Another way to fund the arts in America

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Lovers of the arts breathed a small sigh of relief recently when U.S. House Appropriations Subcommittee on the Interior proposed 2018 funding for the nation's arts and cultural agencies and programs, albeit with a reduction from 2017. Still the shadow of President Trump's recommendation to eliminate funding for the National Endowment for the Arts hangs over the budget process.

Unfortunately, we've been down this road before: in the 1980s under the Reagan administration, in the 1990s when the agency had its budget and staff cut by half, in the 2000s when Breitbart News made the NEA a target. Even if the NEA survives this current challenge, is it only a matter of time before federal funding for the arts is threatened again? What we need is a new source of reliable private funding to complement public resources and sustain arts, design, media and innovation in America. And there is one: impact investing.

{mosads}Investors focused on 'sustainable, responsible and impact investing' account for $8.72 trillion of professionally managed assets in the U.S. This is significant even when compared to the $3.9 trillion annual federal budget. Impact investment is already at work for the environment, health, education and community development, which means recent threats by Congress and the president to reduce their federal funding can be mitigated. Unfortunately, this isn't true for the arts. But with the art and culture sector comprising $730 billion or 4.2 percent of the U.S. economy, it doesn't have to be this way.

Impact investors are asking for opportunities to deploy their capital to the creative economy. Art institutions, art lovers, and artists themselves are looking for opportunities to align their investments with their priorities. A Creativity Lens for impact investing can bring a new source of capital – impact capital – alongside the $17 billion in annual philanthropy already backing the arts.

Frequently arguments in support of the NEA focus on how small the agency's budget is (0.003 percent of total government spending) and how little it costs Americans on a per capita basis (46 cents). But the fact that the funding at stake is relatively small ($150 million or less than 1 percent of annual philanthropic giving to the arts) means there is significant opportunity cost to perennial fights to save federal support. The effort to maintain symbolic government funding could tap the potential of impact investment. As impact investment goes mainstream, this private capital increasingly represents all of us, and the goals we expect our government to prioritize: equity, access, inclusion, diversity and sustainability.

In past months, many of the country's arts, philanthropy, business and political leaders have spoken eloquently about the importance of federal funding for the arts. The news media have shared stories from rural towns and low-income neighborhoods demonstrating that the arts matter everywhere. Advocates have presented data about the arts as an economic engine and jobs creator. Nonprofit theaters, museums and orchestras have made a herculean grassroots effort engaging their subscribers and donors to help #SavetheNEA.

Concurrently, headlines suggest that impact investing can't be stopped by Washington politics. In fact, funding threats to social and environmental programs are spurring more investors to put their own capital towards these priorities. The impact investing tools that are used to invest in communities can easily be redeployed to fund creative places and businesses. This will help ensure American creativity isn't vulnerable every time the federal appropriations bill is up for renewal.

Sen. Jacob Javits (R-N.Y.) – with the support of his wife Marian – played a pivotal role establishing the NEA. He believed that the private sector should invest in the public good and government's role is to fill in the gaps for those otherwise left out. He looked 'forward to a day when no really populated place in the USA is culturally starved,' because 'art is … the greatest morale builder in this country to make people feel that life is truly meaningful and important.'

Javits would be the first to understand that we need to tap new funding for the arts that is impervious to political whimsy. And impact investing is the way to do it.

If you are an impact investor, tell your wealth advisor to target the creative economy by investing in affordable housing for artists, innovation districts and lite manufacturing space for artisans and makers as part of your community development portfolio. If you are an entrepreneur running a business in food, fashion, media or entertainment declare your commitment as a social purpose company by becoming certified as a B Corporation so your future investors know you are committed to the planet, your community and your employees. If you the trustee of a foundation making grants in the arts and have already committed to aligning your endowment with your mission, don't stop at investing in green tech, sustainable fisheries, microfinance and social impact bonds.

Let's #SavetheNEA, but let's also launch a #CreativityLens to bring the power of impact investing to the arts.

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