"The System Has Never Worked Well." An Arts Grantmaker Seeks New Funding Models

Mike Scutari

THE TEAM AT EAST BAY PERMANENT REAL ESTATE COOPERATIVE, A GRANTEE OF AMBITIOUS. (PICTURED FROM LEFT TO RIGHT, TOP TO BOTTOM: MARISSA ASHKAR, NONI SESSION, SHIRA SHAHAM, GREGORY JACKSON, OJAN MOBEDSHAHI.) PHOTO COURTESY OF SUSTAINABLE ECONOMIES LAW CENTER, SHARED COURTESY OF CENTER FOR CULTURAL INNOVATION

In a recent piece on the impending "Great Cultural Depression," the *New York Times*' Patricia Cohen cited National Endowment for the Arts data that found, during the quarter ending in September, 52% of actors, 55% of dancers and 27% of musicians were out of work. In contrast, the overall unemployment rate averaged 8.5%.

The statistic suggests that while philanthropy stepped up to provide emergency support in the early days of the pandemic, artists find themselves grappling with challenges that loomed long before COVID struck—high debt, few assets, little credit, unpredictable income and a lack of access to employer-conferred benefits and protections like family leave, health coverage and retirement benefits.

"One of the assumptions we have behind our work is that the nonprofit art system has never actually worked well for individual artists," said Angie Kim, president and CEO of the Los Angeles-based Center for Cultural Innovation (CCI). Kim also heads AmbitioUS, a national pooled funding program started by CCI that invests in alternative economic models for communities seeking "financial self-determination in order to preserve and support their cultural identity and artistic expressions on their own terms."

This work involves encouraging funders to look beyond project-based support for 501(c)(3) organizations and provide "those who've been marginalized and excluded from existing conventional systems of support" with more equitable access to capital, debt reduction, and asset and wealth building.

It's a tough ask, as it requires funders to come to terms with their unwitting complicity in leaving artists vulnerable to the shocks of 2020. But Kim argues that the prevailing framework's limitations leave them no choice.

"The 501(c)(3) system depends on well-functioning safety nets, which, COVID-19 clearly demonstrated, have been failing," she said. "The nonprofit sector is a kind of private market that was not meant to cover the basics—its work is too fragmented and project-based to do so fairly across the country."

Consequently, Kim told me, "solutions to current and pressing problems of climate, rising inequality, increasing shelter and food insecurity, are not going to come from this sector."

An advocate for artists

The CCI was founded in 2001 as a 501(c)(3) nonprofit with a mission of promoting knowledge sharing, networking and financial independence for individuals in the arts. Kim became president and CEO in 2015. Four years later, the CCI launched AmbitioUS to act as an "experiment arm of the philanthropic sector" by encouraging foundations to shift capital and ownership toward artists.

AmbitoUS's work has three components: network, investments and knowledge. Its network consists of allies, grantees, staff and funders, which include the

Andrew W. Mellon Foundation, the Doris Duke Charitable Foundation, Kresge Foundation, Surdna Foundation and the Hewlett Foundation.

Its investments focus on two types of grantees: "Trailblazers of alternative economy models that are based on relationships and well being, not on economic growth and maximizing profit," and "artists who are experimenting with more financially supportive models." The third component, knowledge, is a clearinghouse of information exploring activities that intersect with the initiative's mission.

"Feeding the beast"

For over two decades, CCI has been an outlier in an arts ecosystem where funders primarily focused on "feeding the beast of nonprofit arts organizations," Kim said, all the while reinforcing a system that exploits and underpays artists. Why?

For starters, if funders want to give money to individuals, they have to jump through a separate set of complex IRS hoops. As a result, "all private institutional funders have what I consider to be pretty conservative legal guidance that discourages or exerts a cooling effect on supporting individuals," Kim said.

On a more pragmatic level, foundations don't want to assume the costs associated with vetting thousands of individual applications, especially when they can fund intermediaries and regrantors to do the legwork.

Yet this strategy comes with its own set of limitations. "Once that money goes from an institutional funder through an intermediary to, say, a presenting organization to pay for the production, too often, the amount that goes to the artist is not commensurate to the kind of cost that is entailed to create that artistic production," Kim said. "No presenting organization is saying, 'We're willing to pay the full cost of what it costs the artists to put this work together.'"

A coalition of BIPOC theater professionals alluded to this dynamic in its open letter calling for change across the field, titled "We See You, White American Theatre." The group's demands include that theaters must eliminate the six-day rehearsal week and "10 out of 12" rehearsals—a practice that generally saw actors called to start rehearsal at noon, then released from rehearsal at midnight, with a two-hour dinner break in between.

This demand drives home the fact that actors' paychecks rarely reflect what Kim calls the full cost of a production, which can include grueling 12-hour workdays. "The nonprofit and philanthropic sector suffers from trickle-down economics wherein people at community levels receive too few benefits commensurate to the tax subsidization afforded these businesses," she said.

"We're looking for alternatives"

It's important to remember that the issue here isn't necessarily the scale of funders' support for individual artists as much as the approach to giving, which usually assumes two forms within the current system.

Funding most commonly makes its way to artists indirectly via grants that allow organizations to stage performances, while direct support allows artists to cover rent, pay down student loan debt and buy groceries. While both types of funding are critical to the health of the larger arts ecosystem, neither approach fundamentally alters or strengthens artists' underlying support systems.

When Kim took the helm at CCI five years ago, her team's first order of business was examining this problem. They discovered that artists faced conditions similar to other workers, like crushing student loan debt and a lack of legal protections for 1099 contractors. Kim and her team also identified new kinds of opportunities outside the purview of 501(c)(3)s, like collectives and cooperatives.

Kim elaborated on this strategy in a Medium piece during the early days of the pandemic. "Food banks, recidivism programs and labor-rights advocacy work are examples of what the 501(c)(3) structure does best—use a problem-focused approach to fix an issue in our systems," she wrote. "For systems change, however, we need to build new infrastructure, types of enterprises and new rules and regulations; all of which requires involving *and* expanding beyond 501(c)(3) efforts."

In our chat, Kim reinforced her desire to sit outside of—rather than replace—the prevailing nonprofit model with new approaches. "We're looking for alternatives," she said.

"Existential threats" to cultural diversity

A look at AmbitioUS's grantees provides grantmakers with a long list of alternatives to the conventional arts organization.

Examples include the Boston Ujima Project, which is raising capital for a democratically controlled investment fund that will finance small businesses, real estate and infrastructure projects in the city, and RUNWAY, an Alabama-based nonprofit that addresses the lack of financial resources that Black creative entrepreneurs face in trying to run successful small businesses.

To be fair, some funders may not want to divert critical funding away from their besieged grantees during a pandemic. But there are other ways they can catalyze what Kim calls "system-level intervention."

Last September, Kim published a piece as part of the Ford Foundation's Creative Futures, a series of "provocations" by leaders on how to reimagine their sectors. "The combination of owning real assets and having governance authority shifts power," she wrote, encouraging foundations to "fund cultural communities to own property." If arts philanthropy wants "to get real about solidarity," Kim wrote, "then putting up one's assets is an example of what it looks like."

Kim's suggestion comes at a time when the country is facing "existential threats" to cultural diversity. Funders can stick with business as usual, Kim told me, but they'll only end up "spending a lot of money on diminishing returns by, for example, funding projects that help families 'thrive,' but, by avoiding policies and funding to help families afford ownership of property assets, will ultimately lose the gentrification battle."

Funders, Kim said, "are bemoaning the fact that their cultural communities—the very people that are core to creating vitality and diversity in the community—are leaving, but they aren't recalibrating their focus or approach enough to do anything about it."

Critics will cite funders' failure to get out in front of issues like gentrification as another example of philanthropy's ingrained conservatism and reactivity—but that's precisely how the system was designed to operate. "The entire nonprofit sector right now is built on filling gaps, fixing problems, and plugging holes in the conventional system," Kim said. "But if the system is itself unequal and unfair, then it's necessary to try and get outside the conventional system altogether."

One outfit working outside the system is the East Bay Permanent Real Estate Cooperative. An AmbitoUS grantee, the cooperative is taking land and property in Oakland off the speculative market in order to put ownership in the hands of African American community members.

Obstacles and opportunities

In 2020, arts funders put equity front and center in their grantmaking by increasing funding for BIPOC organizations, simplifying the application process and uncoupling grant amounts from applicants' budget size. Kim argues that such "diversity and inclusion work" still means funders are operating within the conventional organization-centric model, which pits nonprofits against each other in a bid to secure finite capital, while making only incremental progress toward systems-level intervention.

"You can do diversity work, inclusion work," Kim said, "but equity means having skin in the game. It means sharing. And I don't see a lot of sharing happening."

Moreover, the organizations that are implementing alternative infrastructures that are led, owned and benefiting Black, brown, and Indigenous populations are not getting substantial support from equity-minded foundations because they don't look like 501(c)(3)s, she says.

Fortunately, Kim has reasons to be optimistic. First, she and her team no longer have to make the case to funders that artists and other 1099 contractors lack sufficient workplace protections. As depressing as it sounds, this constitutes progress.

Nor are these challenges limited to artists. If funders can solve structural problems for actors, dancers and musicians, it's a good lens for supporting millions of other workers navigating the gig economy. For instance, a consortium of European countries launched the SMart EU, a cooperative to provide contractor artists with legal backing to collect payment from nonpayers. The initiative was subsequently expanded to other labor sectors. Last year, AmbitoUS awarded a grant to help the U.S. Federation of Worker Cooperatives create a similar platform-based cooperative in the states.

"A restlessness for change"

Most importantly, Kim has sensed a noticeable shift in funder thinking over the past 10 months. The last year forced foundation leaders to acknowledge that the status quo hasn't worked and existing models are ill-equipped to address coming demographic shifts, the further expansion of the gig economy, or the intensifying lobbying efforts of deep-pocketed gig-economy companies.

Case in point: On January 6, the Trump administration's Labor Department issued a rule that would make it more difficult for a gig worker to be counted as an employee under federal law. "That means those workers wouldn't be covered by federal minimum-wage and overtime laws, and they could be responsible for paying the employer portion of Social Security taxes," wrote *the Wall Street Journal*'s Eric Morath.

Arts leaders, Kim told me, ultimately need to ask themselves, "Am I going to put everything I have into helping *this* system, or am I going to try to look for ways to be part of the change that's needed, which might include not working in this system?"

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