

Notes on Economy  
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Thank you to Sam Goldman for inviting me to speak today. I commend you for getting together- for taking the time when things are so tough to come together and invest in yourselves and each other.

There are of course, various ways to give a talk about the economy, working the balance between being real and not having everyone rush to the nearest ledge, and also between looking forward and not being delusional. I had a colleague many years ago who used to call one of our colleagues Pollyanna, and he quoted, sweetly: “Thank you for kicking my leg – now I can hop home!”

Today I’m going to give a bit of a national perspective, ask a couple of polling questions (beltway habit...), talk about some of the wreckage but also focus on how people are working through – what strategies, what partnerships are helping us move forward – knowing that where we are headed may not look like where we’ve been – but that culture and arts and humanities must and will continue to have a place in our communities.

I want to start by just getting a quick picture of who is in the room.

- How many local arts agencies?
- How many of you are parts of government?
- How many of you are 501 c 3’s?
- How many are not an LAA?

So – there is good news and bad news.

The bad news is all around us. We know there are about 103,000 nonprofit arts organizations in the US – in discussions with our colleagues at other national service organizations we estimate that 10% - or 10,000 of them could go out of business. (Issue of Capacity: Between 2003 – 2008, a new

nonprofit arts organization was created every three hours. Provides context for this discussion...)

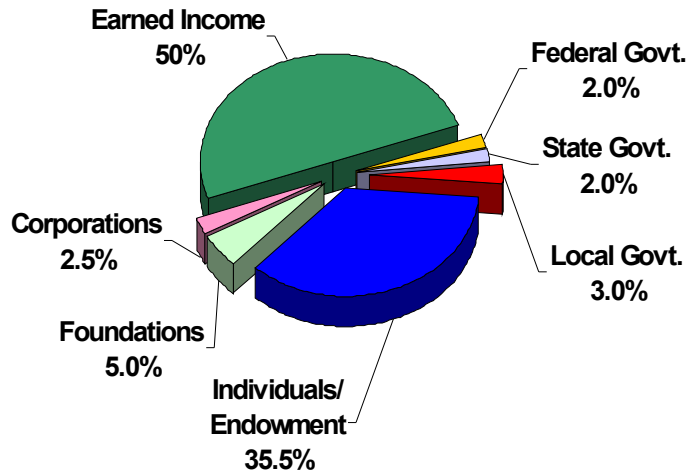
We know this is happening, and it just scratches the surface of the impact. We know Georgia has had its share.

**Georgia:**

- 42-year-old Augusta Opera was forced to cancel its two remaining productions for the season and lay off their production coordinator. The board is currently evaluating its finances and organizational structure, with plans to announce changes soon.
- The **Atlanta History Center** has been forced to lay off 15 of its 74 employees.
- The High Museum of Art in Atlanta has been forced to cut salaries, enforce 2 ½-week furloughs and trim 7% of its workforce due to the recession and loss of endowment. The cuts will save \$1.4 million.
- A survey of **Atlanta-area** arts groups found that nearly 60% of 159 responding organizations reported a decline in revenue in the past year, and 50% reported lower ticket sales. Over 25% said they were forced to cut programming and almost 40% expect to end the year in the red.
- Atlanta's **Theater of the Stars** canceled a planned Broadway musical production and announced it may cut its budget by 50% for the next year.
- **Atlanta Symphony Orchestra** cut its budget by \$1.3 million including pay cuts, furloughs and a hiring freeze for the rest of FY09. All employees will take a pay cut of 5 to 7% for April and May. Starting in June (FY10), all employees will be required to take 13 to 18 furlough days.

At AFTA, and I know our other national colleagues are doing this too, we have a way too long list that we are keeping and adding to – tracking stories from around the country. If this isn't bad enough, anecdotally, we're hearing from a lot of people that they expect next year to be even more difficult than this year.

### Average Source of Revenue for Nonprofit Arts Organizations (Estimated)



#### **In 2009, SO FAR:**

Based on preliminary figures subject to rescissions, local government arts funding declined 3.0 percent, down from \$858 million to \$832 million. This reverses a positive trajectory that was sidetracked by cuts in 2003, when **local** government arts funding dropped for the first time in 15 years, due to the sluggish economy and post-9/11 drops in tourism.

**State** legislative arts appropriations decreased for the first time in four years—down 3.3 percent to \$343.1 million. State arts funding, which tracks closely with the economy, had record growth in the late 1990's—reaching a high of \$451 million in 2001—followed by a precipitous drop to \$281 million by 2004 (38 percent decrease).

In 2009, the **NEA** received an increase in Congressional appropriations, up 7 percent from \$145 million to \$155 million. This continues an upward trend in federal funding for the arts, but still falls short of the historical highpoint of \$172 million designated by Congress in 1992.

\*The American Recovery & Reinvestment Act of 2009 included \$50 million in funding to support jobs in the arts through National Endowment for the Arts grants.

Changes in Corporate America have significant consequences. They range from a variety of communities where corporate sponsorship is down or evaporated, to more mega-impacts via mergers or corporate struggles:

- The collapse of **Washington Mutual Bank** has meant a large loss of contributions to Washington State's arts organizations. Seattle's Repertory Theatre, the largest nonprofit resident theater in the Northwest, may struggle to replace WaMu's \$50,000 annual contribution. WAMU contributed liberally to Seattle's symphony, ballet, theatres, and art museum, and gave more than \$100,000 a year to ArtsFund, which raises money for local arts.
- **General Motors** has significantly cut support to many of the state's cultural institutions due to the ailing automotive company's flagging bottom line. The nonprofit community in Detroit alone will lose \$1 million in support for the **Michigan Opera Theatre** (-\$350,000), **Music Hall for the Performing Arts** (-\$250,000) and the **Detroit Symphony Orchestra** (- \$100,000).

Foundations – Chronicle of Philanthropy continues to document the sector. Declines in the range of 25 – 35% of endowments are the norm, with many foundations saying they will decrease allotments and many saying they will not consider new organizations for funding.

While LAA's may tend to receive a larger proportion of funding from govt and corporate sources, Looking more broadly, the impact of the economy on earned income and individual giving will have a larger impact on the field at large. ON average for an arts organization, earned income 50%, individual and endowment giving 35%. For an illustration of national trends, I want to talk about where I live now – DC.

Yesterday my local newspaper, the Washington post, in the Style and Arts Section (formerly known as the style section and separate arts section, oh, and separate book review section – but more on that later), ran the following “ARTS AND THE ECONOMY: STAGE OF EMERGENCY” with articles about cultural groups (the Getty as the lead), Live nation & concerts, profile of one of our professional theatres, graduating art students, changes in Galas. I just want to share a couple of the highlights because I think they are broadly recognizable.

Round house theatre – 31 year old equity theatre. Recent show full, but with \$10 tix for people under 30 and 40 students in the audience. Reduced budget by 15.6%, froze salaries except Managing Director took a 5% cut; lost ½ of corporate sponsors, endowment down 30-40%, state arts council grant 30K down. BUT subscriptions flat (not down), same # of productions (though 2 co-productions) small individual donations holding steady but with a lot more individual phone calling. Development director: “People still care. Our job is to keep them caring.”

Galas: Atlanta Symphony has cancelled four gala fundraisers in the past six months.. according to Washington Post. People are getting creative and doing more with less. Sharing flowers and other décor with other nonprofits, more volunteer labor, cutting speeches to prevent overtime for the help. Smaller bouquets, less expensive champagne, cheaper table linens and GASP – the Kennedy Center Spring Gala is serving chicken – saving \$8000 on food costs.

For profit side –

The band “No Doubt” – if you buy a ticket in top two tiers you get a code to download entire 80 song catalogue of the group. Lucinda Williams - \$7 off a t-shirt or \$5 off a cd. Live nation has a goal of selling 70 percent of their tickets at some kind of discount this year. Last year it was 15%. They haven’t seen ticket buying drop significantly, but are getting ready.

Art Student @ Corcoran:

“I feel like I have lost my motivation, because I don’t know what to motivate myself to do next year.” She praises the school but says – “To some extent I regret it. I don’t regret following my dreams, but maybe I

regret the way I went about it. I didn't really set myself up for any place in society." We know from 2002 – 2007, applications to private arts schools were up 10%.

So – ready for the ledge yet? But wait!

A couple of quick poll questions –

- How many have had organizations in their County close?
- Have set a date to close?
- In bankruptcy?
- Have cut programs?
- Are doing “smaller programs”?
- Mergers?
- Have cut staff? Have reduced staff hours? Staff benefits?
- Have postponed a program or capital project?
- Eliminated, or started charging money for formerly free programs?
- How many have had emergency fund drives – saying, if we don't raise x – we'll shut our doors?

Ready for the good news?

To quote Rahm Emanuel, who has said recently that we can't waste a crisis. What is the opportunity? Crisis = Danger + Opportunity, right?

We've noticed that the emphasis on those instrumental benefits of the arts – the jobs, the economy – has been persuasive, and that we have been able to position the arts as part of the solution. When we have data that show 7:1 return to local, state and federal government on each \$ spent on the arts – that is powerful when municipalities are looking for revenue.

ACTING LIKE A SECTOR. Our creative industries reports – for 2009

- ✓ **Arts-Centric Businesses = 686,076**  
**(4.2 percent of D & B's 16 million businesses)**
  
- ✓ **Arts-Centric Employees = 2.8 million**  
**(2.04 percent of D & B's 138 million employees)**

The debate around the Stimulus package gave us the opportunity to talk about arts jobs – and that artists are workers who pay mortgages and rent, buy goods and all the rest. The documentation that comes out of the Stimulus funding will underscore this.

And while there is great variation geographically, we are encouraged that in many places the arts are not being singled out disproportionately for cuts. And this is due to the data, and to years of relationship building. We still see enthusiasm among key leaders.

We also have to look at the intrinsic benefits to our work. Nonprofits exist to serve the community. This is opportunity for us to look at larger community issues and concerns – how is what you are offering relevant? Use it in your messaging!

- people stay closer to home – seek out arts and entertainment experiences to provide inspiration and diversion from everyday lives
- Movie ticket sales up 17.5% this year
- poll at Mark Taper Forum in Fall – patrons would cut vacations and restaurants before cutting tickets from budgets
- choose shows they know look for cheaper tickets and parking
- article on guy starting a web site for you to meet people you don't know – we can offer that for real!

A couple of specifics – opportunities directly related to the times:

Good things:

Santa Barbara - building with Mortgage Default. Foundation purchase – renting space 30% below market rate to small arts organizations with some shared spaces and services. Rent \$ goes back to fund to re-grant for the arts.

Program in Cleveland where a community development organization is helping artists purchase foreclosed and abandoned homes...Wall Street Journal article on April 17<sup>th</sup>

- New Bedford Mass – back when Gas more expensive. \$5 gas card with purchase of two tickets.

From a recent conversation with a California arts agency in a rural area – they have noticed sales of high end visual art down but sales of art under \$300 holding steady. Performances – sales are up. With art fairs – pushing low end (affordable), finding small bands, looking to block book to save on expenses.

Business Committee for the Arts in Orange County, California – retiring director. Had discussed merger with the local arts agency. Now, group instead folding, but the local arts agency is gaining three board members from the BCA and will examine program development.

Gay film festival in DC – examining merger. Very smart – examined assets (highly targeted and desirable demographic mailing list, growth in attendance) and highest expenses (venue costs chief among them). List of potential partners. Working through issue that most desirable in terms of mission – many were not in a position to absorb festival in place of strength. Are examining merger with group that includes venue that could prevent 80K expenditures for venue.

What can community arts agencies do specifically?

- nationally, a lot of communities looking to LAA to play major role in marketing via central/digital calendars, coordinated/discounted media buys, (Newspapers)
- forums for discussion – both for community to talk to each other, but to bring together funders and other supporters.
- more important now than ever to be in touch with funders, even when there is no money on the table. Focus on your long-term friends
- policy innovations – what can you convince city to do that they may not have considered previously? Planning director in Cleveland...
- critical for arts community to make its case In Philadelphia – Cultural Alliance 7 county area produces “Portfolio” annual report including financials and program measures. Great communications tools. Now, more than ever, time to blow up notion of what is your region?

In a forum for arts organization in Philadelphia last October, Clara Miller, director of the Nonprofit Finance Fund, stated this: “We need to manage uncertainty and face down our fears. Create scenarios that go across the board and be prepared to make the necessary changes.”

Another very smart person – Ben Cameron of the Doris Duke Charitable Foundation, posed the following questions to an audience:

- (Hard) What is the value of having my organization in my community?
- (Harder) What is the value my group alone offers, or that my group offers better than anyone else?
- (Hardest) How will my community be damaged if we close our doors tomorrow?

Understanding your value, facing your fears and making necessary changes will help us through. Thank you for the opportunity to speak with you, and I’m happy to answer any questions.

<b>Intrinsic Benefits</b>		
Captivation and pleasure— personal development	Expanded capacity for empathy and cognitive growth	Creation of social bonds, expression of communal meaning
<b>Private benefits</b>	<b>Private benefits with public spillover</b>	<b>Public benefits</b>
Improved test scores— arts and learning	Improved self-efficacy, learning skills, health	Development of social capital and economic growth
<b>Instrumental Benefits</b>		

McCarthy, Kevin F., Elizabeth H. Ondaatje, Laura Zakaras, Arthur Brooks. *Gifts of the Muse: Reframing the Debate about the Benefits of the Arts*. RAND Corporation, 2004.

Huge growth – was it the right kind of capacity? We know that organizations that headed into this recession with a strong financial position (25% cash reserves, diversified funding sources, etc) are doing the best now. Two things – will show us with great certainty the new gold standard for management and community relations to get ourselves through this. The other thing is – how will we manage the changes and for some, the downfall with dignity? How can community arts agencies help shape the landscape to provide the right kind of support, the right kind of technical assistance to help deliver art to people in communities?

Clara Miller –

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Churchill – WW2 = when asked if they shouldn't be closing the theatre and ballet, he said =- "what do you think we are fighting for?"

There is a story that Winston Churchill proposed an increase in the British arts budget at the height of World War II. When challenged, he reportedly said, "I do it to remind us what we are fighting for."

The story is that during World War II, some officials went to the British prime minister insisting that he must shut down all the theaters in London as part of the war effort. Churchill was aghast. "Good God," he replied, "then, what are we fighting for?"

When asked to close the theaters because of dangers from the Nazi blitz, Winston Churchill turned to an Air Force marshal and asked, "Good God, man, what are we fighting for then?"

with a story about Winston Churchill. The story goes that he was asked at the height of WW II whether he would consider slashing Britain's arts budget to pay for other programs. His response? "My God, no! What have we been fighting for?"

I don't have any clearer information than anyone about what is going to happen next.

### Average Source of Revenue for Nonprofit Arts Organizations (Estimated)

