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LGBT Groups Face Uncertain Financial Times

About 35 LGBT leaders met in Washington, D.C., to discuss how they can conserve resources and still advance the movement during an economic downturn.

By Kerry Eleveld
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Amid the economic downturn and strained budgets nationwide, LGBT movement leaders representing about 35 organizations assembled in Washington two weeks ago to discuss a number of options that might ultimately save them money.

"The goals in my view were very simple," said Jennifer Chrisler, executive director of the Family Equality Council. "It was to open a dialogue for folks to think creatively about the ways in which we could work more efficiently and collaboratively for maximum benefit to the movement."

The groups ranged from some of the movement's largest, such as the Human Rights Campaign and the **National Gay and Lesbian Task Force**, to midsize organizations, like the Gay and Lesbian Victory Fund and the Family Equality Council, to smaller shops, such as the National Black Justice Coalition and the National Center for Transgender Equality.

According to participants, a wide variety of alternatives were presented by a facilitator, ranging from sharing the costs of administrative items such as computer services, health insurance, and office rent to teaming up on programming or even joining forces in cases where two organizations might have similar missions.

The discussion also included an overview of how different organizations are faring financially at the moment.

"All of us across the nonprofit sector, not just LGBT organizations, obviously are looking at the economy and we all want to be prudent and fiscally responsible given the economic climate," said Rea Carey, executive director of the Task Force. **Throughout the entire nonprofit sector, Carey said, organizations are looking at cutting back on their budgets by anywhere from 10-20 percent.**

Overall, participants said nearly every group present at the meeting was planning for flat funding at best in the coming year or even budget reductions.

"Nobody was in ultimate crisis, but there was definitely a range of experience in terms of what the economy had done so far," said Chuck Wolfe, executive director of the Victory Fund.

The Task Force, which had a budget of about \$10 million for fiscal year 2009, has already begun scaling back. Carey said, for example, they chose not to rehire for the director of public policy position after Dave Noble vacated the post last year to join the Obama team.

"Many of the people who could fill that position well were working on campaigns," she said, "so we wanted to wait for a while and we had other leadership who stepped in to fill that role."

The Task Force has just started planning for its next fiscal year, which begins in June, and Carey did not make projections but said, "It's safe to say that we do not anticipate any growth, that would not be fiscally responsible."

The Family Equality Council already reduced its force in January by 3.5 full-time employees to 13.5 (14 employees altogether). "We looked at what we originally proposed for the budget in October of 2008," explained Chrisler, "and we have reduced from there -- including a couple staff layoffs and strategic decisions about certain expenses like travel." Chrisler said the group's budget rose slightly from \$1.3 million in 2008 to \$1.5 million in 2009 but she expected 2010 to be a tougher fund-raising environment.

The Victory Fund's Wolfe had an added concern given that his organization focuses on electing LGBT people to public office. "We don't know what donors will do to candidates -- we are guessing that there will be fewer contributions to them in 2009," he said, adding that the Victory Fund would have to work harder to help make up the difference.

Wolfe explained that the organization's budget ebbs and flows in tandem with the two-year election cycle -- higher in the even years and lower during odd years. He anticipated that its budget for the 2009-2010 election cycle would stay about even with that of the previous election cycle of 2007-2008 -- a little over \$5 million combined for both the Victory Fund and the Gay and Lesbian Leadership Institute. But he added that the group may not have as much money to fund candidates. "We have put measures in place to prepare for a 20% reduction in candidate contributions," Wolfe said.

The National Black Justice Coalition's budget of just under a million is holding steady for now, but executive director Alexander Robinson is particularly worried about the smaller constituency groups that depend on money from the organization for survival.

"One of the first places for reductions during tough times is the money that goes out the door to support other organizations," Robinson noted. "The local and state groups that we support with small sponsorship funds -- their capacity to make adjustments is limited. So if I'm unable to give them \$500, that could have a significant impact on their budget."

Robinson said his organization already scaled back a Black Church Summit later this month in San Francisco from three days to one based on the financial concerns of participants.

Along with not rehiring for one staff member who left last year, Robinson added that the coalition, which just marked its five-year anniversary, has outgrown some of its original operating systems, database software, and hardware, among other things. "We had hoped to make an investment there, and that's something we will potentially delay," he said.

One of the key reasons nonprofits are taking a financial hit is that the foundations that fund them have seen their endowments decline considerably in the market crash.

"We've lost a little more than \$200 million so far, which means that we are going to have to be scaling back our grant making -- that's just a reality," said Matt Foreman, who directs the Gay & Lesbian and Immigrant Rights programs for the Haas Jr. Fund and is a former executive director himself.

For 2009, Foreman projected the Haas foundation would make about \$6.5 million in grants to LGBT causes, a slight increase over 2008 if you factor out a special onetime marriage equality initiative it funded in California last year. But the worst is yet to come.

The foundation had not scaled back its giving for 2009 because they had already committed to a certain level of grants. "Our values here are that we just don't cut anyone off, we have to give people notice," Foreman said. As a result, Haas will be giving away about 11% of its endowment this year, although Foreman said the standard level of gift-making for most foundations is closer to 5%.

"When you're spending 10%, even in a good economic year, that's eating into your endowment. In a year where the gains are negative, you're eating into it even more," he said. "At that rate of expenditure, you won't be around for more than seven years or so."

In preparation for a continued reduction of returns in 2009, Foreman said fund officials are asking grantees not to expect the same level of support in 2010 and are also making one-year grants rather than two- to three-year grants.

No one sees any silver bullets that could alleviate the current economic crisis. The truth is, finding ways to share costs can be more difficult than what initially meets the eye.

Foreman, who was not present at the meeting, recalled a time in the '90s when he and some other movement leaders in New York attempted to get health care on a pooled basis because at the time no insurance company in the state offered domestic-partner benefits to organizations with under 50 employees. "That was all of us," he said, "but we just couldn't find a way to do it."

The gathering did, however, open communication among LGBT groups about working smarter and reducing unnecessary duplication of efforts.

"People are thinking more deeply about administrative and programmatic collaborations," Wolfe said.

Chrisler gave the example of safe schools legislation; which her organization has a stake in this, but such legislation is typically advanced at the state level by state equality organizations.

"The piece we care about, as a family organization, is to make sure the language in the bill has an affiliation clause that protects our kids by saying they're affiliated with gay parents," she said. So if the Family Equality Council effectively communicates that concern to state organizations and the language is added, she said, "then our agenda is accomplished, we didn't have to go out and pass safe schools legislation ourselves, and oh, by the way, everybody won."

Mergers, though presented as a topic for consideration, were barely discussed according those in attendance. But Chrisler, whose organization recently merged with a smaller regional nonprofit from Minneapolis, said nothing should be taken off the table.

"I think all boards of any nonprofits in the LGBT movement or elsewhere should always be open to the range of options that would best fulfill their mission," she said.

Chrisler agreed with the sentiment expressed by many that mergers don't tend to create immediate savings and sometimes even cost money, but she added that they can make sense if two organizations work better as one. In Family Equality's case, the merger with Rainbow Families, which had an annual budget of around \$350,000, was about a "break-even" in terms of expenses.

"They came with a funding stream -- a pre-identified set of donors and foundations," she explained, "and we were able to offload a lot of the back-office work -- they're getting much more

robust fund-raising support and we are able to do all the HR and health care, which is hard when you're a small organization."

The upside for Family Equality is that it joined forces with a group that had on-the-ground experience with running prospective parenting groups, LGBT parenting conferences, and getting parents engaged with creating systemic change in public schools.

"For us, it was opportunity to leverage local work and see what was replicatable in other places across the country," Chrisler said.

Of course, there's really no such thing as a "hostile takeover" in the nonprofit sector. Instead, the boards of both entities must agree that uniting would mutually benefit their missions. Chrisler said the Rainbow Families board was given an opportunity to examine their strategic goals after the executive director left, something that often offers boards the space to consider restructuring.

"Their board was very smart to say let's look at the ways we can ensure the long-term sustainability of the mission of this organization, not the organization itself, but the mission," she said.

No one *The Advocate* spoke with said they were entertaining these type of conversations with other entities presently, but some said they wouldn't be surprised if groups consider the prospect down the road.

Wolfe noted that the Victory Fund, as a political action committee, had certain legal hurdles to merging with other PACs that nonprofit groups (known as C3s and C4s based on their tax code designation) do not. But he added, "We would be flattered if anybody wanted to work with us -- if they respected our work and our management in that way."

Overall, people were upbeat about the steps the movement was taking to confront adversity.

"I think the donors should feel a great deal of confidence," said the National Black Justice Coalition's Robinson, "because the executive directors really were looking forward and trying to be responsible stewards of the funds we receive." But he also noted "a great deal of uncertainty" and said many people were anxious about the future.

Chrisler concurred: "We are in the most amazing of times for the LGBT civil rights movement. We have more access and more opportunity than we've ever seen before, and yet we're in an economy where we're really concerned about the number of resources that are going to be available."