

THE RECESSION & THE ARTS II

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

May 2010

This study was made possible by a generous contribution from The New York Community Trust.

The Alliance's research is supported in part by the City of New York, Michael R. Bloomberg, Mayor,
and the New York City Council, Christine C. Quinn, Speaker,
through the Department of Cultural Affairs, Kate D. Levin, Commissioner.

We are grateful for the cooperation of the cultural organizations that supplied information for this survey.



The Alliance for the Arts is supported with public funds from the New York State Council on the Arts, a state agency.



This program is supported, in part, by public funds from the New York City Department of Cultural Affairs.

ALLIANCE *for* THE ARTS

Randall Bourscheidt, *President*

330 West 42nd Street, Suite 1701
New York, NY 10036
Office: (212) 947-6340
Fax: (212) 947-6416

Prepared by:

Diana Lawrence, Director of Research
Elena Matsui, Robert F. Wagner Jr., Fellow
Christina Knight, Editor

Trustees: J.P. Versace, Jr., *Chairman*; Ashton Hawkins, *Chairman Emeritus*; Randall Bourscheidt, *President*; Robert Clauser
Eric Lee, Karen Gifford, Vice Chairmen; Laurie Beckelman, John Breglio, Theodore Chapin, Charles Cowles
James H. Duffy, Stephanie French, Paul Gunther, Patricia C. Jones, Richard Mittenenthal, Martha Newton, Marc Porter
Susan Ralston, Jerry Scally, Andrew Solomon, Larry Warsh • Joanne Stern, *Life Trustee*
Robert Libbey, *Chief Operating Officer* Anne Coates, *Vice President*

Copyright © 2010 Alliance for the Arts

INTRODUCTION

Early signs of a recovery in the nonprofit arts industry are emerging, although the sector is under great pressure. With more than 60 percent of organizations reporting significant budget cuts—the product of the recession—the nonprofit arts sector remains vulnerable.

This report documents the continuing effect of the recession on New York City’s cultural organizations, measured by the reductions they have been forced to make in their operating budgets, employment, public programs and plans for construction projects.

Based on responses from a representative sample taken in early 2010, it provides a comparison with the reaction to the downturn taken in 2009 and projections for further steps in 2010.

The new data permit us to compare actual numbers for 2009 with the projections summarized in our report last year. This analysis also summarizes the current budget, employment and program activity in the field, making clear that the impact of the recession will continue at least through 2010.

The lasting effects of the recession are not good news, since they mean fewer jobs in the arts industry and fewer public programs. However, the new survey indicates moderate improvements since last year, which we believe demonstrates good management and resilience of organizations in the face of severe financial challenges.

Although these cutbacks fall most heavily on artists and administrators, they have a larger effect. New Yorkers will have fewer cultural opportunities, the city will have less programming to offer visitors, and surrounding businesses may suffer. The decline in public programs affects families with children, seniors, and the hospitality industry, which depends on the arts to attract visitors. The nonprofit arts industry had an economic impact of \$5.8 billion in 2005 and generated more than 40,000 jobs and \$2.2 billion in wages. We hope policymakers will help this New York-based industry play its role in rebuilding the city’s economy.

We thank all the groups that provided us with information and look forward to working with them and the entire field in the future to serve the creative community and the city at large.

Randall Bourscheidt
President
Alliance for the Arts

May 2010

MAJOR FINDINGS

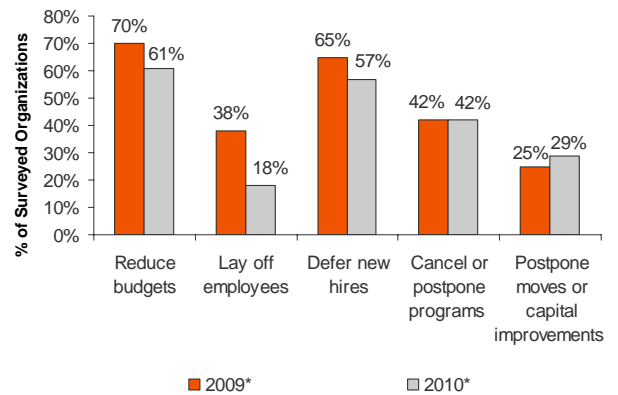
In January 2010, the Alliance surveyed 114 cultural organizations to assess the continued impact of the recession. It found that the precautionary measures taken to cut costs have lessened slightly in the past year. A comparison of data for 2009 and 2010 showed the following:

- 61 percent of total organizations are **reducing their budgets** this year compared to 70 percent of organizations last year. Organizations making cuts are reducing budgets an average of 14 percent this year compared to average reductions of 17 percent last year.
- 18 percent of organizations are planning to **lay off employees** this year compared to 38 percent last year.
- 57 percent plan to **defer new or replacement hires** this year compared 65 percent last year.
- 42 percent of organizations anticipate **cancelling or postponing programs** this year, which is the same percentage of organizations which made cuts last year.
- 29 percent of organizations will **postpone moves or capital projects** this year compared to 25 percent last year.

The 2010 survey sample is comparable to that from 2009, consisting of a cross-section of organizations in all boroughs. Our updated analysis continues to reflect the diversity of nonprofit cultural organizations of our previous study and illustrates how organizations have navigated macroeconomic challenges with regards to their operation budgets, labor force and hiring decisions, programming decisions and moves and capital investments.

Overall, the 2010 results indicate that cultural organizations have made or are planning fewer cutbacks than they made last year. A results summary is detailed in the following chart.

Results Summary—Percentage of Surveyed Organizations Making Cutbacks



*2009 data are actual numbers whereas 2010 data represent projections
Source: Alliance for the Arts

Impact of the Recession on Cultural Organizations by Budget Size

In 2009 fewer organizations with budgets less than \$1 million reduced their budgets than larger organizations. In the current year, organizations with budgets between \$100,000 and \$1 million and those whose budgets are greater than \$50 million have the lowest overall percentages of organizations that will be affected by the recession (see the following two tables).

Impact of Recession on Arts Organizations by Budget Size—2009*

	Less than \$100,000	\$100,000 – \$1m	\$1 – \$10m	\$10 – \$50m	Greater than \$50m
Reduced budgets	60%	63%	79%	70%	83%
Laid off employees	15%	26%	47%	70%	67%
Deferred new hires	50%	57%	74%	70%	83%
Cancelled or postponed programs	40%	31%	51%	50%	50%
Cancelled or postponed moves or capital improvements	20%	20%	23%	50%	50%

*Data represents actual results for the organizations' 2009 fiscal year
Source: Alliance for the Arts

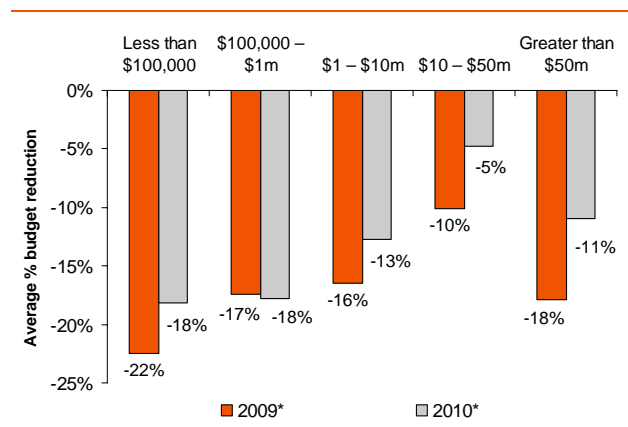
Impact of Recession on Arts Organizations by Budget Size—2010*

	Less than \$100,000	\$100,000 – \$1m	\$1 – \$10m	\$10 – \$50m	Greater than \$50m
Likely to reduce budgets	75%	57%	60%	60%	67%
Plan to lay off employees	15%	20%	21%	20%	0%
Plan to defer new hires	55%	54%	58%	50%	83%
Plan to cancel or postpone programs	35%	34%	47%	70%	33%
Plan to cancel or postpone moves or capital improvements	30%	26%	28%	50%	17%

*Data represents projected results for the organizations' 2010 fiscal year
Source: Alliance for the Arts

Sixty-one percent of total organizations are reducing their budgets this year an average of 14 percent. Last year, 70 percent of organizations reduced their budgets an average of 17 percent. The chart below shows the average percentage budget reduction by budget size.

Average Budget Reductions by Budget Size



*2009 data are actual numbers whereas 2010 data represent projections
Source: Alliance for the Arts

Impact of the Recession on Cultural Organizations by Discipline

The recession appears to affect the disciplines differently. For example, visual arts organizations are making fewer reductions than performing arts organizations. The table on the following page illustrates our findings by discipline.

A smaller percentage of history museums/historical societies are reducing budget, workforce, program offerings or capital improvement projects this year than last year. Twelve percent fewer organizations in this category are reducing their budgets and 13 percent fewer organizations are cancelling or postponing programs than did last year.

As was the case in 2009, the zoos and gardens indicate that they will reduce budgets and defer new hires in the current year while 67 percent will cancel or postpone programs. Fewer living collection organizations will, however, lay off employees (33 percent) and cancel or postpone capital improvement projects (67 percent) this year.

In the multidisciplinary category, 64 percent of organizations will reduce budgets while only 27 percent are planning to lay off employees in the current year. A larger percentage of organizations will defer new hires (73 percent) and postpone programs (67 percent). The number of multidisciplinary organizations that are planning to postpone or cancel moves or capital improvements in the current year has doubled over last year to 60 percent.

Performing arts respondents indicate a continuation this year of the precautionary cutbacks that they imposed last year. Sixteen percent of performing arts organizations are planning to lay off employees and 29 percent of organizations indicate that they will cancel or postpone capital improvements in the current year.

Like performing arts organizations, only a small percentage of service organizations indicate that they plan to lay off employees in the current year (19 percent). Ten percent fewer organizations are planning to reduce budgets (58 percent) and 19 percent fewer organizations are planning to defer new hires (55 percent).

Visual arts organizations indicate that they will make fewer overall reductions in the current year, across all survey metrics, than the other represented disciplines. Compared to 2009, no visual arts organizations are planning to lay off employees and only 50 percent will reduce their budgets. Visual arts organizations also have the fewest groups indicating that they are planning to cancel or postpone programs in the current year (25 percent).

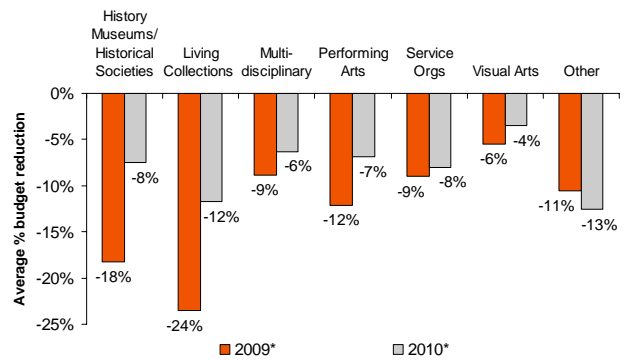
Impact of Recession on Arts Organizations by Discipline

	2009*	2010*
History Museums/ Historical Societies		
Reduced budgets	75%	63%
Laid off employees	25%	25%
Deferred new hires	63%	63%
Cancelled/postponed programs	63%	50%
Cancelled/postponed capital improvements	29%	29%
Living Collections (Zoos or Botanical Gardens)		
Reduced budgets	100%	100%
Laid off employees	100%	33%
Deferred new hires	100%	100%
Cancelled/postponed programs	67%	67%
Cancelled/postponed capital improvements	100%	67%
Multidisciplinary		
Reduced budgets	73%	64%
Laid off employees	45%	27%
Deferred new hires	64%	73%
Cancelled/postponed programs	60%	67%
Cancelled/postponed capital improvements	30%	60%
Performing Arts		
Reduced budgets	71%	65%
Laid off employees	33%	16%
Deferred new hires	53%	53%
Cancelled/postponed programs	35%	35%
Cancelled/postponed capital improvements	29%	29%
Service Organization		
Reduced budgets	68%	58%
Laid off employees	35%	19%
Deferred new hires	74%	55%
Cancelled/postponed programs	43%	47%
Cancelled/postponed capital improvements	29%	29%
Visual Arts		
Reduced budgets	63%	50%
Laid off employees	63%	0%
Deferred new hires	88%	50%
Cancelled/postponed programs	25%	25%
Cancelled/postponed capital improvements	43%	43%
Other		
Reduced budgets	50%	50%
Laid off employees	25%	25%
Deferred new hires	75%	50%
Cancelled/postponed programs	75%	75%
Cancelled/postponed capital improvements	0%	100%

*2009 data are actual numbers whereas 2010 data represent projections
Source: Alliance for the Arts

The chart that follows shows the average percentage budget reduction by discipline. As can be seen in the chart, the most severe cuts have been made by history museums and zoos and gardens. Nonetheless, all disciplines (except the collective *Other*) will cut their budgets slightly less than last year, by an average of about 3 percent.

Average Budget Reductions by Discipline



*2009 data are actual numbers whereas 2010 data represent projections
Source: Alliance for the Arts

Survey sample and methodology

Questionnaires were received by 642 organizations and 114 responded, yielding a response rate of 18 percent, a four percent increase over last year. The sample is representative of the broader cultural community, in all three categories: budget size, discipline and borough distribution.

Boroughs

Seventy-six percent of organizations are located in Manhattan, 13 percent in Brooklyn, 7 percent in Queens, 4 percent in the Bronx and 2 percent in Staten Island.

Budget Sizes

Eighteen percent of organizations have budgets less than \$100,000; 31 percent have budgets between \$100,001 – 1 million; 38 percent have budgets between \$1 – 10 million; 9 percent have budgets between \$10 – 50 million; and 5 percent have budgets of over \$50 million.

Disciplines

Organizations were categorized into seven broad disciplines: performing arts (43 percent); service organizations (27 percent); multidisciplinary organizations (10 percent); history museums/historical societies (7 percent); visual arts organizations (7 percent); other organizations (4 percent); and living collections (3 percent).

The performing arts category includes music, theater, opera, dance and presenting organizations.

The multidisciplinary category includes multidisciplinary arts centers, museums, fairs, festivals and performance groups among others.

Arts education organizations have been categorized as service organizations in our analysis. Additionally, the *Other* category is comprised of those categories that have too few organizations to be listed separately.