Report Brief

How Much Is Enough?

An exploration of philanthropic capacity for arts and culture in Greater Milwaukee

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Impartial research. Informed debate.
In recent years, Greater Milwaukee has been engaged in impassioned debate about the array of arts, cultural, entertainment, and recreational assets that are needed to satisfy the desires of residents, and to maintain or enhance the region’s status as a thriving, "major league" metropolitan area. Whether considering new facilities like an NBA arena, or taking care of older, beloved institutions like the Milwaukee Public Museum and Milwaukee County Zoo, the heart of these discussions has centered on funding – specifically, who will pay for construction, maintenance, and operations, and is there enough demand and community support to sustain these assets in the future?

In two previously published reports, *Pulling Back the Curtain* and *The Show Must Go On?*, the Public Policy Forum identified significant capital and operating needs among arts, cultural, and recreational facilities in the region, and explored potential public funding options to help address them. In this report, we consider the potential role that private philanthropy might play.

The report begins with an analysis of trends in foundation giving to the arts and culture sector in Greater Milwaukee, with a particular eye toward determining the impact of the Great Recession and whether giving totals had rebounded since that time. Because complete data sets for that analysis only took us through 2011, we then used qualitative data from interviews with 25 key informants to explore more recent developments, including identification of emerging challenges that may impede future philanthropic giving and opportunities that might exist to enhance it.

**RECENT TRENDS IN FOUNDATION GIVING IN GREATER MILWAUKEE**

To discern overall giving across the wider private philanthropic sector and to track trends before, during, and after the Great Recession, we used historical data on private and corporate foundation giving in Milwaukee, Ozaukee, Washington, and Waukesha Counties. Because of data limitations, our analysis only extends from 2004 to 2011.

Based on our research, historical trends seem to suggest a number of dynamics likely to influence the future of private philanthropic giving for the region’s arts and cultural assets. The first is that while overall foundation giving in Greater Milwaukee rebounded after the recession (as total assets also grew), giving to the arts and culture sector did not show the same resilience. This is consistent with the perception of many of our key informants. Some attribute this decline to a narrowing of giving priorities, especially among corporate donors, to areas related to education and workforce development.
Our historical analysis also found that the Great Recession seemed to dampen support for capital projects across all giving categories (not just arts and culture), and that the trend continued in the recession's immediate aftermath. Again, this finding did not surprise our key informants, many of whom observed arts and cultural institutions delaying capital and other major fundraising initiatives during the recession. However, this also was felt to pose a future problem, as several institutions now face pressing capital needs and will be approaching the same set of funders to address them.
Finally, our analysis revealed a key vulnerability in the region’s philanthropic support for arts and culture. 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.

**Percentage of arts and culture grants made by top funders, 2004-2011**
The views of Key informants

Our 25 key informant interview sessions captured a breadth of perspectives and organizations that included both funders and funding recipients. We used these interviews to explore the capacity of the region’s philanthropic community to help meet the future needs of the arts and culture sector.

Although the historical data on foundation giving to arts and culture reflects a decline through 2011, key informants as a group believed that overall philanthropic support for the sector is now steady or on the rise. A series of more nuanced observations on specific funding sources also surfaced:

- **Giving by major private foundations is perceived to be flat or slightly up.** Although informants acknowledged only a few major foundations giving substantially to arts and culture, we heard a general consensus that giving by local private foundations has been and is expected to remain relatively stable. Some observed local private foundations 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.** In light of declines in corporate giving to arts/culture and constraints on the assets of private foundations, arts and culture organizations see individual giving as the greatest opportunity to raise unrestricted resources that tend to be sustained over many years (despite the relatively high cost of cultivating these donors).

- **Contributions to the United Performing Arts Fund continue to increase, but individual groups feel volatility.** Between 2011 and 2014, UPAF allocations have risen steadily – by about 20% overall. However, some organizations see 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 are experiencing volatility in grants from the National Endowment for the Arts and other major national funders. Most are seeing a decline in both the number of remaining funders and the amounts of their grants.

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, overall, corporate contributions to the arts and culture sector have been flat (at best) since the recession. Moreover, they expect it to decline going forward. Informants attribute this shift to a recent trend in corporate philanthropy to align giving with business objectives such as education and workforce development-related efforts. The declining number of local CEOs and the rise in international focus of local corporations also contribute to this outlook.

The views of key informants also revealed a series of opportunities, threats, and additional themes that are likely to influence philanthropic capacity now and in the near future. Together, these insights inform our overriding research question: How much is enough?

Opportunities

- **Individual donors.** As echoed above, individual giving poses the greatest opportunity for growth in philanthropic support for arts and culture. Individual giving tends to be less restrictive and more likely to recur year after year than other streams. Also, many believe there is a large source of untapped individual/family wealth in the region, even among existing donors. Some barriers are likely to arise, however. Individual gifts are difficult to locate and costly to extract. In addition, some large long-time donors may be experiencing “donor fatigue,” and giving habits on the part of younger donors do not tend to focus on arts and culture.

- **Clear vision and sound business planning.** A large contingent of our informant pool agreed that visionary leadership and clearly-structured business and management plans are pre-conditions for attracting donor support. This suggests that philanthropic capacity is elastic, and is able to expand or contract depending on how well a given program/project captures donor passion and confidence.

- **Collaboration.** Funders yearn to see collaborative partnerships among arts and culture organizations. Whether in the form of full mergers or programmatic partnerships, such collaborations are seen as an opportunity to stretch giving dollars farther, capitalize on downtown development, and allocate resources where they can do the most good.

- **Messaging.** 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.
Threats

- **Transfer of accumulated wealth.** Informants asserted that the region’s arts and culture sector is built on the accumulated wealth of a high concentration of older donors. The sector’s sustainability hangs, therefore, on an uncertain future – few can predict whether the next generation of donors and community leaders will have the will or ability to replace the long-standing support of the sector’s current major donor base.

- **Proliferation of nonprofits.** Many 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. This perspective illuminates an ideological divide in the region over whether we should be funding for depth (concentrating resources on a few large institutions) or breadth (spreading out funding to support an ecosystem serving a diverse audience).

- **Low endowments.** The need to expand endowments across the sector is acute, with some cultural institutions in danger of folding without substantial growth in their endowments. But endowments are one of the most difficult, costly, and unpredictable aspects of nonprofit work for which to raise money.

- **Weak internal fundraising capacity.** Many arts and cultural organizations lack the necessary staffing and expertise in their development offices to build long-term sustainability. In particular, in order to capitalize on an unprecedented opportunity to raise funds over the next decade or two, many institutions must bolster capacity in general donor cultivation and management, planned giving, and marketing.

- **Narrowing of funder focus away from arts and culture.** As discussed above, several stalwart arts and culture funders increasingly are narrowing their giving to fewer arts and cultural organizations and/or shifting to other priority areas.

- **A lack of civic pride and community vision.** Some informants believe Milwaukee suffers from a collective lack of confidence in what they see as an exceptional array of assets. We heard a desire to see the region take 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.

Additional Themes

- **Capital needs and campaigns.** Some organizations see capital fundraising as a major challenge affecting sustainability, while others place it among many other priorities. Those who downplay its significance tend to see capital campaigns as an opportunity to develop donor relationships. Those who see it as a threat tend to be relatively smaller institutions that feel large campaigns divert substantial resources out of the philanthropic pool.

- **Impact of UPAF support.** Perceptions about the impact of UPAF funding ranged between views that it is a vital vehicle for ordinary citizens to support major cultural institutions and observations that it may be detracting from the willingness of corporations to support individual entities. In addition, there is no consensus on whether UPAF allocations are too widely distributed or too limited to a select few.
The impact of Milwaukee County support. Some informants see Milwaukee County support of cultural institutions as an essential funding component alongside private philanthropic support, while others believe the County's failure to maintain some of its cultural assets calls for some degree of divestment or pursuit of public-private funding models.

Relevance and audience development. Relevance to specific audience demographics, corporate funder objectives, price-points, and community priorities all were cited as potential ways organizations could shore up accessibility and sustainability. Informants cited concerns, however, that organizations striving to be relevant to disparate stakeholder groups might stray from their core missions.

CONCLUSION

Our quantitative and qualitative exploration of factors likely to affect the future of philanthropic giving to Greater Milwaukee's arts and culture sector suggests that there is sufficient capacity to cover major arts and cultural assets and projects, but that future support for lower-profile needs (e.g. maintenance and endowments) and smaller organizations may be lacking. Overall, we conclude with the following observations:

- **Individual giving poses the greatest opportunity for contributed revenue growth for arts and culture**, suggesting a need for arts and cultural institutions to invest in resource development capacity.

- **Private philanthropic dollars will flow to organizations whose leaders articulate both visionary projects and realistic business plans.** Conversely, dollars for important but less inspiring needs such as capital maintenance and general operating support (particularly for smaller organizations) will be harder to come by.

- **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 offerings than the community can sustain, and that resources should be focused on large cornerstone institutions. The breadth camp promotes an arts and cultural “ecosystem” - numerous entities serving a diversity of audiences. Resolving this divide constructively will require open collective discussions about the risks and benefits of either approach.

- **Inadequate endowments pose a substantial threat to the sustainability of Greater Milwaukee's arts and culture sector.** We heard deep concerns 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, suggesting a need to build capacity to secure planned gifts.

- **The public sector's role in owning and supporting cultural assets will help determine whether our region possesses sufficient philanthropic capacity.** Some advocate that the County divest from its cultural holdings to allow them to more easily secure private support, while others fear this could destroy the necessary public-private funding balance that has traditionally supported the region's cultural assets. In light of the magnitude and nature of the region’s existing cultural needs, we observe that some level of continued public financial support, at least for the short term, will be necessary to address maintenance backlogs and the sector as a whole.
The answer to the title of this report – *How Much is Enough?* – inspires larger questions about what role arts and culture should play in the region’s character and identity and what we need to collectively invest to achieve that vision. We hope the body of research we have conducted on both public and private funding dynamics will help advance conversation around these topics and produce a unified collective vision for the region.