel that corporations no longer see as much value in spreading their philanthropic and sponsorship dollars to as many organizations as possible, but instead are looking to support specific projects and causes that are related to workforce needs. Informants also pointed to the loss of corporate headquarters located in Milwaukee, and the fact that many CEOs are not Wisconsin natives and may not even live in the area. Also, the fact that a growing number of major Milwaukee corporations now have an international focus may have adjusted their giving practices to support charitable organizations across the globe.

In the remainder of this section, we break down our findings from our key informant interviews into three categories: opportunities, threats, and additional themes.
Opportunities

Individual donors

“[Younger donors] don’t ask ‘what are the biggest causes in the city?’ – they gravitate toward what resonates with their personal experience.”

On balance, our key informant interviews make a strong case for arts and cultural organizations to focus their development efforts and resources on expanding individual giving, rather than institutional giving from corporations or foundations.

Reasons for optimism in this giving sector are numerous. For example, individuals appear to be the least restrictive in terms of their potential giving focus. Also, once they become contributors to a given organization, individuals are the type of funder most likely to renew their gifts year after year. In addition, based on various measures, many believe that Greater Milwaukee’s greatest philanthropic potential lies in its untapped individual/family wealth.

This quiet subset of prospective donors largely represents people who may be making some contributions but not at the capacity that they could. Presumably, they have not yet been approached or cultivated in a way that has elicited major gifts for a given entity.

There was general agreement on the conventional fundraising wisdom that the greatest potential for growth in giving lies with current supporters, as opposed to new donors. Informants believe high potential for expanded individual giving exists close to home with the “core audience” – existing patrons who could be attending more performances or purchasing more tickets or subscriptions, existing patrons or donors who could be giving larger gifts, or existing donors who could be approached and cultivated for planned gifts (bequests).

Despite this potential, efforts to tap individual donors will need to overcome significant barriers. Some of these involve age, as current support for arts and culture in this region appears to be concentrated in older donors (late 60s and older). Several of our informants cautioned that there is "donor fatigue" among many of these individuals, who believe that they have done their part and that it is time for a new generation of donors to step in to support arts and cultural venues.

The potential to secure major giving from younger donors carries its own set of challenges. Gifts from those younger than 60 tend to be less focused on arts and culture. Some attribute this to the propensity of younger donors to shy away from giving to major institutions, and instead to migrate toward a small handful of causes that resonate with their personal experience. This also may suggest that they are not as drawn toward major capital gifts.\(^4\)

\(^4\) This dynamic may break down somewhat in much younger donors (e.g. millennials in their 20s and 30s), who have been observed to give small amounts to a large number of causes, especially though online giving and social networking. We explore millennials and the nature of their social engagement in more depth later in the report.
What do funders want from the arts and culture sector?

Our conversations with key informants about sustainability for arts and cultural organizations uncovered a number of factors that, if present within the organizations themselves, would help attract and secure funder support. The following list brings together a selection of such factors. They cross over a range of the distinct opportunities and threats we identified in our research.

- Dynamic, visionary leadership
- Organizations whose work captures donor passion
- Mission-driven, as opposed to resource-motivated programming
- Internal capacity to cultivate and steward the donor relationship
- Diversity and inclusion – both on organization boards and in their programming
- New collaboration paradigm that worries less about keeping kingdoms intact, and that strives to break down silos to create new partnerships to expand the pie
- Strong, stable, well-managed organizations with realistic and transparent business and management plans. Campaign and budget numbers are grounded in concrete plans with articulated price tags and timelines.

An additional challenge is that untapped individual donors – much like precious stones – are difficult for arts and cultural organizations to locate and costly to extract. The unknown nature of who could be a potential donor and how much they could give also carries implications related to the need for arts and cultural nonprofits to invest in donor research and cultivation capacity – a topic we cover later in this report.

Clear vision and sound business planning

“Vision. Nothing else matters. Support follows vision. If you’ve got the right vision and the right timing, people will support it.”

Several informants argued that visionary leadership and clearly-structured business and management plans are pre-conditions for attracting donor support. This perspective also seems to suggest an important related tenet that is even more relevant to the research questions guiding this report – that philanthropic capacity is elastic. The notion here is that money will materialize for “worthy” projects, and that the key to expanding philanthropic support for arts and cultural undertakings may lie in how well individual projects and organizations articulate their vision to prospective donors and convince them of the efficacy of their business plans.
Collaboration

Many of the funders with whom we spoke yearned to see organic, collaborative partnerships among arts and culture organizations. They see such collaboration as a way to make the whole arts and cultural engine run more smoothly and to allow philanthropic gifts and grants to stretch farther. Collaboration can range from organizational mergers \(^5\) on the one hand, to simple partnerships for specific programs or services on the other.

Another collaboration strand that ran throughout our conversations was a sense of excitement concerning ways in which arts and cultural organizations could take active roles as relevant partners in large-scale civic conversations such as those surrounding the Milwaukee Bucks arena and other downtown developments. Instead of worrying about how these developments might detract from arts and cultural business as usual, some informants felt that potential philanthropic and commercial support could flow into the arts and cultural sector if its leaders could articulate creative ways to capitalize on the hope that the arena would draw people downtown and close to the region’s prominent cultural facilities in unprecedented ways.

\(^5\) One example of an organizational merger that was cited repeatedly as a model of efficiency and sustainability achieved through collaboration is the Black Arts Think Tank, an umbrella organization created to combine the administrative operations of three arts organizations: Hansberry-Sands Theater Company, Ko-Thi Dance Company, and African American Children’s Theater.
Messaging

“The talk of the town is about building civic awareness, a thriving region that enhances neighborhoods, and so anything that would be a part of that – these investors want to know about – that’s where arts could come in.”

Our conversations on unlocking untapped giving potential elicited the notion of messaging. The need to tell an effective and engaging story is not a new concept for most nonprofits. Yet, our research uncovered two specific messages believed to be especially effective in attracting donors to arts and cultural causes: their links to arts education and their contributions to the regional economy.

Arts education is a key messaging component because it links the arts (which some consider to be a luxury) with larger issues plaguing the region, such as poor educational outcomes. The Milwaukee Youth Arts Center (MYAC), for example, has successfully attracted philanthropic support not only because of its value as a performing arts venue, but also because of its capacity to provide high-quality educational opportunities to an underserved group of Milwaukee children.

The other messaging opportunity that appears to effectively draw donors toward arts and cultural organizations is related to their ability to articulate how they advance the region’s economic vitality and civic profile. The message that we need a thriving, sustainable arts and culture sector to be a vibrant world-class city that can attract and retain talent resonates with donors.

Threats

Transfer of accumulated wealth

“What bothers me most is the generational change that seems to remove the accumulated wealth of previous generations.”

Among the top concerns about future sustainability to surface from our interviews was uncertainty about what would happen to the sector’s accumulated wealth from older donors after they pass away. Reasons for this uncertainty vary.

For instance, some informants believed it is an open question as to whether some of the sector’s top donors would start family foundations as a way to encourage their children to maintain their support of the parents’ causes. Others have observed that the children of major donors to some of the region’s largest cultural institutions are not engaging in philanthropy in the same way their parents did or do not even live in Milwaukee and are not likely to carry on their parents’ giving traditions.

Linked to this idea is uncertainty about what shape philanthropy takes as millennials grow as civic leaders. Whereas the World War II generation and Baby Boomers have been interested in supporting major civic institutions that serve the community, millennials are observed to narrow their focus to specific projects to which they relate personally and in whose work they can be directly involved.

Even in the best-case scenario where the next generation follows the giving traditions of their parents, wealth dissipates with each successive generation, and the sector will still feel the effects of the loss of its current lead donors.
Are philanthropic dollars in Greater Milwaukee scarce, abundant, or both?

Woven throughout our discussions were two perspectives on philanthropic capacity that appear to conflict at first glance, but that, on closer examination, likely are interrelated.

**Philanthropic dollars are abundant**

One perspective views philanthropy through a market-driven lens, arguing that projects with a visionary plan, trustworthy leadership, and the internal capacity to cultivate major gifts will find the resources they need, often defying expectations of how much the community can support.

The Milwaukee Arts Museum’s Calatrava project was a grand example of this principle. Its $35 million initial goal, thought to be a stretch at the time, grew to over $130 million in the end and redefined what the community thought was possible in a capital campaign. This phenomenon has not been limited to the community’s flagship institutions. The Milwaukee Youth Arts Center vastly exceeded expectations by raising over $15 million and paying down its debt within two years, which many attributed to a vision that resonated with a broad donor base and sound, disciplined estimates of pledges and cash flow.

This viewpoint is summed up by the views of one informant, who suggested that “institutions should worry less about whether there’s enough money out there, and more about whether they have the right vision at the right time.”

**Philanthropic dollars are scarce**

Another perspective views philanthropic capacity as constrained. Many of our interviewees suggested that Milwaukee’s wealth is not deep enough to carry multiple capital and annual campaigns simultaneously; we have very generous donors, but we cannot tap the well too deeply and too often or it will run dry; the philanthropic pie is only so big; and loyal donors will come to the rescue in a crisis or for the right capital campaign, but many will be unable to lend sustained support.

According to this perspective, extremely large visionary projects might not have trouble generating sufficient contributions, but those do tend to have downstream effects on other capital campaigns in the community. In fact, one observation of the Calatrava was that it consumed a large slice of the available philanthropic pie for a good six to seven years.

**Philanthropic capacity is elastic**

The truth about philanthropic capacity for arts and culture in Greater Milwaukee likely lies somewhere between unlimited abundance and zero-sum scarcity, evoking again the idea of philanthropic elasticity. From what we heard in our interviews, the potential for philanthropic dollars to materialize depends heavily on timing, leadership, and professional capacity.
Proliferation of nonprofits

“For the arts sector in our community to be strong, there needs to be a certain level of reckoning – what can we sustain and what do we need to let go of?”

The Forum's July 2014 report on nonprofit revenue trends, *Give and You Will Receive,* found that the number of arts and culture nonprofits in the Milwaukee metropolitan area was 232 in 2011, an increase of 147% since 1989. Some arts and culture stakeholders predicted the Great Recession would shift this trend, as they expected some organizations to fold under the economic strain. In fact, the number of arts and culture entities generally followed a steady upward climb from 1989 through 2011. Our key informants raised concerns about this trend, though the viewpoints we heard on this subject were varied and layered.

On the one hand, some believe the nonprofit arts sector has grown at a faster rate than the community’s ability to sustain it with philanthropic dollars, fueling fierce competition for funding. Complementing this view is the perspective that, although many arts organizations make distinct artistic contributions, some are failing or are of low quality and are draining resources from the system.

Another related perspective is that the creative economy in Milwaukee is driven by a relatively few large cornerstone organizations, and that resources should be allocated for depth of support to these few critical entities. The implied recommendation is that the community needs to somehow determine the strongest organizations offering the highest quality in any given art form and efficiently funnel resources toward them.

On the other hand, while acknowledging the challenges intrinsic to meeting the needs of so many entities, some informants noted that what may appear to be duplication actually reflects a richness in Milwaukee’s arts and cultural offerings unmatched in other cities. In other words, one of Greater Milwaukee’s strengths is the breadth of its offerings, which serve a variety of audiences with a wide range of art forms and venues.

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6 This report can be accessed at [http://publicpolicyforum.org/research/give-and-you-will-receive.](http://publicpolicyforum.org/research/give-and-you-will-receive.)
Low endowments

In our conversations with key informants (both funders and nonprofits), the need to expand endowments was brought up repeatedly as an acute need. It was noted that compared to some of the major cultural institutions in other cities, Milwaukee’s major cultural assets are relatively young and, therefore, have not yet built endowment stability through substantial planned estate gifts. There was consensus that without enhanced endowments, some cultural institutions might not survive in the near term. Furthermore, concerns were raised that those that were strong enough to survive only would have the resources to do just that – hindering their ability to build capacity to broaden current donor bases.

These observations are consistent with our findings in *Pulling Back the Curtain*. Five of the six privately-owned arts and cultural organizations we studied were on relatively sound operational financial footing. Yet, each identified enhanced endowments or reserves as a need to help withstand cyclical swings in earned and contributed revenue and to pay for preventive maintenance and minor facility costs.

One of the reasons we characterize low endowments as a threat – rather than an opportunity – is that, for a variety of reasons, endowments are one of the most difficult, costly, and unpredictable aspects of nonprofit work for which to raise money. Donors generally want to see the impact of their giving and, therefore, tend to support direct programming or capital campaigns. And, although planned gifts upon death have been the traditional route for building endowments, many informants feared that such gifts will not be enough to address the dire state of arts and cultural endowments in this community.

Weak internal fundraising capacity

> “Because donors tend to give to fewer organizations in an economic downturn, the best way to guard against fiscal instability is to have a broader base of support – but that requires capacity.”

Several informants observed that many nonprofit arts and cultural organizations lack the necessary infrastructure and human capital (both staffing and expertise), specifically in the areas of general donor cultivation and management, planned giving, and marketing. This is also where the organization’s board of trustees can play a critical role in partnering with the staff to identify and develop relationships with high-potential donor prospects.

Although most organizations understand the benefits of investing in and strategically structuring their development function, they need to be healthy enough fiscally to do so. It was suggested that many have had to scale back in this area in the wake of decreased giving during the recession, and that because donors often are reluctant to contribute to administrative pursuits, they may be finding it difficult to scale back up now.

According to several of our informants, the region’s resource development capacity suffers particularly from weak planned giving shops. According to many with whom we spoke, the opportunity to develop future resources through planned giving is unprecedented. Current retirees started their careers in the 1950s, and since that time, we have seen a level of economic growth and wealth generation that is unlikely to be replicated in the current generation. As noted earlier, many feel that although the younger generation is engaged in philanthropy, it is at a much smaller scale.
than their older counterparts. Consequently, the potential to raise annual money over the next 15 to 20 years will not surpass what is being raised now, and organizations should be setting themselves up to ride the wave of older donor wealth. The Greater Milwaukee Foundation roughly estimates between $840 million and nearly $1 billion in assets will be coming out of estates in the next 20 years or so.

*Narrowing of funder focus away from arts and culture*

A trend toward narrower giving strategies, especially among major corporate donors, was cited as one of the top challenges to arts and cultural providers. Informants suggested that corporations and institutional foundations have shifted their giving priorities away from arts and culture to other causes; and that they are giving to fewer, larger arts and cultural institutions as opposed to broadly supporting the sector as a whole.

Specifically, informants indicated that a number of stalwart arts and culture funders are now shifting away from arts and culture altogether as they dedicate their resources to program areas they view as more fundamental to the region’s critical needs, such as education, neighborhood initiatives, and workforce development. Corporations may be focusing on these areas as a means of bolstering efforts to attract and retain talent, and they also see value in investing directly in the neighborhoods where they are located to develop a talent pipeline from within Greater Milwaukee.

Meanwhile, our informants observe that those major funders who continue to place a high priority on arts and culture increasingly are concentrating their philanthropic support on the largest cornerstone cultural assets that they believe are most crucial to the character of the region and to its ability to attract talent.

*A lack of civic pride and community vision*

“Arts is not a prominent enough part of our identity and priority...The arts here are as good as anywhere. But we still don’t give ourselves a lot of credit.”

A fundamental impediment to the growth and sustainability of Greater Milwaukee’s arts and cultural landscape, according to a number of informants, is a lack of confidence. They expressed a desire to see Milwaukee take more pride in what it already is and has and to use that pride to fuel (and fund) an expansive, unifying vision about what the city could be. One informant articulated the notion of a cyclical relationship between community pride and arts/cultural funding by saying, “You rate your city based on how you support and appreciate your cultural institutions.” Several informants corroborated this idea by citing the permanent psychological boost Milwaukee experienced from the excitement and permanence of building the Calatrava.

Several informants noted the strength of Milwaukee’s arts and cultural offerings by evoking comparisons to other cities, marveling at both the depth and breadth of Milwaukee’s arts and cultural scene and lamenting its failure to promote itself more favorably both at home and to visitors. In fact, one informant observed that Milwaukeeans are more comfortable promoting the city’s culinary options than its artistic ones. These attitudes contributed further to the notion that if Milwaukee took more pride in its vibrant arts/culture scene, its arts and cultural assets would have an easier time competing for both homegrown resources and support from national funders – a dynamic that could help build a natural foundation for long-term sustainability in the sector.
Additional Themes

The following discussion reflects issues that did not fit neatly into a categorization of either threat or opportunity, and that generally evoked differing opinions among our key informants. Each of these themes reveals salient insights, however, that Greater Milwaukee’s arts and culture stakeholders might wish to consider in structuring their own work and in collaborating with others.

Capital needs and campaigns

“Milwaukee’s wealth is not deep enough to carry all capital and annual campaigns at the same time – we have very generous donors, but the well can’t be tapped too deeply in too short a time period.”

Because our past research on arts, culture, recreation, and entertainment assets emphasized capital needs, we asked specific questions to our key informants regarding the capital funding landscape. The Greater Milwaukee Foundation keeps an informal pulse on capital campaigns in the community. A recent status update estimated more than 200 capital campaigns seeking to raise more than $1 million currently underway. Nevertheless, informants acknowledged capital needs as a challenge, but only as one of many, and usually not ranked as a top priority.

Our Pulling Back the Curtain report found that the privately-owned organizations generally have been successful in securing partnerships and philanthropic support for major capital projects, but that their continued ability to tap private fundraising sources will be tested in the future, especially in light of the prospect of several capital campaigns set to launch. The implication was that organizations likely would confront intense competition both against each other and against major County-owned facilities to sustain their growing capital needs. In our conversations, some informants agreed with this sentiment, but some did not.

A common perception was that the competitive environment engendered by simultaneous capital campaigns is just a perennial reality with which they work. While several informants acknowledged that large concurrent campaigns need to be staggered to reach their capacity, they also felt that the donor bases of similar organizations are distinct enough that their capital campaigns tend to have only marginal impact on each other.

There were some informants, however, who were less dismissive of the fiscal challenges posed by the competition for securing resources for capital needs. They pointed out that large or multiple capital campaigns do tangibly divert money from the overall philanthropic pool even after they have concluded. Some also felt that multiple campaigns running concurrently do significantly intensify the competition for donor support.

Several informants also pointed to the issue of timing, noting that it is extremely difficult to run a capital campaign successfully during an economic downturn. This was evident during the Great Recession when many institutions deferred capital maintenance campaigns until the worst of the downturn had passed. Now that it has, the philanthropic community is receiving a decade’s worth of pent-up demand for resources to meet the backlog of capital needs.

These challenges notwithstanding, many informants pointed to the distinct opportunity posed by the need to raise money for capital projects. If they are visionary capital improvements, they tend to
broaden and energize an organization’s donor base, creating renewed and increased commitment for ongoing annual operational support.

**Impact of UPAF support**

The United Performing Arts Fund (UPAF) cropped up as a prominent topic in discussions of both opportunities and threats. UPAF was perceived as serving a vital role in providing ordinary citizens the opportunity to support a selection of institutions from which the entire community benefits. Informants also tended to agree that for some organizations, UPAF support is critical, adding that many would not be able to secure on their own what they receive from UPAF.

Despite these sentiments, some argued that UPAF needs to play a stronger role in helping the performing arts sector with a range of strategic challenges and management practices, as opposed to just fundraising. Examples would be facilitating back office efficiencies and helping to establish common measurement and evaluation practices.

In addition, some opined that UPAF spreads its allocations too broadly, and that it should shift its focus to member groups only, especially since some of them have critical unmet operating and capital needs. Others favored a more drastic change, suggesting that UPAF reduce even the number of member groups so as to prioritize the sustainability of a small number of prominent institutions. Some also suggested that UPAF improve the transparency of its annual allocation process to ensure that organizations can roughly anticipate their allocations from year to year.

Another view held that corporations wishing to simplify and focus their philanthropic strategies are increasingly cutting off direct support to arts and cultural organizations in favor of exclusively contributing to UPAF. In fact, some argued that the presence of UPAF could be inadvertently reducing the overall resources generated from the corporate sector as a whole.

A counter to these critiques was that UPAF makes available most of the data member groups would need to roughly calculate their allocation in a given year. At the same time, those who receive UPAF funds are benefiting from it but should not necessarily count on it from year to year. Corporations appreciate the service it provides in allowing them to centralize their arts and cultural giving and avoid numerous fundraising appeals. According to some with whom we spoke, UPAF beneficiaries could help address the limited amount of funding they receive through UPAF allocations by working to help grow the UPAF pie.

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7 To put UPAF allocations into perspective, it is useful to note how funding is distributed to UPAF member organizations and affiliates. According to UPAF’s 2014 financial audit and 2014 annual report, UPAF allocated a total of $9.1 million to all member groups and affiliates. About $7.3 million (81%) of that amount went to UPAF’s six cornerstone member groups, $1.5 million (17%) went to the remaining nine member groups, and $222,000 (2%) was distributed in competitive grants to 23 affiliate organizations.
The impact of Milwaukee County public support

“When we say ‘arts and culture’, I think of those County institutions, which I have great concern for – how will they survive if the County ultimately cuts them loose...Since it will fall on the private philanthropic community – how much can we do? What would it take?”

As we discussed in Pulling Back the Curtain, county-owned cultural institutions\(^8\) confront “immense” capital and operating needs in the near term that will be difficult for the County to accommodate in light of other fiscal challenges and self-imposed limits on annual bonding. In our interviews, informants expressed varying views of this context and what might be done to address it.

Some see the County’s inability to fully address capital repairs for its facilities as putting those institutions in a difficult predicament given that private philanthropy generally is not willing to support capital maintenance of publicly-owned institutions. They also noted that as critical maintenance is deferred, the cost of addressing it grows and public access can suffer.

Several informants suggested the need for additional public/private partnerships or even a change in ownership to address this issue. But observers see the County itself erecting barriers in various ways to consideration of such partnerships.

Finally, in light of perceived constraints on private philanthropy, some informants have grave concern about how some institutions would survive if the County ultimately does divest from them. One informant cited four ongoing pillars of support for major cultural institutions – public, corporate, foundation, and individual giving – and warned that "if one is pulled out...the building collapses."

Relevance and audience development

On the topic of sustainability for arts and cultural organizations, the concept of relevance surfaced in various forms. For example, some informants felt that by tailoring offerings to the needs and sensibilities of specific demographic groups that are thought to be underrepresented in the patron and/or donor pool, arts and cultural organizations could enhance fund development opportunities.

Another angle on relevance pertained to corporate funders; some argued that cultural institutions would improve their chances of securing corporate support by packaging their fundraising appeals as solutions to corporate needs, objectives, or challenges.

Informants also cited price-sensitivity and the falling share of earned revenue relative to contributed revenue in their budgets as a concern related to maintaining relevance and accessibility. As a way to compete for market share, many are striving for the sweet spot that balances earned revenue from admissions with optimal audience participation.

\(^8\) Milwaukee County-owned cultural institutions include the Charles Allis & Villa Terrace Museums, Milwaukee Art Museum & War Memorial Center, Milwaukee County Historical Society, Milwaukee County Zoo, and Milwaukee Public Museum. The Marcus Center for the Performing Arts was formerly owned by the County, but ownership was recently shifted to the new board that will oversee a new basketball arena and the facilities that formerly comprised the Wisconsin Center District.
A contrasting point of view is that arts and cultural service providers who feel compelled to adjust their offerings to accommodate funder objectives can find themselves veering away from their missions or areas of expertise.

When we probed key informants’ impressions of the potential for generating charitable support for arts and culture from younger generations, the discussion often reverted to audience development. In particular, many felt it was critical to explore the distinctions in how millennials engage as consumers of arts and culture relative to their peers in earlier generations. Effectively responding to those distinctions was deemed critical not only for the sake of patronage and earned revenue, but also as a fund development imperative.

For example, several informants felt that millennials demand arts-going experiences that are fun, interactive, and socially-connected. Rather than getting dressed up to passively attend an evening-long performance, millennials want to stop by pop-up concerts at an outdoor festival, go gallery hopping by bus, or enjoy a beer while watching newly choreographed modern ballet performances in smaller interactive theater spaces. If this trend toward hands-on involvement signals a paradigm shift in the way future generations want to engage with the organizations they support, then traditional donor cultivation models may no longer be relevant, and new models will need to be created.
Conclusion

After considering – in earlier reports – the needs of Greater Milwaukee’s arts and cultural sector and possible public funding models to address them, we endeavored in this report to explore the capacity of private philanthropy to play a similar role. The answer to this guiding research question turns out to be deeply nuanced.

Our review of foundation giving over the 2004-2011 timeframe evoked a negative response. We found that while overall foundation giving in Greater Milwaukee rebounded after the recession, giving to arts and culture did not show the same resilience. We also found that support for capital projects had declined over the timeframe and, perhaps most alarming, that about 60% of all arts and culture foundation giving emanates from only five funders.

Because our most reliable data sets only extended through 2011, we then sought to gain a sense of more recent trends and the future outlook by conducting 25 key informant interviews with stakeholders from both the funder and arts/culture communities. It is here that our research became less conclusive.

On balance, the short answer provided by key informants is that the private philanthropic community does have capacity to cover many of the unmet and future needs in the region’s arts and culture sector. However, our interviewees also suggested that this capacity extends primarily to big, transformational projects and/or to those assets that are deemed most critical to Milwaukee’s aspiration to be considered a "major league" city. That, in turn, raises important questions about how priorities should be established, and how sufficient resources will be generated to address less alluring needs like major maintenance, endowments, and operating needs of lower-profile assets.

Overall, we are left with the following primary observations:

- **Individual giving poses the greatest opportunity for contributed revenue growth for arts and culture.** This observation stems not only from the feeling that there is untapped potential among individual donors, but also by less promising outlooks in corporate and foundation giving as well as uncertainty around giving by younger donors. Unfortunately, individual donors are difficult to locate and costly to engage. Consequently, arts and cultural institutions would be wise to take steps to strengthen their development offices.

- **Private philanthropic dollars will flow to organizations whose leaders articulate both visionary projects and realistic business plans.** Our key informants pointed repeatedly to major arts and cultural projects in Milwaukee that had exceeded fundraising expectations on the strength of effective leadership, as well as other projects that had failed because they lacked such leadership. This suggests that philanthropic dollars are available for the right projects, but also that the right people are equally critical to securing those dollars.

- **Greater Milwaukee is grappling with a deep philosophical divide between depth and breadth of arts and cultural offerings.** On the depth side are those who believe we have more arts and cultural offerings than the community can sustain, and that resources should be focused on ensuring the health and accessibility of large cornerstone institutions. The breadth camp, meanwhile, promotes the existence of a healthy arts and cultural “ecosystem” consisting of a wide variety of providers that serve a diverse range of audiences. Resolving this divide constructively will require civic, cultural, and funding leaders to engage in open, honest discussions about the risks and benefits of either approach, and the potential for various types of collaboration (e.g. sharing of back office functions) to help strike a balance.
• **Inadequate endowments pose a substantial threat to the sustainability of Greater Milwaukee's arts and culture sector.** Echoing a finding from our earlier research, our informants expressed deep concern that few organizations have endowments of sufficient size to carry them through the uncertain nature of both patron and donor support from year to year. One potential solution is for arts and cultural organizations to fortify their internal capacity to secure planned gifts from donors in their estate plans to help build endowments. To gain a better perspective of this issue, additional research may be merited to determine how the endowments of Greater Milwaukee’s major cultural assets compare to those in peer regions.

• **The public sector's role in owning and supporting cultural assets will help determine whether our region possesses sufficient philanthropic capacity.** While most informants cited concern over Milwaukee County's inability to appropriately address the infrastructure needs of its cultural assets, the notion that the County should relinquish its traditional role and transfer ownership to nonprofit organizations was not universally embraced. In fact, many expressed concern about permanently de-stabilizing the important public-private funding balance that has traditionally supported the region's cultural assets. We would observe that in light of the needs identified in our earlier research – as well as our confirmation in this report that private philanthropy is reluctant to fund basic infrastructure needs and that it increasingly will be called upon to support major improvements – some form of continued public financial support will be needed at least for the short term to address existing repair backlogs.

The question asked in the title of this report – *How Much is Enough?* – cannot be answered without considering larger questions about the role we expect arts and cultural assets to play in defining our region's identity and character. The fact that we felt compelled to assess philanthropic capacity is indicative of an underlying uncertainty about the sustainability of the region's current array of arts and cultural assets and organizations. How much is enough to support them will be determined by our collective determination of how many of those assets and organizations we wish to keep, in what condition we would like to keep them, and whether there are improvements we would like to add to maintain Greater Milwaukee's reputation as a metro region whose cultural offerings far outweigh its size and affluence.

We hope this report – when combined with our previous research on public funding options – will help round out and advance that conversation as the region continues to define its social, cultural, and economic aspirations.