

# The Recession & the Arts III

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The Impact of the Economic  
Downturn on Nonprofit Cultural  
Organizations in New York City

June 2011

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## INTRODUCTION

For the past two years, the Alliance for the Arts has produced reports documenting the impact of the recession on New York City's arts organizations. This report is the third in the series, and it demonstrates that the impact of the recession is still being felt across organizations large and small and in all five boroughs. However, the number of responses to the survey was less than half the number from the previous year and there is little overlap between groups included in the 2010 survey and those in the current survey. This report, therefore, while useful as a continuing indication of the problems facing many organizations in New York City, is not truly representative of the city's arts community. It also raises questions as to the best and most efficient way to collect accurate data that meets the needs of the field, funders and policymakers. Our other current study, *The State of the Arts*, which is based on data collected as part of the application process of the NYC Department of Cultural Affairs and the New York State Council on the Arts, offers a summary view of the arts based on responses from over 1,100 arts organizations.

In spite of the small number of responses, the survey still gives a strong indication that the city's arts community is continuing to have problems dealing with the current economy. As projected in last year's report, 2010 continued to be a difficult year for many organizations, though it was an improvement over 2009. Most organizations appear to be cautiously optimistic for the current, FY2011, year. While many are still projecting continued budget cuts, few hires and curtailed programming, the percentage in all areas is substantially smaller than it was in last year's study.

Given the slow nature of the recovery in New York City and throughout the country, it is clear that the effects of this recession will impact arts groups well into the future. This will have negative implications for the arts community, the artists and administrators it employs, and the audiences it serves—residents and visitors alike. As reported in *The State of the Arts*, before the start of the recession New York City's arts organizations earned \$3.8 billion, employed nearly 34,000 people on a full-time basis and offered over 100,000 events to the public—performances, exhibitions, classes and other programs. Our three *Recession and the Arts* surveys suggest that all these numbers have dropped substantially over the succeeding three years. A more accurate picture will be available when we release our more detailed *State of the Arts* report, based on numbers for 2008, 2009, and 2010 submitted by over 1,000 New York City-based arts groups.

We thank all the groups that provided us with information for this report, and we look forward to working with the entire field in the future to continue to serve the creative community and the city at large.

Anne Coates, Vice President  
Alliance for the Arts

June 2011

## MAJOR FINDINGS

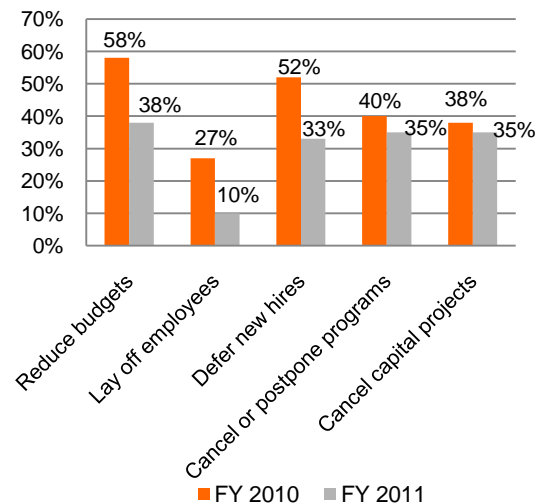
In March and April of 2011 the Alliance received responses from New York City arts organizations to our third *Recession and the Arts* survey. The survey documented actual results for the year 2010 and projected organizations' actions for the current, 2011, fiscal year. It found that the precautionary measures taken to cut costs have continued to lessen slightly, and organizations are feeling more optimistic about the current year.

A comparison of data for 2010 and projections for 2011 showed the following:

- 57% of organizations **reduced their budgets** in 2010, but only 38% expect to do so in 2011.
- 27% **laid off** employees last year, but only 11% plan to do so this year.
- 50% **deferred new or replacement hires** last year, but only 36% expect to do so in 2011.
- 39% **cancelled or postponed programs** in 2010, and 34% plan to do so this year.
- 38% of those organizations that were **planning moves or capital construction projects** cancelled or postponed them last year, and 35% of those organizations still plan to postpone projects this year.

The 2011 survey sample, while much smaller than the previous two years, continues to represent a cross-section of arts organizations in New York City. Organizations in the survey are located in all five boroughs and vary in size from under \$100,000 a year to up to \$50 million a year. All are continuing to be conservative when planning their budgets, making hiring decisions, and considering new programs and capital expenditures in the face of the continuing uncertain economy. But, as noted above, there is an increasing sense of optimism as groups plan for the future.

### Results Summary- Percentage of Surveyed Organizations Making Cutbacks



\*2010 data are actual numbers whereas 2011 data represent projections  
Source: Alliance for the Arts

### Impact of the Recession on Cultural Organizations by Budget Size

In 2010 reporting organizations across all budget sizes continued to be conservative financially and programmatically. They all continued to cut their

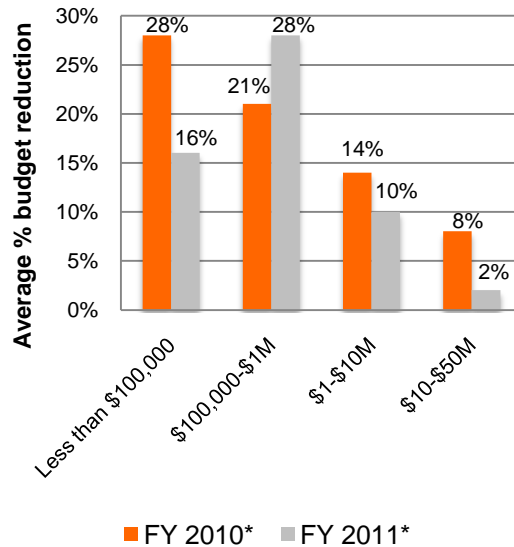
budgets, but few small or mid-sized organizations cut their staff. The largest organizations were more likely to lay off or postpone hiring staff and to cancel or postpone programs, though less likely to cancel planned moves or capital projects.

Fifty-seven percent of the organizations reported having reduced their budgets in 2010 by an average of 17%, but only 38% expected to reduce their budgets this year. Those that plan to reduce their budgets (18% of the total) expect to do so by an average of 20%, while those who will probably make cuts (a further 20%) expect to do so by an average of only 11%. The following chart shows the average percentage budget reduction for both years by organization budget size.

### Impact of Recession on Arts Organizations by Budget Size – 2010\*

	Under \$100,000	\$100,000-\$1m	\$1-\$10m	\$10-\$50m
<b>Reduced budgets</b>	75%	45%	71%	50%
<b>Laid off employees</b>	25%	20%	21%	66%
<b>Deferred new hires</b>	75%	35%	57%	66%
<b>Cancelled or postponed programs</b>	25%	30%	43%	66%
<b>Cancelled or postponed planned moves/capital improvements</b>	NA	33%	36%	20%

### Average Budget Reductions by Budget Size



\*2010 data are actual numbers whereas 2011 data represent projections  
Source: Alliance for the Arts

### Impact of Recession on Arts Organizations by Budget Size – 2011\*

	Under \$100,000	\$100,000-\$1m	\$1-\$10m	\$10-\$50m
<b>Reduce budgets</b>	25%	45%	28%	17%
<b>Lay off employees</b>	25%	10%	7%	17%
<b>Defer new hires</b>	50%	25%	35%	66%
<b>Cancel or postpone programs</b>	25%	40%	28%	33%

\*2010 data are actual numbers whereas 2011 data represent projections  
Source: Alliance for the Arts

### Impact of the Recession on Cultural Organizations by Discipline

As with budget size, the recession appears to be affecting the disciplines differently. But in most cases the 2010 results by discipline were more positive, with fewer cuts, than these disciplines projected in 2009, and the projections for 2011 are generally more optimistic. While there is little overlap between individual groups included in the 2010 survey and those in the current survey, the general trend in each discipline indicates a more optimistic frame of mind within the arts community as a whole.

In this survey, organizations are identified as Performing Arts, Visual Arts, Service (including arts education), Multidisciplinary, or Other. Unlike previous years, there were no History Museums or

Science Museums in the sample, and only one organization that fell in the Living Collections category; these three subcategories were eliminated from the detailed responses and the Living Collections institution was included in the Other category. The following table summarizes our findings by discipline.

All reporting multidisciplinary organizations made cutbacks last year and three-quarters expect to do so this year; the cuts only averaged 11% in 2010 and are projected to average 12% in 2011. These organizations have also managed to make cuts without reducing their workforce. However, 75% of the organizations deferred new hires and postponed programs and expect to do the same this year.

Performing arts organizations have been less affected as a group these two years, with only 50% cutting their budgets in 2010 and 35% planning to do so this year, but those that have made cuts have made more significant ones, an average cut of 17% of budget in 2010 and a further 19% on average for 2011. While 20% laid off employees last year, only 5% expect to do so this year. A minority of organizations deferred new hires, cancelled or postponed programs and put off capital projects last year and this year.

A smaller percentage of Service organizations made cuts of all kinds last year and fewer still expect to do so across the board in the current year. Of the 40% that reported reduced budgets last year, the average cut was 19.5%, with 30% of organizations projecting a further 12% cut on average in 2011, for a total budget reduction of 32% over two years.

In the Visual Arts category only a third made budget cuts or cut staff in 2010 and none expect to do so this year, though all are deferring new hires and a majority of the Visual Arts organizations cut programs last year. None, however, postponed capital programs last year and none expect to do so this year.

Most organizations in the Other category reported significant cuts to their budgets in 2010—an average of 20%—though only half expect to do this year and by an average of just 13%. A majority of these groups cut staff last year and under a third expect to do so again this year, though many are continuing to defer hiring new staff. Only a third are cutting programs, but most postponed, and are continuing to postpone, new capital projects.

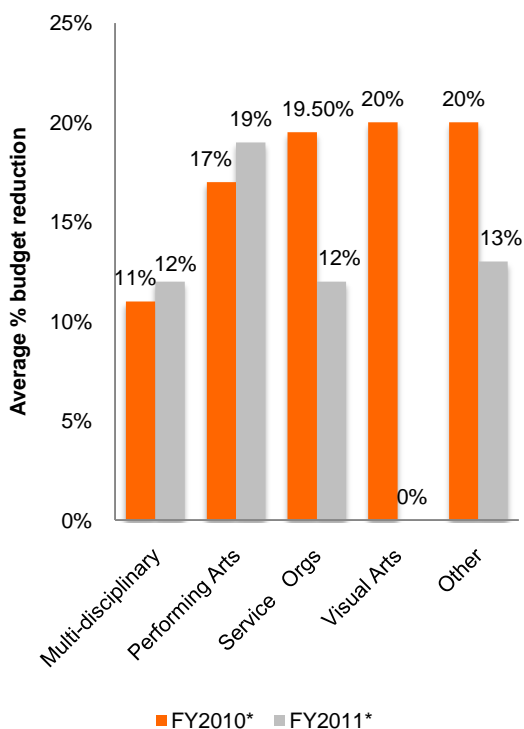
## Impact of Recession on Arts Organizations by Discipline

	2010*	2011*
<b>Multidisciplinary</b>		
Reduced budgets	100%	75%
Laid off employees	0%	0%
Deferred new hires	75%	75%
Cancelled/postponed programs	75%	75%
Cancelled planned capital projects	25%	25%
<b>Performing Arts</b>		
Reduced budgets	50%	35%
Laid off employees	20%	5%
Deferred new hires	35%	25%
Cancelled/postponed programs	25%	25%
Cancelled planned capital projects	14%	28%
<b>Service Organizations</b>		
Reduced budgets	40%	30%
Laid off employees	30%	20%
Deferred new hires	40%	20%
Cancelled/postponed programs	50%	40%
Cancelled planned capital projects	50%	29%
<b>Visual Arts</b>		
Reduced budgets	33%	0%
Laid off employees	33%	0%
Deferred new hires	100%	100%
Cancelled/postponed programs	67%	33%
Cancelled planned capital projects	0%	0%
<b>Other</b>		
Reduced budgets	86%	57%
Laid off employees	57%	29%
Deferred new hires	71%	61%
Cancelled/postponed programs	29%	29%
Cancelled planned capital projects	67%	100%

\*2010 data are actual numbers whereas 2011 data represent projections  
Source: Alliance for the Arts

The following chart summarizes the average percentage budget reduction by discipline. As noted above, groups in many categories are continuing to make substantial cuts to their budgets, with Service, Visual Arts and Other categories seeing average cuts of 20% in 2010 and Performing Arts groups close behind at 17%. The average projected cuts for the current year range from a high of 19% for Performing Arts to 0% for Visual Arts organizations with groups in other categories averaging 12.5 percent in cuts. In the third and fourth years of the current recession, it is clear that many groups are still facing staggering financial issues and some may be at risk of closing all together.

### Average Budget Reductions by Discipline



\*2010 data are actual numbers whereas 20101 data represent projections  
Source: Alliance for the Arts

### Survey sample and methodology

Questionnaires were received by over 600 organizations and 44 completed the survey, yielding a response rate of 7%, a 7% decrease over last year. In spite of the small sample size, the response is representative of the broader cultural community in all three categories: budget size, discipline and borough distribution.

### Boroughs

Eighty percent of organizations are located in Manhattan, 11% in Brooklyn, 5% in Queens, 2% in the Bronx and 2% in Staten Island.

### Budget Sizes

Nine percent of the surveyed organizations have budgets less than \$100,000; 45% have budgets between \$100,001–\$1 million; 32% have budgets between \$1–\$10 million; and 14% have budgets between \$10–\$50 million. No organizations reporting have budgets of over \$50 million.

### Disciplines

Organizations were categorized into five broad disciplines: Performing Arts (45%); Service organizations (23%); Multidisciplinary organizations (9%); Visual Arts organizations (7%); and Other organizations (16%).

The Performing Arts category includes music, theater, opera, dance and presenting organizations.

The Multidisciplinary category includes multidisciplinary arts centers, museums, fairs, festivals and groups that combine the visual and performing arts, among others.

Arts education organizations have been categorized as Service organizations in our analysis. Additionally, the Other category comprises those categories that have too few organizations to be listed separately.