

# Special 1 Report

## THE ECONOMIC DOWNTURN AND LGBTQ GRANTMAKING



Funders for  
Lesbian  
and  
Gay  
Issues

# Forecasting Our Future

BY SEAN KENNEDY

As the economic storm strikes the philanthropic sector, lesbian, gay, bisexual, transgender and queer (LGBTQ) organizations—and their funders—brace for 2010. How are foundations responding?

## Funders for Lesbian and Gay Issues investigates.

**T**ALK OF ECONOMIC “GREEN SHOOTS” MAY BE GRABBING HEADLINES THESE DAYS, but that’s hardly a consolation to the staff of the Transgender Law Center. The San Francisco advocacy group and legal-services provider has been buffeted from all sides during the recession: Individual donors giving more than \$1,000 declined from about 20 in 2007 to just three last year, says executive director Masen Davis. Foundations aren’t taking grant proposals from organizations they haven’t previously funded. The California budget crisis forced cuts to HIV/AIDS monies, some of which, Davis says, supports trans work. And the fight against Proposition 8 soaked up a lot of dollars that otherwise might have been spent in different ways.

“We saw a lot of donors cut back the amount they were giving to us or stopped giving altogether,” Davis says in mid-June. “Especially for those who are not transgender, transgender issues came off of the table, at least temporarily.”

Despite the pressures, the Transgender Law Center is holding its own so far in 2009. But finances are so tight that if the group doesn’t get a single anticipated grant, it won’t meet its budget for the year. And if that happens? “We’re going to have to make some hard choices,” says Davis.

Chief among them: How to balance the center’s work on health care and employment policy at a time of such political opportunity with its direct legal assistance to some 1,000 people a year. “Do we say no to a transgender asylum seeker who’s been tortured in his home country? Do we stop helping high

school students being harassed in the locker room because of their gender identity?” Davis asks. “Those are calls nobody should have to make and yet all our organizations are struggling with this right now because the resources just aren’t there.”

The Transgender Law Center is representative of dozens of small local LGBTQ organizations that have sprung up since the last economic downturn in 2000-2001. Founded in 2002, the group runs on a \$500,000 annual budget, with no endowment or rainy-day fund to speak of. And yet the work the center does is vital to the advancement of transgender rights in California. If it were to go under, a major blow would be struck to the cause. Already there’ve been casualties: at least four groups for LGBTQ youth have shut down since the end of 2008, including: Gay and Lesbian Adolescent Social Services in Los Angeles; New Hampshire’s Seacoast Outright; A Rainbow Place in Reno, Nevada; and Gay Associated Youth in Palm Desert, CA. And big national organizations haven’t been spared either, like the Human Rights Campaign, which laid off 13 staffers, or 9% of its workforce, in May.



**ONLY 9% OF THE \$77 MILLION FOUNDATION DOLLARS AWARDED IN 2007 TO LGBTQ COMMUNITIES WENT TO ORGANIZATIONS EXPLICITLY SERVING TRANSGENDER AND GENDER NON-CONFORMING PEOPLE.**

Source: Funders for Lesbian and Gay Issues, *LGBTQ Grantmaking by U.S. Foundations (2007)*

**THE LOSSES SPEAK TO A FEAR OF MANY IN THE LGBTQ MOVEMENT TODAY: THAT AFTER A SEASON OF HIGH-PROFILE VICTORIES AROUND THE COUNTRY, HIGHLIGHTED BY THREE STATES PASSING MARRIAGE EQUALITY, AND WITH CULTURAL MOMENTUM (AND A CHANGE-ORIENTED PRESIDENTIAL ADMINISTRATION) SEEMINGLY ON OUR SIDE, WILL THE ONGOING STRUGGLE FOR LGBTQ RIGHTS BE HINDERED BY A LACK OF CAPITAL?**

A February 2009 survey of LGBTQ groups by the Movement Advancement Project illustrated the reasons for concern: 56% of the organizations didn’t meet their budget projections for the second half of 2008, and pluralities saw their revenue decrease from individual, corporate and foundation giving over the same period in 2007.

But on the foundation side, at least, the picture is less bleak. Though some large LGBTQ funders have announced cuts in giving—the Gill Foundation had to reduce its 2009 grant budget by 10% after assets dropped by 30% in 2008, and the Evelyn and Walter Haas, Jr. Fund will be giving \$2.5 million less in 2010 after a similar decline in assets—others are holding the line. Indeed, those foundations that are in better fiscal shape may feel an extra need to pick up the funding slack.

“Our endowment is down but not as far down as others,” says Cindy Rizzo, director of grantmaking for the Arcus Foundation, where the grant budget

remains level year over year. “So we felt a sense of duty, really, to be more responsive to the grant-seeking community during this time when so many other funders are unable to come through.”

## Foundations problem-solve in 2009 as 2010 looms

The Astraea Lesbian Foundation for Justice, a public foundation, has also kept its grant budget steady so far—but that achievement hasn’t come without costs. With a small endowment, the organization relies on grants from other foundations as well as on gifts from a broad range of individual donors, and all three revenue streams have suffered during the recession. To help make up for the losses, the foundation hasn’t made any new hires nor given pay increases; it’s also lowered the percentage it kicks in for employee pensions.

“Our budget is already lean and mean,” says executive director Katherine Acey, who has weathered several downturns in her 22-year tenure as head of Astraea. But the current economic climate is forcing the foundation to “refocus, make priorities, and really streamline our work wherever possible.”

When she spoke in mid-June, Astraea’s fiscal year had just ended and she and the staff and board were concluding planning for the new fiscal year. While Acey hopes to keep the grant budget level again, she also expects the coming year to be more challenging than the last.

Another public foundation, the Seattle-based Pride Foundation, has responded to the recession in similar fashion. In 2008, the group, which funds in four states in addition to Washington, saw its number of individual donors fall by 10% from the year before; revenue from individual giving also fell by 10%. To make up for the shortfall, the foundation declined to fill an open position, executive director Audrey Haberman says, and made one-and-a-half staff reductions. It also dipped further into its endowment this year, taking 6% instead of the 5% it normally does.

Altogether, Pride Foundation is giving \$250,000 more in grants in 2009 than in 2008, for a total outlay of \$2.2 million. “Part of our thinking was that if we stepped up, maybe it would inspire others to feel like they could too,” Haberman says. “Not that they should, but that they could.”



**OF ALL GRANTS AWARDED BY U.S. FOUNDATIONS TO LGBTQ ISSUES IN 2007 CAME FROM PUBLIC AND COMMUNITY FOUNDATIONS.**

Source: Funders for Lesbian and Gay Issues, *LGBTQ Grantmaking by U.S. Foundations (2007)*

The economy’s continuing ups and downs, however, give pause. Based on Haberman’s conversations with donors so far, those giving \$5,000 and above all expect to maintain their gifts this year, but “I can feel a little nervousness about that,” she says. “I think everyone’s going to wait and see what it’s like in October and November. Are we just going to be bouncing around like this for awhile? Are we on the way up or is there another down happening? No one wants to commit until they know.”

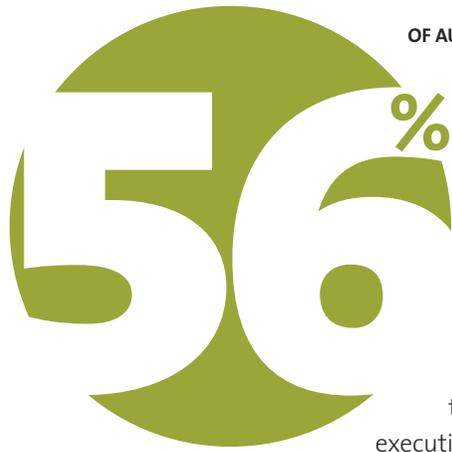
Andrew Lane, executive director of the Johnson Family Foundation, which funds LGBTQ initiatives in addition to environmental and place-based projects in various states, certainly predicts gloomier times ahead for his organization. Though 2009 “is not as terrible for us as it is for many of our colleagues,” he says, “2010 is looking like we’re going to fall off a bit of a cliff.” From 2007 to 2008, the foundation’s assets dropped some 28%, from about \$90 million to approximately \$70 million; consequently, the total grant budget for 2009 slipped to \$3.4 million from \$3.6 million in 2008. But because JFF’s assets are still down, Lane predicts the grant budget for 2010 could go as low as \$2.8 million—“a huge decrease,” he says.

**BUT DESPITE THOSE LOSSES, THERE’S GOOD NEWS FOR MANY OF THE LGBTQ GROUPS THAT JFF FUNDS: AS PART OF A RESTRUCTURING UNDERTAKEN THIS YEAR, LGBTQ CAUSES NOW ACCOUNT FOR FULLY 25% OF THE FOUNDATION’S GRANT BUDGET. THAT MEANS FUNDING FOR LGBTQ GROUPS HAS ACTUALLY INCREASED IN 2009—TO \$770,000—RELATIVE TO PREVIOUS YEARS.**

At the same time, however, JFF has also restructured the types of LGBTQ groups it funds into four areas: youth, mental health, movement building, and what Lane calls “advancing the field.” As a result, some of the foundation’s longtime grantees will have to be managed out of the portfolio, an unfortunate outcome that’s being handled as sensitively as possible.

At Arcus, grantmaking director Rizzo approved emergency measures last January to help grantees make it through the downturn. The guidelines include accelerating multi-year payments if necessary, or allowing more of a grant to go to general operating support versus specific program support. In one case, a Michigan group’s \$50,000 grant from General Motors wasn’t renewed, so Arcus stepped in with an expedited grant.

Like Astraea, Pride, and JFF, Arcus hasn’t offered specific advice to its grantees on how to effectively weather a recession, but it remains a goal for the future, along with providing general management aid. “We’re trying to build a number of small organizations up,” Rizzo says, “so the need to have some kind of strategy around technical assistance provision is really important to us.” (Haberman is entertaining the idea of bringing Pride Foundation grantees together to share information about how they’re weathering the economic storm.)



**56% OF AUTONOMOUS LGBTQ PEOPLE OF COLOR ORGANIZATIONS IN THE U.S. REPORT NOT RECEIVING ANY FOUNDATION FUNDING FOR THEIR CURRENT ANNUAL INCOMES.**

Source: Funders for Lesbian and Gay Issues, *Building Communities: Autonomous LGBTQ People of Color Organizations in the U.S. (2007)*

After seeing its assets drop significantly in 2008, the Gill Foundation took a number of steps, starting with raising its payout rate to 8.5%. “Tim Gill’s basic response to both the political opportunities for LGBT people and the economy was, when others are timid, be bold,” executive director Tim Sweeney says.

In order to preserve funding for more vulnerable grantees, Gill reduced grants for established, financially stable organizations: ones with a reserve fund, access to bank loans, and reliable donor base. The foundation also made a point of increasing funding to people of color and transgender issues, “which we think are so critical,” Sweeney says. And they’ve offered an increased number of matching grants, to entice new individual, corporate and institutional donors to support Gill’s organizations—a strategy that appears to be working.

“We’re just taking it a year at a time,” Sweeney says. Though Gill’s assets are already up 10% in 2009 and “we’re hopeful that maybe we’ve been through the worst of it,” he still urges caution. Since the effects of a recession can persist into the recovery phase, Sweeney has been advising organizations to plan on a 10-15% decrease in funding through 2010.

## ‘Social movements can’t wait sometimes.’

To be sure, foundation giving typically makes up a small portion of any non-profit’s total revenue: about 10% for the nonprofit sector at large, according to the group Giving USA. But when individual giving, not to mention corporate, is down, that percentage becomes all the more important—and fortunately, foundation giving “tends to lag broader trends in the market,” says Steven Lawrence, senior director of research for the Foundation Center in New York City. “It doesn’t go up as fast, it doesn’t go down as fast, and variations aren’t as extreme.” During the last recession in early 2000s, for instance, foundation assets declined by about 16%, Lawrence says, while giving only dropped by 4%. He expects to see a similar ratio with regards to the current downturn.

**STILL, U.S. FOUNDATIONS LOST 22% OF THEIR ASSETS IN 2008, OR NEARLY \$150 BILLION, LAWRENCE SAYS. IT’S GOING TO TAKE A LONG TIME TO RECOVER THOSE LOSSES—MAYBE A DECADE OR LONGER, HE ADDS.**

Given that long-term picture, financing the LGBTQ movement’s goals, not to mention shoring up recent gains, will likely remain a challenge. “We’re not the

only funders,” the Arcus Foundation’s Rizzo says. “If our traditional partners can’t participate to the extent that they have in the past, that’s going to certainly hamper efforts of ours and others to achieve policy gain.”

She points to a burgeoning referendum effort in Maine to undo marriage equality in the state, and to the debate in California about whether to move forward with a 2010 referendum to repeal Proposition 8 there. Both fights would primarily rely on individual donations, since (c)3 foundations like Arcus are barred by law from participating. “There’s going to be a need for people to give, and the question is, Will they?”

Rizzo and the rest of the LGBTQ funding community are certainly hoping they will. At the Gill Foundation’s OutGiving conference in March, Tim Gill delivered one message above all others to the 52 major individual and institutional donors assembled: Now is the time to step up and spend.

“In spite of the recession, we have some of the greatest opportunities for advancement that we’ve had in well over a decade,” Tim Sweeney says. “Social movements can’t wait sometimes.”

## Optimism as the storm settles

Meanwhile, the Transgender Law Center is doing the best it can under the circumstances. “Right now we’re holding our own,” Masen Davis says, but that’s largely because he’s sought to diversify the center’s programming strategies, with an emphasis on doing more national work, like helping to pass the Employment Non-Discrimination Act. The broader focus means access to grants from funders outside of California at a time when the state’s resources are limited.

But it’s one thing just to stay afloat—at this point in its development, the center “really should be growing,” Davis says. “The needs for transgender advocacy, the opportunities as far as enforcing the law, have just grown exponentially over the last few years.”

In order to start expanding, though, Davis and his team have to get through this year and the next. “Everything I’m reading leads me to believe that 2010 is going to be a more difficult funding environment, so we’re being as fiscally conservative as we can and reducing spending in anticipation.” And by 2011? “Hopefully we’ll be in a position to ramp back up and grow.”

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**The mission of Funders for Lesbian and Gay Issues is to seek equality and rights for lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals and communities by mobilizing philanthropic resources that advance racial, economic and gender justice.**

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