

ARTS FUNDING IN AMERICA: A LESS THAN PERFECT PICTURE

Prepared for the 2015 National Arts Policy Roundtable

Transforming America's Communities through the Arts: Philanthropy's Role- Why? How? What?

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Introduction

The arts offer an inherent value to all of us as individuals. They ennoble and inspire us—fostering creativity, goodness, and beauty. The arts help us express our values, build bridges between cultures, and bring us together regardless of ethnicity, religion, or age. They improve our communities socially, educationally, and economically. An investment in the arts is an investment in a healthier community.

The nation's 95,000 nonprofit arts organizations share the profound responsibility of ensuring broad public access to the arts as well as advancing the limits of art forms. To accomplish this, the typical nonprofit arts organization depends 40 percent of its budget coming from contributed sources: 60 percent from earned income (ticket sales, sponsorships), 30 percent from private sector sources (individuals, foundations, and corporations), and 10 percent from government (federal, state, and local). Even small fluctuations in contributed income can be the difference between an arts organization broadening its reach or facing a deficit.

Arts organizations compete well for charitable dollars in prosperous times, but struggle in a down economy when many funders redirect their giving to what they perceive are more pressing human service needs. This occurs despite the existence of a growing body of research that demonstrates the positive impact that the arts bring to these very issues. Thus, arts organizations struggle to sustain themselves and remain capitalized.

The arts are fundamental to our humanity. They ennoble and inspire us—fostering creativity, goodness, and beauty. The arts help us express our values, build bridges between cultures, and bring us together regardless of ethnicity, religion, or age. When times are tough, art is salve for the ache.

In 2013, more than three years after the end of the Great Recession, data from the National Center for Charitable Statistics at the Urban Institute show that 42 percent of arts nonprofits filed an IRS 990 tax form with a deficit. Might this crippling cyclical funding behavior be changed if there was a better understanding of how investments in the arts provide not just cultural benefits to their community, but also social, educational, and economic?

The National Arts Policy Roundtable assembles leaders from business, government, philanthropy, education, and the arts to Sundance every autumn to address issues critical to the advancement of American culture. It is a forum for national leaders to discuss timely issues, recommend public policies and private sector practices, and identify research needs. This year's topic will be to address this question of leveling the economic-driven fluctuations in arts philanthropy that have historically challenged the sector, enabling communities to consistently reap the benefits of a vibrant arts and cultural community.

The value of the arts

The significance of arts and culture to American life makes the vitality of the arts a matter of pressing interest. The arts are a fundamental component of a healthy society, based on virtues that touch the individual, community, and the nation—benefits that persist even in difficult social and economic times:

- Aesthetics: The arts create beauty and preserve it as part of culture.
- Creativity: The arts encourage creativity, a critical skill in a dynamic world.
- Expression: Artistic work lets us communicate our interests and visions.
- Identity: Arts goods, services, and experiences help define our culture.
- Innovation: The arts are sources of new ideas, futures, concepts, and connections.
- Preservation: Arts and culture keep our collective memories intact.
- Prosperity: The arts create millions of jobs and enhance economic health.
- Skills: Arts aptitudes and techniques are needed in all sectors of society and work.
- Social Capital: We enjoy the arts together, across races, generations, and places.

These are the reasons it is important to understand how the arts thrive: so they can deliver these valuable benefits. It is this health of the arts industries, and their ability to sustain themselves over time that we refer to as the “vitality” of arts and culture, and that is what the National Arts Policy Roundtable seeks to advance.

Arts in America: A good news story

Since 1960, the year Americans for the Arts was established, private and public sector investment has helped spawn a remarkable U.S. arts sector that engages more Americans in the arts than ever before and an industry that employs millions.

- In 1960, there was no National Endowment for the Arts, nor the \$5 billion in arts funding it has since invested in the arts.
- In 1965, there were fewer than 7,000 nonprofit arts organizations; today there are 95,000.
- Five state arts agencies have blossomed to 50, and 400 local arts agencies to 5,000.
- In 1965, the federal government counted 560,000 artists in the U.S. workforce; today they count 2.2 million.
- 13,000 bachelor’s degrees were conferred in the visual and performing arts in 1960. There were 137,000 in 2012.
- Today’s billions in corporate arts contributions was so small that it used to be listed among “other” in philanthropy research reports.

Economic benefits of the arts

Today, multiple measures make clear that the arts are an economic powerhouse—a formidable industry that is larger than most people realize:

- **Boosting the economy.** The U.S. Bureau of Economic Analysis reports that the arts and culture sector is a \$699 billion industry, which represents 4.3 percent of the nation's GDP—a larger share of the economy than transportation, tourism, and agriculture. The nonprofit arts industry alone generates \$135 billion in economic activity annually (spending by organizations and their audiences) that supports 4.1 million jobs and generates \$22.3 billion in government revenue.
- **Cultural tourism.** Arts travelers are ideal tourists, staying longer and spending more to seek out authentic cultural experiences. The U.S. Department of Commerce reports that the percentage of international travelers including museum visits on their trip has grown steadily since 2003 (18 to 28 percent). The share attending concerts and theater performances has grown from 14 to 18 percent since 2003.
- **Creative economy.** Americans for the Arts' *Creative Industries: Business & Employment in the Arts* research tracks arts businesses that range from nonprofit museums, symphonies, and theaters to for-profit film, architecture, and design companies. A 2015 analysis of Dun & Bradstreet data counts 702,771 businesses in the U.S. involved in the creation or distribution of the arts that employ 2.9 million people—representing 3.9 percent of all businesses and 1.9 percent of all employees.
- **International trade surplus.** The arts industry generates \$151 billion in consumer spending annually. According to United Nations data, U.S. exports of arts goods (e.g., movies, paintings, jewelry) grew to \$75 billion in 2012, while imports were just \$27 billion—a \$47 billion arts trade surplus.
- **The artist-entrepreneur**—self-employed as poet, painter, musician, dancer, or actor—is alive and well, with total numbers growing 10 out of 11 years between 2000 and 2012 (from 509,000 to 749,000).

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Building healthier communities through the arts

The arts are part of the solution to the nation's challenges—not the problem. There is a growing body of research by academic and government researchers that demonstrates how investments in the arts provide not just cultural benefits to their community, but also social, educational, and economic.

- Spark creativity and innovation. The Conference Board reports that creativity is among the top 5 applied skills sought by business leaders—with 72 percent saying creativity is of high importance when hiring. The biggest creativity indicator? A college arts degree. Their *Ready to Innovate* report concludes, “The arts—music, creative writing, drawing, dance—provide skills sought by employers of the 3rd millennium.”

University of Pennsylvania researchers have demonstrated that a high concentration of the arts in a city leads to higher civic engagement, more social cohesion, higher child welfare, and lower crime and poverty rates.

Research by Robert Root-Bernstein at Michigan State University demonstrates that Nobel laureates in the sciences are 17 times more likely to be actively engaged in the arts than average scientists.

- Social impact. University of Pennsylvania researchers have demonstrated that a high concentration of the arts in a city leads to higher civic engagement, more social cohesion, higher child welfare, and lower crime and poverty rates.

The arts are used by the U.S. Military to promote troop force and family readiness, resilience, retention and for the successful reintegration of veterans into family and community life.

- Improve academic performance. Students with an education rich in the arts have higher GPAs and standardized test scores, and lower drop-out rates—benefits reaped by students regardless of socio-economic status. Students with 4 years of arts or music in high school average 100 points higher on the verbal and math portions of their SATs than students with just one-half year of arts or music.

- Improve healthcare. Nearly one-half of the nation’s healthcare institutions provide arts programming for patients, families, and even staff. 78 percent deliver these programs because of their healing benefits to patients—shorter hospital stays, better pain management, and less medication.

- Arts & Military. Our returning military service members face many challenges—post-traumatic stress disorder, brain injuries, emotional distress and post-war life readjustment. These challenges require more than medical treatment. With partners such as the VA and Walter Reed National Military Medical Center, the cultural community is responding. The arts have been used in a variety of ways to help, from providing active duty personnel with instruments to employing art therapies to counteract the effects of brain injuries to using music and theater to combat post-traumatic stress disorder. The overwhelming response to these programs indicate the opportunity and deep need for these resources on a national scale.

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Leadership Perspectives that Damage the Arts Giving Proposition

While relevance of the arts in one's life certainly influences how they fit into a giving portfolio, there are concerning statements from thought and giving leaders that are also affecting philanthropic choices. These perspectives suggest a lack of awareness of the social and community building value that the arts bring to a community.

- Consider political economist and former U.S. Secretary of Labor, Robert Reich, who recently suggested a limit to the tax deductibility of contributions to arts organizations:

“Tis the season to be charitable, or at least make a charitable contribution that can be deducted from 2014 taxable income. But if you're very rich, charity seems to begin at home. No more than 30% of the charitable deductions of America's wealthy go to the poor. Most go to institutions the rich favor – art museums and opera houses they attend, “think tanks” and political groups whose policies they agree with, and elite universities they graduated from. Yet because such contributions are deducted from their taxable incomes, the government in effect provides these institutions with 35 to 40 cents of every dollar “contributed.” Wouldn't it make more sense to limit the full charitable deduction to institutions that focus on the poor, and allow only half the deduction to other nonprofits?”

Mr. Reich misses the fact that many private sector arts contributions in fact target programs that improve academic performance in students in low-income communities and Title 1 schools, or fund arts programs that transform depressed areas into places with new businesses and employment opportunities.

- In an interview in 2013, Bill Gates touted an “effective altruism” perspective in an interview with the *Financial Times* in which he pragmatically and philosophically questions why anyone would donate money to build a new wing for a museum rather than spend it on preventing illnesses that can lead to blindness: “The moral equivalent is, we're going to take 1 percent of the people who visit this [museum] and blind them,” he said. “Are they willing, because it has the new wing, to take that risk?”
- The Pew Research Center recently conducted a survey asking the public “what skills they thought it best for kids to have.” The arts did not stack up well in the minds of respondents against “communications, reading, math, and teamwork” (interestingly, all skills that the research suggests are improved by arts participation). What was striking, however, is how this finding was characterized in their release: “*Rounding out the bottom were skills more associated with kids' extracurricular activities: art, music (sorry, right-brained people) and athletics.*”

While established donors may already have a plan in mind for their philanthropy, younger donors take these ideas as leadership. These perspectives, little challenged by leading philanthropists or funding organizations, are shaping the future contribution habits of today's young donors.

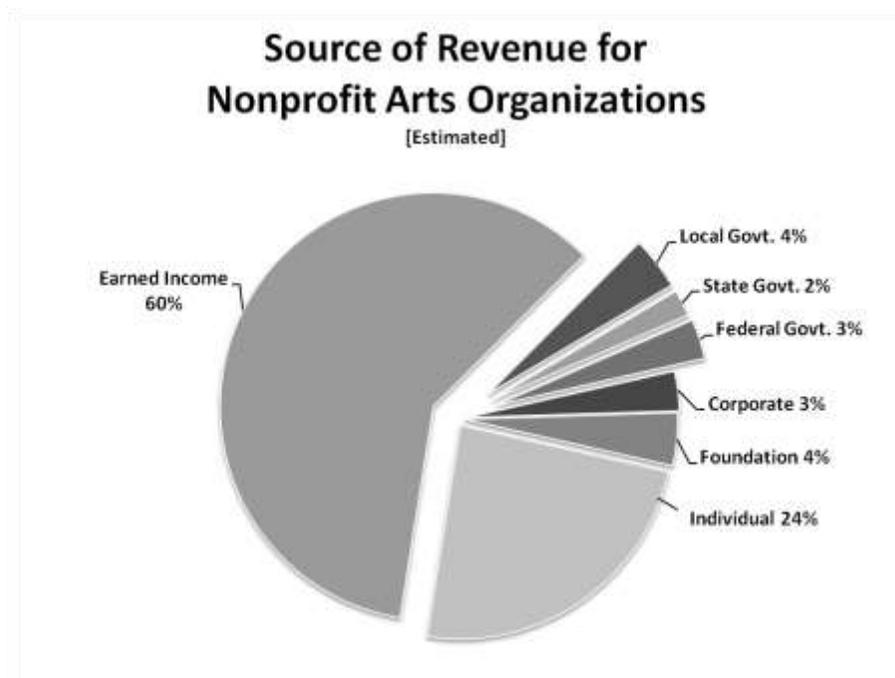
How the arts are funded in the U.S.

Support for the nonprofit arts is a mosaic of funding sources—a delicate 60-30-10 balance of earned revenue, private sector contributions, and government support. Earned income is the largest source of income for nonprofit arts organizations. The remainder must be raised through contributions and grants. Even small fluctuations in contributed revenue can mean deficits for many organizations.

Support for the nonprofit arts is a mosaic of funding sources—a delicate 60-30-10 balance of earned revenue, private sector contributions, and government support. Even small fluctuations in contributed revenue can mean deficits for many organizations.

1. Earned income represents a little over half of the total revenue of nonprofit arts organizations (e.g. ticket sales, sponsorships, and fundraising events).
2. Private sector contributions (individual, foundation, and corporate giving) are the next largest portion, accounting for about one-third of revenue. Individuals comprise the largest segment of private contributors.
3. Government funding (local, state, and federal) is the smallest of the three revenue categories. (Note: federal arts support includes not just the National Endowment for the Arts, but also the Kennedy Center, Smithsonian, Corporation for Public Broadcasting and other direct arts funding—a total of approximately \$1.9 billion annually.)

The chart below provides a snapshot of what the average revenue picture looks like for a nonprofit arts organization in the U.S. Within the private sector giving portion of the pie, individuals provide the largest share, followed by foundations, and then corporations.



Arts nonprofits are struggling financially

A large percentage of nonprofit arts organizations are filing an IRS 990 tax form posting an end-of-year deficit—42 percent in 2013. This is down slightly from 45 percent in 2009, and an increase from 36 percent in 2007. Larger-budget organizations were more likely to run a deficit, though no specific arts discipline is particularly more likely to run a deficit. While 42 percent of the nonprofit arts organizations running a deficit is a serious cause for concern, this is actually only several percentage points worse than the universe of all charitable nonprofit organizations. While some of these organizations have reserves available to manage these deficit situations, it is clear that the budget fortunes of nonprofit arts organizations got worse during the Great Recession and have been very slow to recover.

Private sector giving to the arts

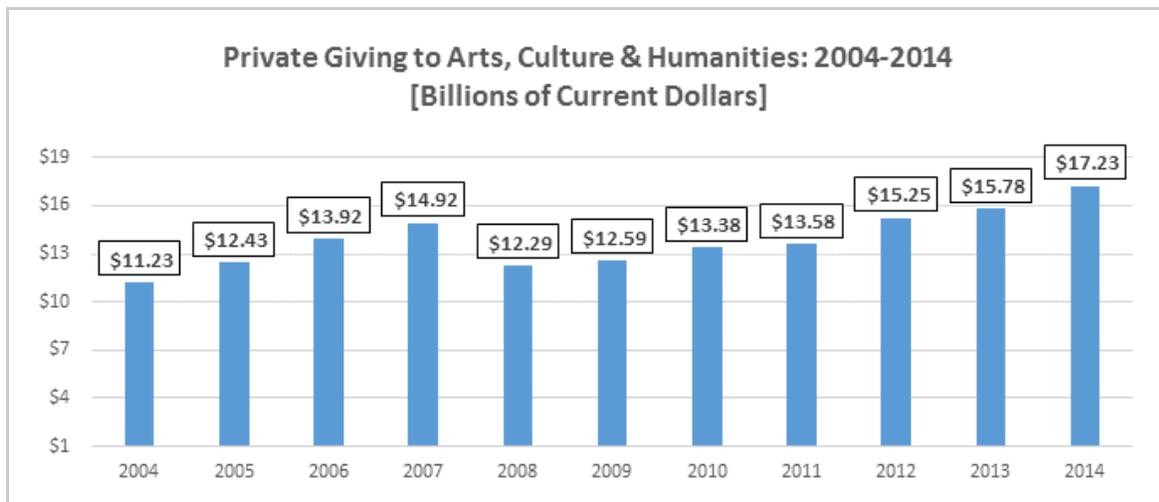
The nonprofit arts sector relies on contributions to keep its cultural products and services affordable and accessible to our communities. We pay close attention to philanthropy because even small fluctuations in contributed revenue can be the difference between an arts organization broadening its reach or facing a deficit. Every year the Indiana University Lilly Family School of Philanthropy publishes their annual *Giving USA* analysis on philanthropy. Their latest report shows that 2014 was a very good year for the arts.

In 2014, private sector giving to the arts, culture, and humanities (by individuals, foundations, and corporations) totaled \$17.23 billion, representing a 9.2 percent increase from 2013

Arts philanthropy reaches a new high

In 2014, private sector giving to the arts, culture, and humanities (by individuals, foundations, and corporations) totaled \$17.23 billion, representing a 9.2 percent increase from 2013.

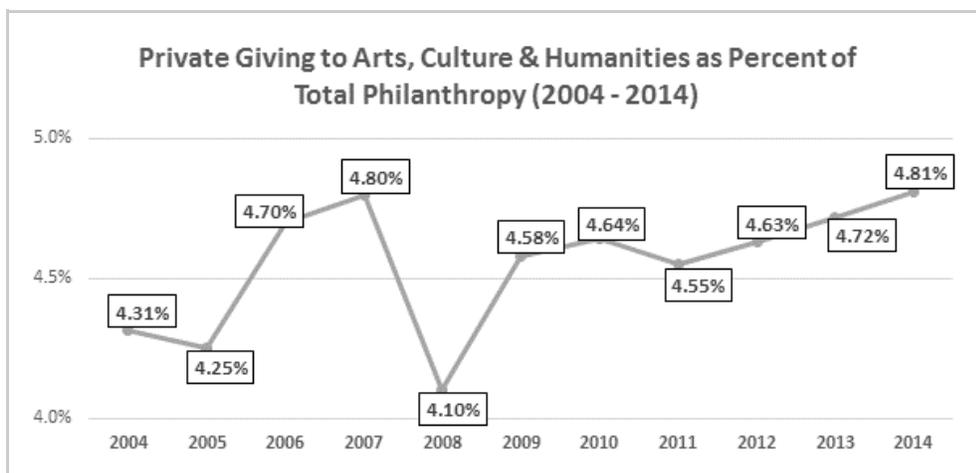
- Even when adjusted for inflation, this represents a robust 7.4 percent increase.
- 2014 was the fourth consecutive year of growth in giving to the arts.
- The arts had the highest rate of growth in charitable contributions among all the giving categories tracked in the report.



The arts compete well against other charitable sectors . . . in a good economy

As a percentage of all giving, the arts increased its share from 4.7 percent in 2013 to 4.8 percent in 2014. This was their largest piece of the total giving pie in recent history. While changes in the shares posted in the graph below are fractional, they are by no means insignificant. Consider this scenario: If the arts had a 4.8 percent share of total philanthropy in 2008 instead of 4.1 percent, they would have received \$14.4 billion instead of \$12.29 billion—a \$1.1 billion difference at a time when those dollars were vitally needed by arts organizations.

Between 2004 and 2014, the growth in charitable giving to the arts was significantly eclipsed by environment, health, human services, and education. Similar findings are noted in the 20-year span between 1994 and 2014.

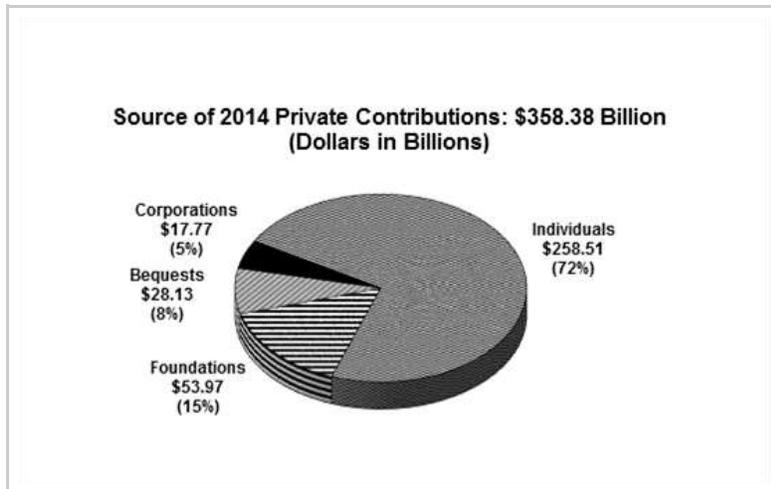


Private giving to all charities in 2014: a new high water mark

Private contributions to **all** charities in 2014 totaled \$358.4 billion—a 7.1 percent increase from 2013 (+5.4 percent when adjusted for inflation). Changes in total giving correlate strongly with changes in economic performance measures such as Gross Domestic Product (GDP), the S&P 500, and disposable personal income. The Giving USA report notes, “Because stock market values are an indicator of financial and economic security, households and corporations are more likely to give when the stock market is up.” Giving also gained ground in the context of the total economy. In 2009, philanthropy represented 1.9 percent of GDP. That has risen steadily to 2.1 percent of GDP in 2014.

- Individuals have long been the largest contributor to philanthropic causes. In 2014, individuals gave \$258.51 billion—up 5.7 percent from the previous year. Additional contributions by individuals are captured as part of Bequest Giving, which increased 15.5 percent to \$28.13 billion.

- Foundation giving increased by 8.2 percent in 2014 to \$53.97 billion. Within foundations, grantmaking by Community Foundations continues to grow at the fastest rate (10.9 percent).
- Corporate giving grew the most in 2014, increasing 13.7 percent to a total of \$17.77 billion. Corporate giving is directly linked to profits and the economy. In 2014, the GDP grew 3.9 percent and pre-tax profits grew 8.3 percent, thus the high rate of growth in giving.



Where do the dollars go?

Religion continues to receive the largest piece of the giving pie and historically has been the area to which Americans donate the most—\$114.9 billion in 2014 (32 percent of all giving). Education is the next largest area of giving (15 percent), followed by human services (12 percent), giving to foundations (11 percent), health (8 percent), arts and culture (4.81 percent), public/society benefit (7 percent), international affairs (4 percent), and environment (3 percent).

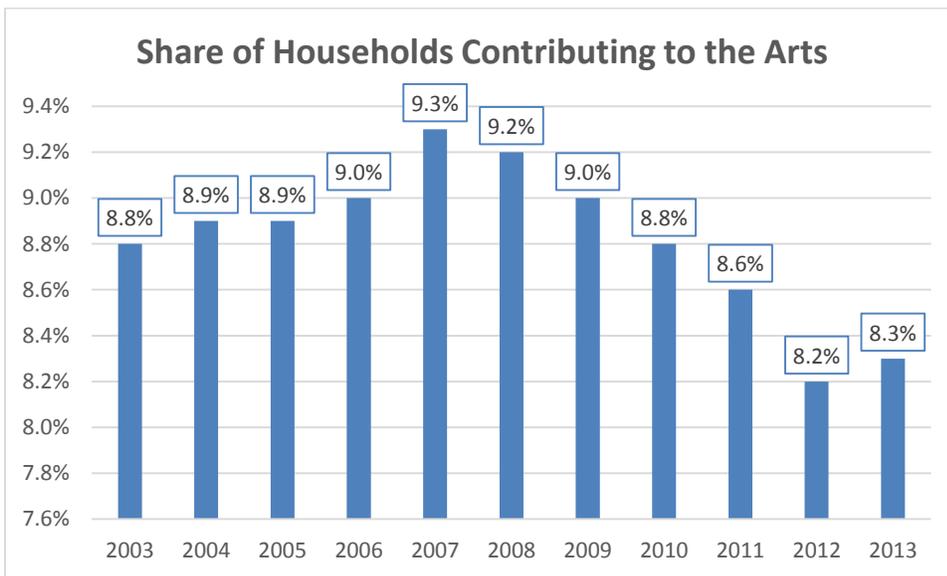
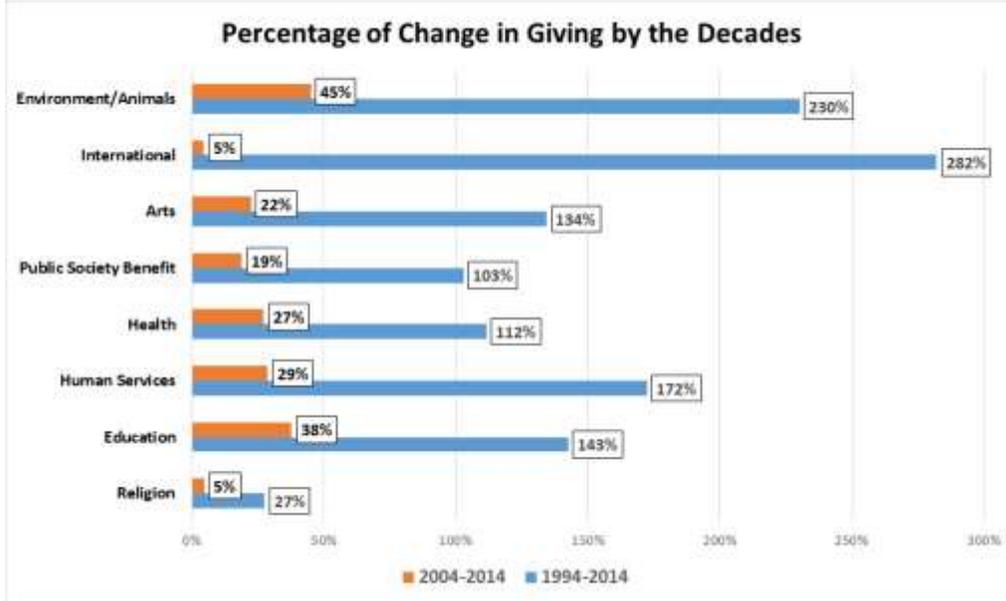
The arts are losing ground over time

While the arts had a particularly good year in 2014, they have not stacked up as well over the decades. Between 2004 and 2014, the growth in charitable giving to the arts was significantly eclipsed by environment, health, human services, and education. Similar findings are noted in the 20-year span between 1994 and 2014. Many of these issues are addressed by arts and arts organizations on a daily basis. In fact, many non-arts programs already fund the arts to address these issues, such as Kresge Foundation's Health grant to Advantage Health Centers for their work with an arts organization and individual artists to create a mural and story based on input and interaction with the center and the people it serves, and to integrate both into patient-education material.

Individual giving to the arts

The share of households making contributions to the arts has stayed fairly consistent in recent years, in the 8-9 percent range. Household contributions were exceptionally strong in the pre-recession

years, topping out at 9.2 percent. This percentage has dropped steadily since the onset of the recession and is only beginning to show signs of recovery in 2013. The following graph is based on survey data by Scarborough Research, which surveys 210,000 U.S. households annually.



Giving by high-net-worth households: Decreasing over time

More than two-thirds of High-Net-Worth households (income \$200,000/year or assets of \$1+ million, excluding home value) contributed to the arts in 2013, a much higher percentage than the typical household (69.6 percent vs. 8.3 percent). The arts, in fact are the third most popular charity by HNW households, following only “Education” and “Basic Needs.” In terms of percentage of the dollars, however, the arts sink towards the bottom of the list.

- Just 3.5 percent of total 2013 giving by the HNW cohort goes to the arts—and that share has been decreasing (down from 4.9 percent in 2011).
- While a large percent of high-net-worth households give to the arts, the amount of giving has been dropping steadily since 2005 (\$18,506 in 2005 down to \$3,685 in 2013):
 - 2005: \$18,506
 - 2009: \$6,006
 - 2011: \$4,008
 - 2013: \$3,685

While a large percent of high-net-worth households give to the arts, the amount of giving has been dropping steadily since 2005 (\$18,506 in 2005 down to \$3,685 in 2013).

HNW households have been decreasing their contributions to the arts since before the Great Recession and, as of 2013, have yet to recover. Similar declines can be seen in the *median* contribution amount over the same period (\$1,193 down to \$600), suggesting that this isn't just several large donors affecting the whole. Rather, it represents a change in this cohort.

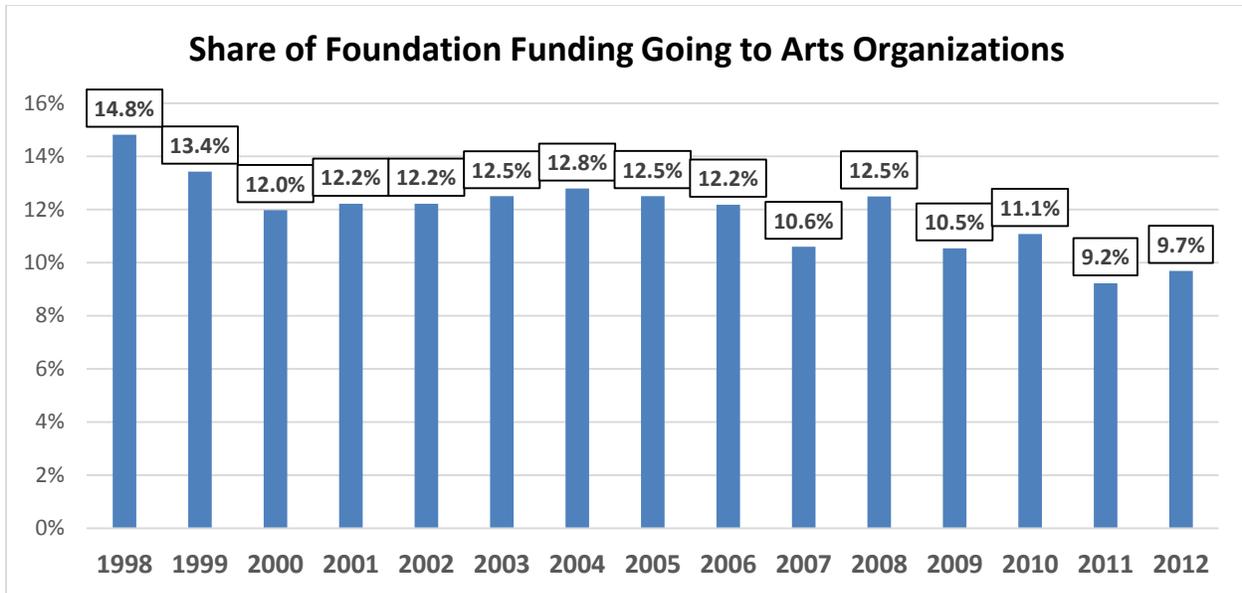
\$1+ Million Gifts to the Arts

Giving USA's 2014 "Million Dollar List" identified 86 gifts of \$1 million-plus (totaling about \$1 billion) from U.S.-based donors to U.S.-based arts and culture organizations. The gifts include both cash and in-kind donations that were either paid or pledged in 2014. These mega gifts to the arts comprise about 9 percent of such gifts to all charities. With arts and culture receiving slightly less than 5 percent of all charitable donations, the arts stand tall in this category. The largest single charitable gift in 2014 was a \$500 million in-kind contribution of paintings, drawings, and sculptures from Jerry Perenchio to the Los Angeles County Museum of Art.

Foundation giving to the arts

According to the Foundation Center, there were 86,192 foundations in the U.S. in 2012 with assets of \$715 billion. Total foundation giving in 2013 reached an estimated \$54.7 billion, the fourth consecutive year of growth.

In 2012, the 1,000 largest foundations gave \$2.2 billion to the arts, just under 10 percent of overall grant dollars. This was a slight increase from 2011. Similarly, the share of number of arts grants, which is not affected by fluctuations in the size of grants, remained basically unchanged at 13.5 percent. The chart below shows that the arts competed much better for foundation funding in past decades (14.8 percent in 1998 vs. 9.7 percent in 2012).



The Foundation Center makes the following arts observations about their “Foundation 1000” (their year-to-year trend data about the largest 1,000 U.S. foundations):

- The size of the median arts grant remained unchanged between 2011 and 2012. The median arts and culture grant was \$25,000 in 2012, which did not change from 2011. When accounting for inflation, however, the real value of the median grant decreased.
- Large grants account for more than half of arts grant dollars. Large arts grants of \$500,000 and more captured 52.2 percent of total grant dollars for the arts in the 2012 sample, down from 57 percent in 2011.
- Relative to most other fields, a larger share of arts grant dollars provided operating support. In 2012, general operating support accounted for 31.2 percent of arts and culture grant dollars. By comparison, just 13 percent of arts grant dollars in 1989 provided operating support.
- Top arts funders accounted for a larger share of overall giving. The top 25 arts funders by giving amount provided 33.7 percent of total foundation arts dollars in 2012, down from 37.3 percent in 2011. The share of arts giving accounted for by the top funders remains well below the more than 50 percent shares recorded in the early 1980s.

Community Foundation Giving for the Arts

Community Foundations are the fastest growing segment of the foundation world, though they only represent 9 percent of all foundation dollars. When compared to other foundations, Community Foundations give the largest share of their funding to arts and culture:

Community Foundations: 13 percent
 Independent Foundations: 10 percent

Corporate Foundations: 12 percent

In preparation for the 2015 National Arts Policy Roundtable, Americans for the Arts commissioned the Foundation Center to do an analysis on arts funding by Community Foundations. Findings include the following:

- In 2012, nearly all community foundations provide funding for the arts. All but two (98 percent) of the 101 community foundations in the Foundation Center 1000 data set made at least one arts grant, compared to 83 percent for independent and family, corporate, and operating foundations also included in the set. They also accounted for just over one-quarter (26 percent) of the number of arts grants in the FC 1000 set, despite representing less than 12 percent of the number of foundations.
- A small number of community foundations dominate funding. The top 10 community foundation arts funders accounted for more than half (52 percent) of giving awarded by all community foundations tracked in the Foundation Center 1000 set.
- But, giving by other community foundations is also substantial. Community foundations included in the FC 1000 set made a median of 29 arts grants in 2012 and their median total for arts allocations was \$1.4 million.
- Between 2002 and 2012, arts funding by community foundations has grown. Community foundations included in the FC 1000 more than doubled the number of arts grants they awarded between 2002 and 2012 and increased grant dollars for the arts by more than 80 percent (before inflation).
- Community foundations directed a notably larger share of their grant dollars to the performing arts than did foundations overall (42 percent vs. 33 percent), although the share of number of grants was nearly identical (41 percent vs. 40 percent). This suggests that community foundations are an important source of support for local performing arts organizations.
- It's worth noting that community foundations directed somewhat smaller shares of their funding for museums (27 percent vs. 31 percent) and for the humanities (3 percent vs. 5 percent), among other areas relative to foundations overall. For museums, this may reflect their being less likely to provide large capital grants than independent and family foundations. For the humanities, there may simply be fewer community foundations that include the humanities as a funding priority.

Corporate giving to the arts

Corporations first received tax breaks for supporting the arts in 1936. Since then, corporate philanthropy has become a critical piece of arts funding, accounting for about 3 percent of the typical arts organization's budget. Corporations may have their own foundations,

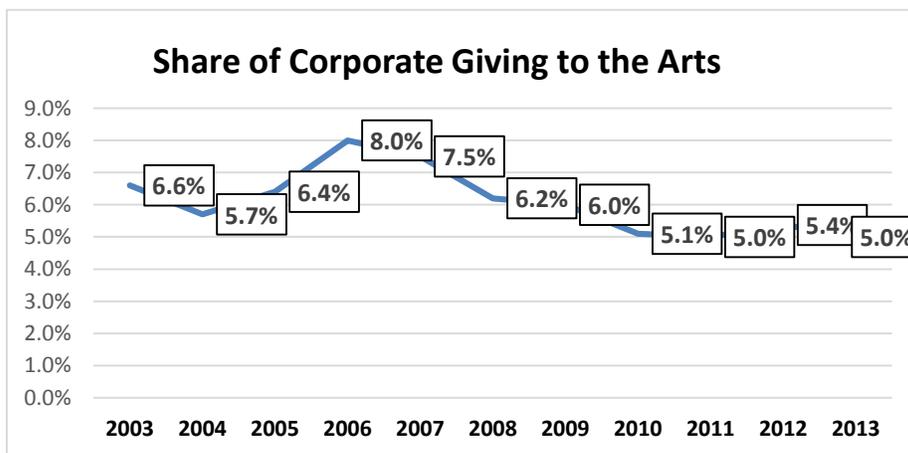
Many companies support the arts, but with small dollar amounts.

which are separate legal entities, or may provide funds through corporate giving programs/corporate social responsibility programs or the public relations, human resources or marketing department. Support may be in the form of cash or in-kind support such as the donation of equipment, facilities, and pro bono or volunteer support. Employee matching gifts have become increasingly common in the corporate sphere. Small businesses also donate through their operating budgets, often contribute in-kind, and are also a strong source of volunteer and board support.

Motivation for corporate giving to the arts can be tied to many factors that advance business goals including the quality of life for the communities in which the business has a presence, enhanced marketing, recruiting and retaining a skilled workforce and more. Americans for the Arts pARTnership Movement campaign provides information about why businesses should partner with the arts and examples of successful partnerships. Decisions for business support for the arts may rely on the policies and oversight of corporate leaders and strong support is often tied to a particular leader’s awareness and engagement with the arts community or it may be driven by employee interests.

According to research by CECF (Committee Encouraging Corporate Philanthropy) and the Conference Board, the arts are a popular giving target, but the dollar amounts are very low: “In 2013, 96 percent of companies supported Educational causes and 91 percent supported Health and Social Services. Culture and Arts ranked third, with 83 percent of companies directing funds that way—a surprising statistic given that the average company budget gave only 5 percent to arts initiatives in 2013. This indicates that many companies support the arts, but with small dollar amounts.”

The “share” of corporate philanthropy directed to the arts by large corporations is decreasing—dropping from 8.0 percent in 2007 to 5 percent in 2013.



According to a national survey by Americans for the Arts’ Business Committee for the Arts, half of the business leaders surveyed indicated that benefits to employees and their families are “very important” in making funding decisions:

1. The arts improve the quality of life in the community (54 percent)
2. The arts help create a vibrant community and society (49 percent)
3. The arts improve academic performance for students (47 percent)

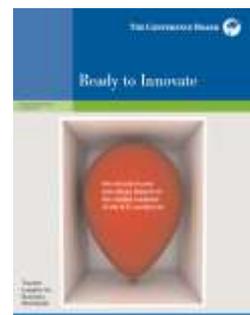
4. Arts organizations offer education initiatives that benefit the community (47 percent)

Profitability is the largest consideration in increasing support to the arts (72 percent). The next most important factors are arts education and programs for the disadvantaged (69 percent). As business leaders seek to attract and retain skilled and educated workers, they are paying more attention to community livability and vibrancy—a key area in which the arts make a contribution.

While the top reason that businesses did not give to the arts is financial (35 percent), nearly one-third list addressing social issues as “very important” (30 percent). Arts leaders need to continue communicating the important role of the arts in addressing social, educational, and economic development issues in their communities.

The importance of the arts in building the 21st century workforce

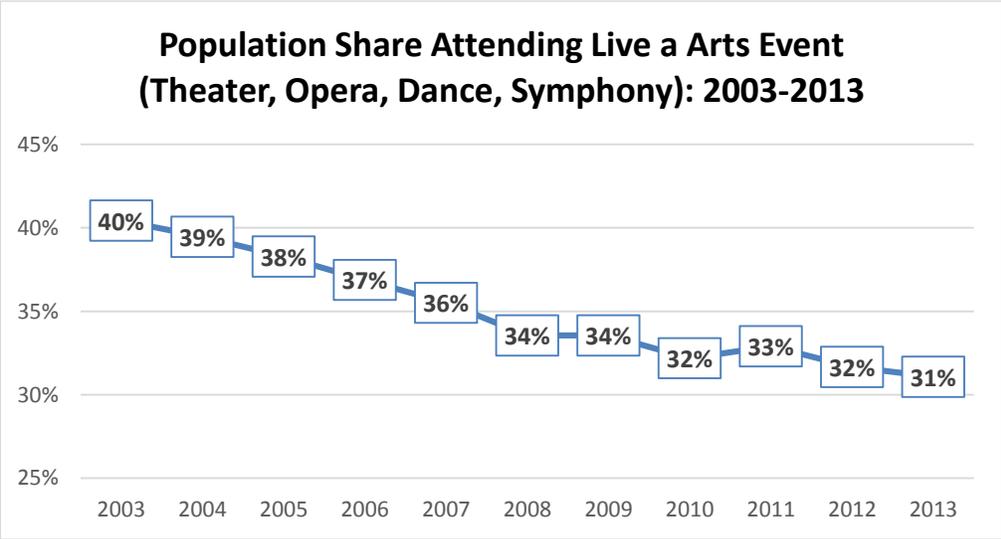
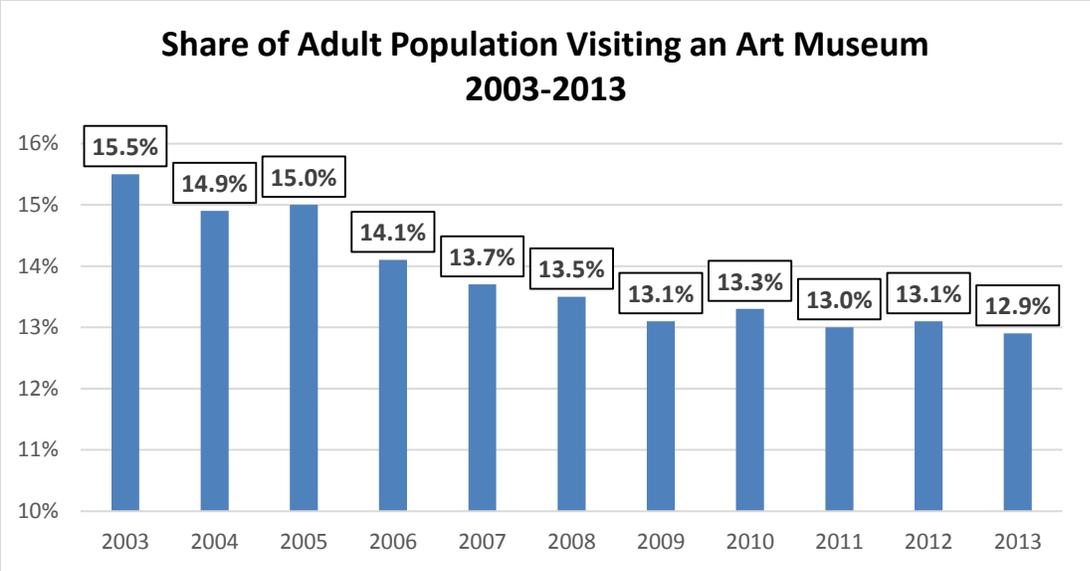
The Conference Board’s research report, *Ready to Innovate*, touts the importance of arts education in building the 21st century workforce. Innovation is the key to the nation’s economic prosperity and global competitiveness. Arts participation—in school or in the workplace—strengthens our “creativity muscles,” which builds our creativity—the fuel that drives innovation. The report, aimed at business leaders, concludes, “The arts—music, creative writing, drawing, dance—provide skills sought by employers of the third millennium.”



How the public participates in and consumes the arts is ever-expanding

Tens of millions of people attend concerts, plays, operas, and museum exhibitions every year—and those that go frequently attend more than once and enjoy multiple art forms (the “cultural omnivore”). Digital tools afford consumers access to more personally-curated engagement in their arts experiences. Technology lets consumers select between in-person participation and experiences as well as remote experience through media. As the following data show, the public is not walking away from the arts, but they are walking away from some traditional models of delivery and broadening their methods of engagement.

Data from Americans for the Arts National Arts Index track multiple measures of arts engagement. The percentage of the U.S. population attending art museums and live performing arts events is shrinking, and the decline is noticeable. Between 2003 and 2013, the percentage of the population attending art museums dropped from 15.5 percent to 12.9 percent (-17 percent) and performing arts decreased from 40 percent down to 31 percent over the same period (-23 percent).



Technology is changing audience engagement and the arts delivery models:

The effects of technology have been undeniably swift, but it depends where one sits on the arts production-to-consumption food chain as to who the winners and losers are.

- Savvy nonprofit arts organizations are using technology to broaden their audience base and enrich the audience experience, like the successful Metropolitan Opera simulcasts (2,000 theaters in 66 countries and 3 million tickets sold annually). As ever, technology can be a two-edged factor. There is concern that simulcasts of the arts are cannibalizing live attendance. While growing evidence suggests that this is not the case, nor does it seem to provide a bridge to increased live attendance.
- Since 2003, half of the nation’s CD and record stores have disappeared. The public, however, has hardly stopped listening to music. Annual data about downloads was not even collected until 2004, yet in 2012 it accounted for more than 40 percent of total music

industry sales. “Access models” from providers like Pandora and Spotify represent an additional 15 percent of recording revenues.

- Public radio broadcasting, long regarded as one of the principal means of transmitting culture, continues to grow. According to Arbitron ratings, public radio listenership is attracted 11.3 percent of adults as listeners in 2003 and has increased incrementally to 12.1 percent of U.S. adults in 2012. Because the population has been growing, this represents a progressively larger listenership. Public television viewership, however, has been in decline over the past decade.
- Bookseller revenues are down even though the number of books in print is increasing, thanks to more self-publishing, print on demand, eBooks, and downward pressure on prices.
- Technology has even altered the business model for artists. Musicians now deal directly with consumers via websites—selling songs to fans and even allowing them to vote on touring venues—thus bypassing traditional record labels and ticket services.

The public seeks personal engagement in the arts

- Consistently, about 3 percent of Americans spend time engaged in the arts every day. According to the American Time Use Survey by the Bureau of Labor Statistics, an average of 3.4 percent of Americans spent at least some time engaged in the arts between 2003 and 2012. Those who did spent an average of 2.6 hours per day. The “Rusty Musicians” project of the Baltimore Symphony Orchestra drew the interest of 400 amateur classical musicians within 24 hours who responded to an offer to play in a live concert with the Symphony.

While the availability of arts education decrease, demand for it increases

- The percentage of all SAT test takers with 4 years of arts and/or music increased from 15.4 to 17.4 percent 1998 and 2012 (with a high of 20.2 percent in 2009).
- Between 1997 and 2012, there was annual growth in the number of college arts degrees conferred annually (75,000 to 137,000) as well as growth in the share of arts degrees as a percentage of all degrees conferred (3.4 to 3.8 percent). Reasons for this include an increase in design degrees along with the appeal to college students of double-majors combining arts with humanities, social sciences, and physical sciences. This is promising news for business leaders looking for an educated *and* creative workforce.
- The percentage of SAT test takers intending to pursue a college degree in the arts increased from 6.4 to 8.3 percent (1998-2012).

Millions volunteer their time in the arts

- Volunteering at an arts organization was the choice of service for 2.1 million people in 2013, up 15 percent from 1.8 million in 2010. This amounts to 24 volunteers for every nonprofit arts organization in the country.

- In another federal study of volunteerism, 5.7 million Americans say that arts activities (such as playing music) are their main volunteering activities, regardless of type of organization they volunteered for (a school or church, for example).

Arts organizations foster creativity and innovation through new work

- Year after year, entrepreneurial arts organizations nurture new ideas, innovative leaders, and creative energy. One Index indicator tracks premiere performances and films. Between 2002 and 2012, audiences were treated to more than 10,000 new works—over 130 new operas, 1,342 orchestral works, 2,744 plays, and almost 5,900 movies. Regardless of the economic cycles, America’s arts industries continued to produce new and exciting work for their audiences.

Conclusion

The arts offer an inherent value to all of us as individuals as well as improve our communities socially, educationally, and economically. To ensure the benefits are broadly accessible to their diverse and changing communities, the typical nonprofit arts organizations receives 40 percent of its budget from private and public sector investments. Arts organizations compete well for these charitable dollars in prosperous times, but struggle in a down economy when many funders redirect their giving to what they perceive are more pressing human service needs. This occurs despite a growing body of research that demonstrates the positive impacts that the arts bring to these very issues. Thus, arts organizations struggle to sustain themselves and remain capitalized through the economic cycles. A greater understanding of the inherent and community value of the arts will enable us all to consistently reap the benefits of a vibrant arts and cultural community. An investment in the arts is an investment in a healthier community.

About the National Arts Policy Roundtable

The National Arts Policy Roundtable was launched in October 2006 by Robert L. Lynch, president and CEO of Americans for the Arts, and Robert Redford, founder of the Sundance Institute, on the premise that issues important to the arts are also important to society. Since its inception, the Roundtable has convened more than 300 top level decision makers and thought leaders from the fields of business, government, the social sector, education, and the arts in a unique cross sector forum designed to discuss issues—and propose solutions—critical to advancing American culture and vitality. Each Roundtable yields a series of recommendations on public policies and private sector practices that are necessary to move the issue addressed from thought to action, on such topics as the future of private sector funding for the arts, the role of the arts in building an internationally-competitive and creative 21st century workforce, fostering civic engagement, and strengthening global communities. Significant cultural policy achievements in both the private and public sectors have been the result. The findings and recommendations from the Roundtable are distributed broadly via Americans for the Arts website, publications and industry journals, op-eds, the media, and through Americans for the Arts' National Arts Policy Network which includes more than 5,000 local arts agencies across the country and over 200,000 citizen activists.

For more information, visit www.americansforthearts.org/napr.

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