The Color of Money

AIDS fundraising is changing. Service providers must stop counting on government contracts. Even in funding, diversity is the catchword of our times.

February 1, 1995 By David Thomas

About the time I was stumbling through puberty, I would get these horrible, machete-hack pains arching through my lower right side. They'd only last one, maybe two seconds; just long enough for me to gasp, stiffen and maybe bite my tongue. To my horror, my mother just shrugged them off. She called them growing pains.

Now I know growing pains when I see them. They happen when a body is pulling and tearing itself into a new, more mature configuration. The AIDS community is lurching through growing pains right now. In 1995, only a few right-wing bigots insist on calling AIDS a gay disease—Gay Men's Health Crisis (GMHC), for example, the country's largest and oldest provider of direct services to people with HIV, may retain its name for historical value but more than half of its new clients are heterosexual women, injection drug users and people of color. The disease is old enough and has mainstreamed to a point where a generation of people have worked for AIDS organizations their entire professional life. Yes, you've heard it before: AIDS has institutionalized. And with that milestone has come all the problems as well: Bureaucracy, factionalism, careerism and fierce competition for—you guessed it—money.

And it's only going to get worse. Some AIDS service organizations (ASOs) will be gearing up to celebrate their 20th anniversary shortly after the turn of the millenium. This will stir up a cloud of remembrances for the groups that didn't make it that far, that couldn't adapt to a changing fundraising environment that is less kind and a lot less gentle than the community response to the epidemic in the mid-1980s. As the face of AIDS is changing, so must we change our conventional wisdom about how to raise money.

Right now, most ASOs have two fundraising strategies: Thrust a palm to the government or throw a big party. The former is fairly efficient but unpredictable. One never knows when the government's going to scale back funding or decide an organization's board of directors isn't diverse enough to deserve a grant. Special events, on the other hand, can be pretty dependable—as long as you know how to throw a good party—but very inefficient. The bigger the party, the more you spend.

Most government funding of AIDS services comes through the Ryan White CARE Act, which is

divided into four titles. The two most important are Title I for aids sent directly to the most affected cities and Title II for aid to the states, which divide the money up internally. The money goes to local Ryan White planning councils and state and municipal departments of health. ASOs apply to these organizations for funding. (A small amount of funding through Title III goes directly to ASOs from the federal government.)

President Clinton, who in many ways has not been any more of a friend to people with HIV than Presidents Reagan and Bush, has at least greatly increased the Ryan White pool. Title I spending for 1994 was $326 million, up from $122 million in 1992. Title II increased to $184 million from $108 million. Believe it or not, Ryan White is not incredibly unpopular among Republicans, for two reasons. One is that Ryan White brings a lot of money back to Republican districts. Another is the way Ryan White money is distributed: To the states through block grants that are then divided through local planning councils. The Republicans, when voting to give federal money to anyone for any reason, prefer it be done in such block grants, because the individual states then divide how best to spend the money. Republicans don't like the idea of the federal government telling states how to spend federal money, after all.

The Republican victory in Congress means that, at least for the next two years, they will have great control over Ryan White monies. This immediately sent most ASOs into nightmares of slashed spending and mass layoffs everywhere. But as Chandler Burr explores in the accompanying essay "(Some) Republicans Get AIDS" on page 47, Ryan White may not be in as much danger as many people think. But what the Republican victory does is underscore how fragile the health of an ASO is when dependent on federal money.

Of course, the AIDS community couldn't rely on the government at all at the beginning of the epidemic. Its primary private-sector fundraising base was gay bars and discos, explaining the huge reliance many ASOs have on gala parties to this day. Everyone loves a huge party, but as Kiki Mason finds out in "Black Tie Lies" on page 48, they're a terribly expensive way to raise large amounts of money. They're an important source of money—especially because such money is unrestricted, unlike most grant monies, and can be used in whatever way an agency sees fit. So benefit money is good for operating expenses and to underwrite new, unproven programs that can't get funded other ways. But as a way to support your organization, forget it. "A lot of AIDS fundraising has been geared toward special events," says Addy Guttag, development director of GMHC. "We have to all get more sophisticated."

Michael Seltzer, executive director of Funders Concerned About AIDS (FCAA), which represents more than 800 foundations, corporations, United Ways, religious institutions and public charities that give to ASOs, is optimistic about individuals' desire to give to AIDS. "When the history of philanthropy in the 20th century is written, it should note that the lesbian and gay community's generosity has gone off the charts. We're not burned out. We are exceedingly generous. At the same time, many of us have gotten angry that people outside the gay community have not come in adequate numbers to support AIDS organizations. Part of that is our responsibility: We haven't asked effectively."

Effective asking in the ’90s is called direct marketing, and everyone interviewed for this article called direct marketing the future of AIDS fundraising. “Direct marketing needs to be a part of every funding strategy,” says Steve Wakefield, who’s worked in community-based agencies for most of his career, including five years at Test Positive Aware Network (TPA) in Chicago. Bill Misenhimer, chief financial officer of AIDS Project Los Angele (APLA), says he used to be a real nay-sayer about direct marketing but has since turned around on the subject.

Why so much reluctance? Direct marketing is notoriously expensive to get off the ground, and many groups are afraid of criticism if they initiate an expensive direct-mail or telefunding campaign that doesn’t see a profit for a year. Roger Craver, president of the non-profit fundraising firm Craver, Mathews, Smith & Co., wrote recently in the trade publication DM News that since the average donor is worth $60-$90 over a three-year period, even spending $10 a piece to bring them in is worth doing “without delay.” Bob Boswell of the Committee for Responsive Philanthropy in Washington, D.C. watchdogs community-based organizations for a living. Even he says that the large start-up costs for direct marketing are worth the pay-off in two or three years. “If a group’s going to be aggressivee in developing a funding base, administrative and fundraising expenses are going to go way up. That’s legitimate,” he says.

Direct marketing paves the way for an even more important source of funds for the maturing ASO: Major donors. Jenny Watson is development director of San Francisco’s Project Open Hand, which raises a whopping $4.5 million a year from direct marketing: That’s 49 percent of its budget. Watson, who started doing non-profit direct marketing in 1986 for a museum, says that “it’s absolutely important to build a base of donors. People may start giving only $10 or $20, but as they give more and more you build personal contacts with them. Some begin to give more than $200 a year.” These major donors, about 10 percent of the 40,000 givers to Project Open Hand each year, get one-on-one contact from her.

GMHC’s Guttag, who helps small organizations develop direct mail campaigns, says that a group must have clear mission statements that can be translated to potential donors. “A big mistake I encounter when doing technical assistance with small groups is that they want to do special events; they think special events is easy fundraising. It’s easier to find someone who has the ability to give and just ask them for money. The AIDS community has barely touched the surface in terms of major giving.”

New York City’s PWA Health Group came up with an innovative direct mail campaign that plays on the public’s growing distaste with large blow-out parties. “PARTY?” asked the retro-hip “invitation” that people on their mailing list received last year. “PWA Health Group is throwing the non-event of the year,” it goes on to say, guaranteeing that Madonna, Princess Diana and Captain James Hewitt, Donna Karan and Ivana Trump are among the people not to come. Responders simply send in a check with their “RSVP,” saving the outrageous party-planning costs. Wayne Kawadler, the group’s deputy director and author of the piece, says he deliberately wanted to tweak the noses of big party planners but that it’s not meant to create angst. “We do events, too,” he says, but adds that the piece has already raised more money than he would expect from a special event.

Direct mail isn't the only well of funds to tap. "We've reached a point in the epidemic where we have to run our organizations like businesses," says Gregory Britt, executive director of Los Angeles' AIDS Research Alliance (formerly Search Alliance), a community-based AIDS research organization. Part of doing that means reaching out to other businesses. The AIDS community has historically had a morbid fear of big business, partly out of fear of being exploited.

"We have to get much smarter about marketing," says Michael Seltzer. "The Gay Games didn't get any charitable grants, they got marketing contracts from companies like Naya [water] that became official sponsors of the games in return for exposure. ASOs could get much more sophisticated in this arena. But first, organizations have to decide whom they'll be willing to accept money from and under what terms. They do a disservice to themselves and to a company if they don't decide that before reaching out to potential sponsors. They most common mistake is that an executive director develops a relationship with a company without consulting one's board and one's staff." The board then revolts and in severing the new corporate relationship, also destroys the organization's future credibility with corporate funders.

To succeed in the coming years, Seltzer says that ASOs will also have to become better at othher long-term forms of fundraising, such as bequests, planned giving, face-to-face donor solicitation, estates, marketing, all the ways you can raise money. "If a group has not begun to develop an individual donor base yet, it needs to think hard about how to accomplish that. Such funding, contrary to the views of some executive directors, is not a function of whether or not you want to become large. It's not a chicken and egg issue."

Another distinct trend Seltzer is noticing in his dealing with grant-makers is one many ASOs won't want to hear. At a time when ASOs are proliferating—mainly as a way to assure cultural competency by creating new ASOs that provide the same services as an existing ASO but to a specific cultural group—corporate grant-makers are increasingly wanting to see collaboration between agencies and even merging of service areas.

"I call it integrationism," Seltzer says. "For the first 13 years of the epidemic, we created distinct organizations because nobody else was doing anything for people with AIDS. Now we have a separate AIDS industry outside the traditional health care delivery system." Seltzer says a key challenge in design of AIDS-related programs in the remainder of this decade is to determine how ASOs might integrate their programs and services within larger health care delivery systems in our community. "This is directly related to getting fundraising," Seltzer stresses. "We can't say with any assurance that there will be adequate public and private funding to continue to support an AIDS-distinct health care delivery system. Unless smaller organizations can think through creatively how they can collaborate with either larger AIDS organizations or with larger health care and human service organizations, a lot of groups are not going to survive the coming fiscal conservatism."

The face of the epidemic is changing, and following quickly—whether willingly or kicking and screaming—the service landscape of the epidemic is going to change as well. Fifteen years into AIDS, with a Republican Congress and ever-growing number of infections, a continued reliance on

government funding is going to fail. This means a lot of people set in their ways will have to re-evaluate many basic assumptions about running an ASO. It’s not going to be easy—they’re called growing pains for a reason. But this time, Mom can’t just shrug them off.

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