

Special Report

THE ECONOMIC DOWNTURN AND LGBTQ GRANTMAKING:

A LOOK TOWARDS 2012



FUNDERS FOR
LGBTQ
ISSUES

Forecasting Our Future One Year Later.

BY SEAN KENNEDY

“It takes a long time to build back up. To me, that has been a really key learning: just how long it takes to regain ground when you’ve lost so much of it.”

Andrew Lane, Executive Director, Johnson Family Foundation

Last summer, amid the recession’s nadir, Masen Davis, executive director of the Transgender Law Center, was in fight-or-flight mode. His organization, founded in 2002, was exactly the type most vulnerable to the downturn’s impact: young, modestly budgeted, and dedicated to vital but easily marginalized work on behalf of a constituency just coming into its own politically. But thanks to an aggressive fundraising effort and some shrewd financial decisions,

2009 turned out to be better than expected for the California legal-services and advocacy group. Davis was even able to bring on a full-time staffer to make sure health-care reform is implemented appropriately for trans people.

“So on paper we did great last year and were able to build some capacity,” Davis said this past July. “Now my concern is, how do we sustain that? And that path is not clear yet. We’re still in an environment that’s hard to predict.”

Indeed, the American economic picture is as unclear as ever. When Funders for LGBTQ Issues released its first report on the recession’s impact

on grantmakers and grantees last year, prognosticators were optimistic that the downturn might be reversing. No more: now the fear is of a “double-dip” recession, or of a recovery that stretches on for years.

The only certainty is that domestic stock markets have largely rebounded from their precipitous declines in 2008. Accordingly, the assets of many LGBTQ foundations are growing again. But those gains haven’t equated to increased grant budgets yet: a Foundation Center survey in April found that giving overall would remain flat in 2010.

That’s definitely the case at the Johnson Family Foundation, where this year’s grant budget (a quarter of which goes to queer causes) will be the same as last year’s—\$3 million. Executive director Andrew Lane expects to remain there for 2011 too.

“My hope is we’re at the low-water mark this year and next year,” Lane says, speaking for many in the LGBTQ giving community. “We had very good investment performance last year and we’ve had very good investment performance this year to date, but we went from being a \$90 million foundation to being a \$70 million foundation” at the recession’s darkest hour. “It takes a long time to build back up. To me, that has been a really key learning: just how long it takes to regain ground when you’ve lost so much of it.”

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One grantmaker that’s already seen its endowment fully recover is the Seattle-based Pride Foundation, which reached the milestone in March. (It helped that the endowment declined a relatively modest 18%.) Executive director Audrey Haberman says she’s “thrilled” by the turnaround, but even so, she’s keeping her grant budget for fiscal year 2010-2011 the same as last year’s at roughly \$1 million (minus \$200,000 from a one-time pass-through bequest). But that figure represents a 30% increase over fiscal year 2008-2009—Haberman wanted to “step up” to the recessionary

a strategic-planning process.) But there’s still a hiring freeze in place for new positions, and major donors are still reducing their gifts.

“I just talked to somebody today and they normally give us between \$12,000-\$15,000 this time of year and they’re only going to be able to do \$6,000,” executive director Katherine Acey said in mid-June. “Some of them are saying this is maybe all they can do for the next several years.”

On the grantee side, the Transgender Law Center is seeing individual donors return after most of them (especially those giving more than \$1,000) disappeared

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Audrey Haberman, Executive Director, Pride Foundation

challenge—and the Pride Foundation raised its payout to 6% of assets to achieve it. Now it’s back to 5%.

Nevertheless, Haberman is keenly aware that Pride Foundation is bucking the trend, both in the grant-making community overall and the LGBTQ sector. “This year in some ways is going to be harder than last year, just because other foundations are definitely feeling it,” she says. “We’re definitely seeing more non-profits folding or thinking about folding than we were last year. We totally recognize that just because we’re doing okay, not only are we not out of the woods, but the need seems to be even more intense this year.”

Another public foundation, Astraea, has also seen a return to a previous high: for fiscal year 2010-2011, the grant budget will be the same as its 2008-2009 outlay of \$2.2 million, after a dip of \$400,000 last year. (Part of the fall-off was due to time and resources devoted to

at the height of the recession. And Davis is keen to grow that base of contributors: at the beginning of 2010 he hired a development manager to spearhead new-donor prospecting on a much bigger scale than before. “We know we’ve got to become less dependent on foundations over time,” Davis says.

However, he’d like to see foundations provide more development-specific funds. Aside from \$10,000 earmarked from a multi-year program grant, Davis had to finance the new position with general operating support money. Consequently, he says, “We went for a more entry-level position because that’s what we were able to afford at this time.” A better option: a one-time 18-month grant to support a higher-skilled development veteran.

“It takes a little time for somebody to start covering their salary,” Davis says, “but that would be an incredible investment that could pay off for a really long time.”

Collaborating for maximum impact

One idea that's taken on increased importance among foundation leaders is collaborating more with each other. As Astraea's Acey puts it: "We're looking outside of ourselves, not just to other public foundations with similar missions or constituencies" but to progressive funds broadly.

Pooling dollars with other donors is a tactic the Johnson Family Foundation has only ramped up in the midst of the current economic climate, says Andrew Lane: "As a relatively smaller LGBT funder, we can have much greater leverage to the degree that we're providing funds that are in the mix with much bigger players like Gill, Arcus, or Haas." He adds that

the Center for American Progress, the NAACP, and La Raza, among other heavyweights. "We need everybody—everybody—rowing in the same direction."

A self-described optimist, Sweeney believes the American public is going in the same direction, "which is to be embracing and affirming of LGBT equality." He points to several achievements in that vein since President Obama took office, particularly at the federal level: the Labor Department's June ruling that same-sex partners are entitled to time off to care for a child under the Family and Medical Leave Act; the Justice Department's April dictate that same-sex partners were covered by the Violence Against Women Act;

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GREATER COLLABORATION CAN ALSO BE SEEN IN TERMS OF LGBTQ POLICY ADVANCEMENT, AS OUTSIDE GROUPS CONTINUE TO HELP THE MOVEMENT FIGHT FOR GAINS IN A FRIENDLIER NATIONAL-POLITICAL CLIMATE.

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such unity of purpose has become a bigger factor in deciding which nonprofits to fund. Despite the risks of "groupthink and herd mentality, which certainly happens in this field from time to time, I want to see my fellow funders at the table. Our biggest grants aren't enough to sustain any national group."

Greater collaboration can also be seen in terms of LGBTQ policy advancement, as outside groups continue to help the movement fight for gains in a friendlier national-political climate. "Non-gay allies have really stepped up to the plate to help us in ways that we've never seen before," Tim Sweeney, president of the Gill Foundation, says, naming the American Society for Aging, AARP,

the creation last fall of a national resource center for LGBT elders at the Department of Health and Human Services (a move backed by AARP).

Sweeney's also encouraged by gains at the state level, like the New York senate's passage of the Dignity for All Students Act on June 22. That meant the anti-bullying-and-discrimination bill, 12 years in the making, was finally headed to the governor's desk, complete with transgender protections. (Governor Paterson is expected to sign it into law.)

In light of victories like this, Sweeney says, "We're continuing to be very bullish about the opportunities that are out there."

Another look at spending down

Gill is also being very aggressive in its payout rate, which it raised to 8.5% in 2009 and which currently stands at a little over 8%, with the possibility of rising to 8.3% next year. That's sky high for foundations, which need only pay out 5% of assets, but Tim Gill wanted to keep grant dollars level during the downturn to seize the evident opportunities, despite his foundation's assets declining by some 30%. Fortunately they're back up to around \$240 million—but that's still far off their peak of \$310 million.

"And this last month was not a good month—the assets dropped," Sweeney says, referring to May. "There's so many

from the previous year. So rather than cut grant dollars to maintain staff, executive director Jane Schwartz and the board decided last summer to raise its payout rate and cease operations in 2014. That means more than doubling the foundation's annual giving: from \$535,000 for fiscal year 2009-2010 to about \$1.2 million for each of the next four.

Though many in the giving community believe it's important for a benefactor's foundation to live on in perpetuity, "we just thought that what would be most helpful to the community was as large an infusion of cash as possible during the actual recession," Schwartz says. And while the decision to spend down was reached after a strategic review and needs assessment, Schwartz—who knew Rapoport personally—says that

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Jane Schwartz, Executive Director, Paul Rapoport Foundation

uncertainties about the world's economy and where that's going to go and what kind of rebound we're on and how sustainable it is."

Nevertheless, its asset base is still sizable, so Gill intends to keep its grantmaking as high as possible—even if that amounts to a spend down. "When you're looking at three years in a row of 8%-plus, we're obviously spending down, but there's been no decision about a longer term spend-down," Sweeney says. "We're just kind of taking it with a three-year window."

One grantmaker that is officially spending down is the Paul Rapoport Foundation. Created in 1987 upon its namesake's death with start-up assets of some \$8 million, the private grantmaker found itself back at that number in 2009 after assets dropped about 20%

he wouldn't have been "radically opposed" to the idea. "Who's to know, but I think he would've wanted to use his money in the most effective way."

But what happens to Rapoport's grantees when the foundation closes shop? Schwartz says she's requiring groups to provide sustainability plans to show how they're going to replace Rapoport money—and that some have already asked for funds to hire a development director or to implement a new database to upgrade their gifts program.

"Nonprofits have such a hard time meeting their current budgets that looking forward is not so easy," Schwartz says. "But the ones that survive are the ones that put some kind of development plan in place."

Indeed, the directors of nonprofits in under-resourced fields of the movement, such as groups serving trans or people of color, say they're being asked to choose development dollars at the expense of vital general operating or program support. "It doesn't work to have money for a development person or to create a sustainability plan when the group doesn't even have funding to maintain their operations on a day-to-day basis," says Kris Hayashi of the Audre Lorde Project.

Moreover, Hayashi says, ALP and other organizations already engage in sustainability planning precisely because they're at a funding disadvantage: "We have to in order to survive, because we're not receiving resources at the same level as other groups. We can't rely on a continual stream of foundation funding."

After all, that ALP is still here after the devastating downturn is proof that Hayashi and his colleagues know what it takes to sustain their organization over the long term.

A full recovery in 2012?

At the Transgender Law Center, it'll take a few years to reap the rewards of its new development focus. In the meantime, the lingering economic pressure has been lightened by several multi-year grants. "A couple of foundations haven't been able to increase our grant size, but they've made two-year grants, so we're able to predict a little more what our 2011 will look like," Davis says.

As for foundations that haven't funded TLC before, Davis notes, "the trend of not considering new applicants continues to hold." Of course, without new foundation resources, it'll be harder for the group to maintain its higher capacity—and to preserve and build upon recent transgender-rights advances. "We're in a place where

we're either going to continue to press or we're going to have things roll back," he says, adding: "We need more foundation support than we currently see invested in the transgender part of the movement."

As a grantmaker, Andrew Lane of the Johnson Family Foundation definitely understands Davis's dilemma, having had numerous conversations over the last year with prospective grantees. "I met with a group last summer that I think is doing good work and that might be a good fit for our focus on youth and schools," Lane says, "and the executive director asked, 'When can we think about approaching you?' I had to say, 'How about summer 2012?' Because that's the first daylight I'm seeing."



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Kris Hayashi, Audre Lorde Project



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Learn more about Funders for LGBTQ Issues and access a range of resources for both grantmakers and grantseekers, including: searchable, online directories of LGBTQ grantmakers and organizations nationwide; research reports on foundation giving in the U.S. and globally; and various job postings, news events and other resources related to LGBTQ philanthropy.

Funders for LGBTQ Issues seeks to mobilize philanthropic resources that enhance the well-being of lesbian, gay, bisexual, transgender and queer communities, create equity and advance racial, economic and gender justice.

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