

Who Pays for the Arts?

Income for the Nonprofit Cultural Industry
in New York City

A L L I A N C E *for* T H E A R T S

2010

This study was made possible by a generous contribution from the Department of Cultural Affairs.

The New York State Council on the Arts provided essential data which is the basis of this report.

The Alliance's research program is supported by the Booth Ferris Foundation,
The Leona M. and Harry B. Helmsley Charitable Trust,
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.



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.

A L L I A N C E *for* T H E A R T S

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
Christina Knight, Editor

Trustees: J.P. Versace, Jr., *Chairman*; Ashton Hawkins, *Chairman Emeritus*; Randall Bourscheidt, *President*; Robert Clauser, Karen Gifford, *Vice Chairmen*; Laurie Beckelman, Charles Cowles, James H. Duffy, Stephanie French, Paul Gunther, Patricia C. Jones, Martha Newton, Susan Ralston, András Szántó, Larry Warsh • Joanne Stern, *Life Trustee*
Robert Libbey, *Chief Operating Officer* Anne Coates, *Vice President*

Copyright © 2010 Alliance for the Arts

INTRODUCTION

This is the third Alliance for the Arts report on income patterns within the nonprofit cultural field in New York City. The first, published in the fall of 2001, describes an industry before the attacks of September 11 occurred. The second report, published in June 2009, showed the income patterns of cultural organizations just before the onset of the recession. This report, which examines 2009 industry data, shows the recession's impact on income patterns.

The first *Who Pays for the Arts?* report revealed startling inequalities in the distribution of increases of income from 1995 to 1999, with the very largest organizations receiving the largest share of the funding. This trend continues.

Diversity of income, long held as a sign of stability in the nonprofit sector, has continued to decrease dramatically especially for the very largest of organizations. The current report shows an astonishing 136 percent increase between 1995 and 2009 in earned income. This was driven largely by increases in admissions income and in other earned income. To understand this fully, we must dig deeper and understand what drove these increases in admissions income—increased attendance, increased admission prices, or both? This data also suggests that in order for the field to truly understand the nature of these increases we must understand what investments, if any, the organizations made to obtain those increases. It should be noted that earned income figures in this report do not include unrealized endowment gains, so the answer lies elsewhere. It is our hope at the Alliance to deliver deeper understanding on this topic to the field, funders and policymakers.

More questions abound. Within this earned income picture, are there lessons that can be learned from those organizations with great successes at increasing earned revenue that the smaller organizations can use? What risks does the field face with such a large pendulum shift?

Smaller organizations, for example, experienced declines in all three income categories, illustrating that unlike larger organizations, smaller groups have more difficulty in offsetting private and public funding declines with earned income. Total income for the two smallest budget sizes declined an average of 38 percent over the last 10 years, while total income for the two largest budget sizes increased an average of 28 percent.

It is heartening to read recent articles about corporate citizens that make the arts central to their grantmaking in New York City, especially providing that our report this year found that corporate support accounted for 4 to 6 percent of total income, on average, for all budget sizes in 2009. This range is lower than 2007 levels when corporate support ranged between 5 and 9 percent of total income. We see an opportunity here – as there was when we first started to report declines in corporate philanthropy for the arts – for corporations to be real heroes to the cultural field by deepening their involvement and commitment to the arts.

We at the Alliance hope that this report will stimulate discussion about the state of the arts, what we can learn from these income patterns, and how individual organizations and the field as a whole can plan for the future.

Anne Coates
Vice President
Alliance for the Arts

December 2010

Definition of Terms

The following terms and categories are used throughout this study to identify sources of income, the range of organizational operating budgets and disciplines. For the complete methodology of the approach used in this report, refer to page 10.

Income Sources

Earned Income is revenue generated from the following two categories:

- Admissions, which includes admissions and box office income derived from events, exhibitions and performances.
- Other earned, consisting of endowment fund allotments, fundraising events, space rental, gift shop, restaurant, parking, program fees, touring, royalties, tuition, publications, contracted services, interest on bank accounts and miscellaneous earned income.

Private contributions are income generated from the following categories:

- Individuals (contributions and membership fees)
- Foundations
- Corporations

Government Funding comprises:

City of New York

- Department of Cultural Affairs (DCA)
- Other City, including the Department of Education, Department for the Aging, and the Department of Community Development

State of New York

- New York State Council on the Arts (NYSCA)
- Other State including the New York State Department of Education and the New York State Natural Heritage Trust

Federal

- National Endowment for the Arts (NEA)
- Other Federal includes the National Endowment for the Humanities, Institute for Museum and Library Services, the National Science Foundation and the National Aeronautics and Space Administration.

Budget Categories

This study, as well as our past *Who Pays for the Arts?* studies, divides the sample into four budget categories:

- Greater than \$10 million
- \$1 – \$10 million
- \$100,000 – \$999,999*
- Less than \$100,000

* We have simplified tables and charts to read \$100,000 – \$1 million however, the budget size remains \$100,000 – \$999,999.

Disciplines

Visual Arts: art, history and science museums, historical societies, organizations dedicated to drawing, painting and sculpture, film and video, architecture and design, and photography.

Performing arts: dance, theater, music and presenting organizations such as concert halls and performing arts centers.

Living Collections: botanical gardens, zoos and aquariums.

Other: including arts councils, multidisciplinary, service and arts education organizations.

Executive Summary

This report analyzes the funding for New York City’s cultural organizations between 1995 and 2009.

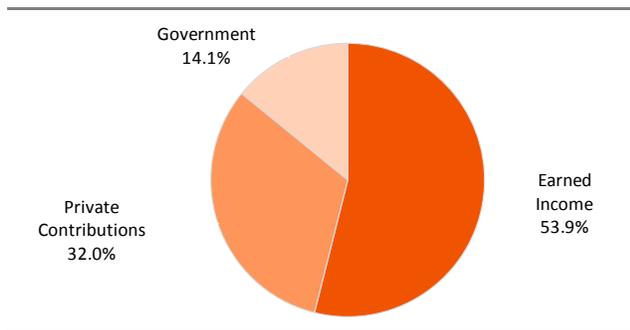
- Part I examines 2009 income data for 749 organizations.
- Part II analyzes a subset of 194 organizations for which data is available every year studied between 1995 and 2009.

Earned income remains the most important income source for all cultural organizations, followed by private contributions from individuals, foundations and corporations. Government support is the smallest source, but the most important to organizations with the smallest budgets.

Part I: 2009 Income Patterns

The following chart shows the average distribution of income sources for the 749 organizations studied in 2009.

Income Sources for New York City Cultural Organizations: 2009



Source: Alliance for the Arts, NYSCA

Earned Income

Just over half of total income was earned from admissions, fundraising events, contracted services, tuition and workshop fees, endowment and concessions.

Private Contributions

Private contributions made up 32 percent of total income in 2009 for the 749 organizations analyzed.

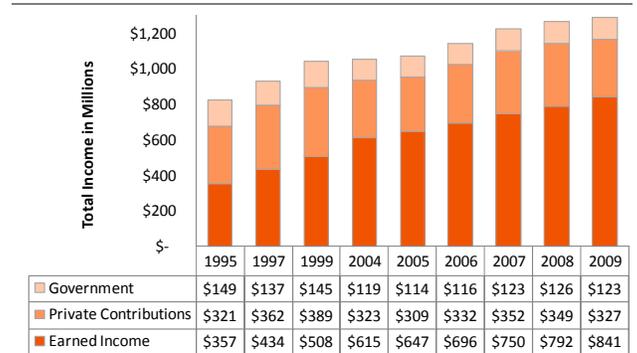
Government Funding

As in our past studies, government funding remains the smallest source of income for all organizations. Of the nearly \$430 million in government funding for our sample, New York City provided the largest share.

Part II: Trends in Income 1995 – 2009

Total income grew by 56 percent from 1995 to 2009. This growth was driven by an overall increase of 136 percent in earned income. Between 1995 and 2009, government funding decreased 17 percent while private contributions increased 2 percent.

Income Sources for Trends Sample: 1995 – 2009 (in 2009 dollars)



Source: Alliance for the Arts, NYSCA

Earned Income

The smallest organizations experienced a 48 percent decline in earned income over the 14-year period while organizations with budgets between \$100,000 and \$1 million experienced a 6 percent increase. Larger organizations experienced triple-digit increases over the same period.

Private contributions

Private contributions decreased for the smallest and largest organizations; however, they increased for midsized organizations with budgets between \$100,000 and \$10 million. Corporate funding since 1995 decreased for organizations with budgets less than \$1 million and increased for organizations with budgets greater than \$1 million. Foundation support (through 2009) increased for all organizations except the largest, which saw foundation support decline 34 percent since 1995.

Government Funding

As identified in the 2009 report, public funding has declined overall since 1995 for organizations of all budget sizes. Between 2007 and 2009, public and government funding continued to decline as the economy came under the strain of the recession. The continued decline of government funding reflects decreases in federal, state and city support to all organizations. Between 1995 and 2009, the smallest and largest organizations experienced the greatest decline in all levels of government funding, or 54 percent and 61 percent respectively.

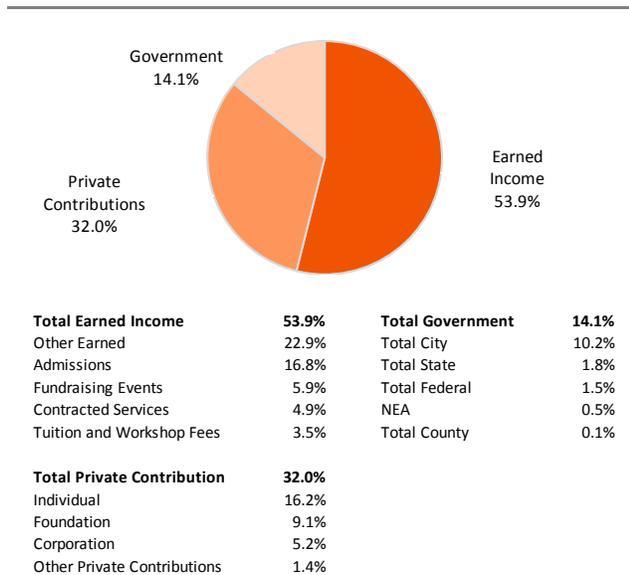
Part I – 2009 Income Patterns

- Earned income represents nearly 54 percent of total income for New York City nonprofit cultural organizations in 2009.
- Government contributions represent 14 percent of total income while private contributions represent 32 percent.
- New York City funding represents 10 percent of total income for nonprofit cultural groups.

In 2009, the combined operating income for 749 cultural organizations totaled approximately \$3 billion. Total income for cultural organizations came from three sources: earned income, private sources and government sources.

The following chart details the percentage of contributions from each funding source for the total operating income for the 749 organizations in the sample.

Income Sources for New York City Cultural Organizations: 2009



Source: Alliance for the Arts, NYSCA

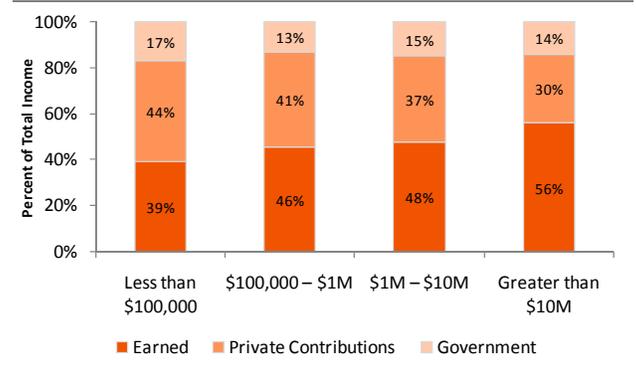
Over half (54 percent) of total income for organizations was earned from admissions, fundraising events, educational services and other earned income, which includes endowment fund allotments and concession sales. Income from admissions constituted 17 percent of total income.

Private contributions totaled 32 percent of total income. Individual contributions made up the largest share (16 percent) followed by foundations (9 percent) and corporations (5 percent).

The remaining income comes from government sources, which constituted 14 percent in 2009. New York City, including the Department of Cultural Affairs, contributed 10 percent while state, federal and county funding contributed just less than 4 percent.

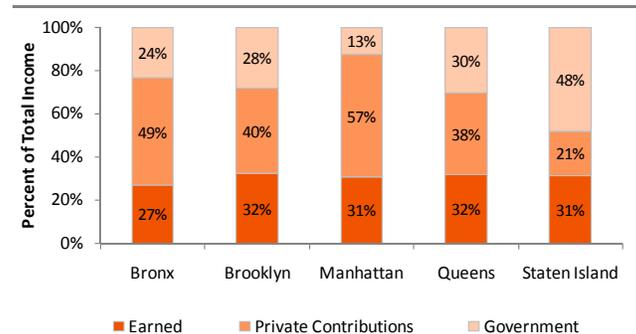
The proportion of funding for organizations varies by both budget size and borough. Organizations with larger budgets earn more income indicating then a smaller percentage of their budgets are made up of government funding and private contributions. The following two charts detail income distribution by budget size and borough.

Income Sources by Budget Size: 2009



Source: Alliance for the Arts, NYSCA

Income Sources by Borough: 2009

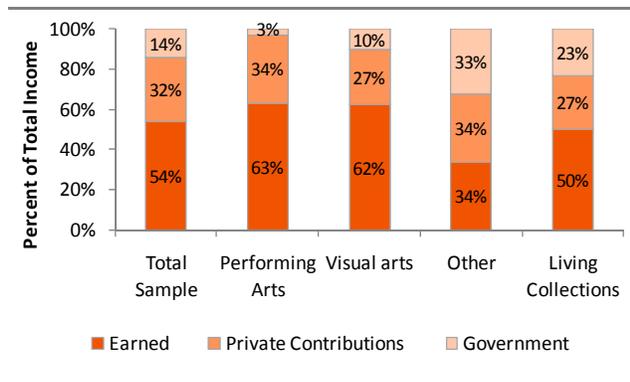


Source: Alliance for the Arts, NYSCA

Living collections derived 23 percent of their total income from government funding, most from City of New York funding (17 percent of total income). Visual arts group derived 10 percent of their income from government sources while performing arts organizations derived 3 percent.

The following chart summarizes the percentage contribution of income sources by discipline.

Income Sources by Discipline – 2009



Source: Alliance for the Arts, NYSCA

Earned Income

- Smaller organizations receive less earned income than larger organizations, placing more reliance on government and private contributions.
- Larger organizations derive less income from fundraising events for income than do smaller organizations.

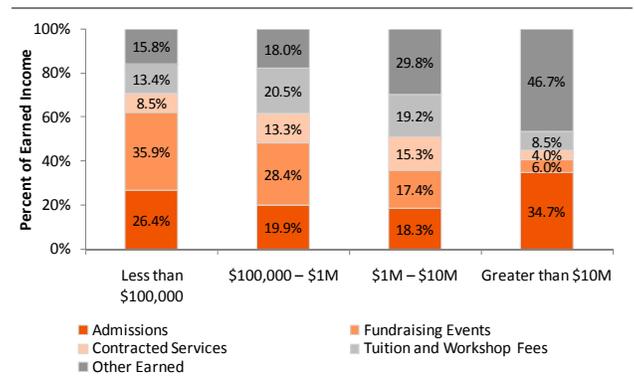
Earned income remained the largest income source for cultural organizations of all budget sizes, especially the largest organizations. In 2009, the largest organizations (with budget over \$10 million) derived 56 percent of their income from earned sources, while the smallest organizations (with budgets under \$100,000) derived only 39 percent from this source.

Earned income includes revenue from admissions, contracted services, tuition and workshop fees, fundraising events, endowments, etc.

Admissions represent the largest percentage of earned income. For the largest organizations, admissions equal nearly 20 percent of total earned income. These largest organizations generated \$442 million in admission sales in

2009, which is 87 percent of total nonprofit cultural admission in New York City.

Percent of Earned Income by Budget Size: 2009



Source: Alliance for the Arts, NYSCA

Both performing arts and visual arts organizations earned over 60 percent of their total incomes. Performing arts organizations derived 30 percent of their total income from admissions income while visual arts organizations derived 15 percent from admissions. For performing arts organizations, other earned income made up 37 of total earned income while for visual arts organizations; other earned income represented 17 percent.

Private Contributions

- Private funding for the arts continues to decline as a percentage of total income.

Of the 2009 total income for the 749 organizations, 32 percent was derived from private contributions. Total income generated by private contributions is inversely proportional across budget categories, ranging between 30 percent of total income for largest organizations and 44 percent for smallest organizations.

Almost 60 percent of private contributions for organizations with budgets over \$10 million were from individual contributions. These individual contributions constituted 18 percent of this group's total income. Larger organizations derived less of their total income from foundation giving than did smaller groups, 20 percent versus 41 percent of their total private contribution income respectively.

Groups with budgets between \$1 million and \$10 million received 17 percent of their total income from foundation giving, 12 percent from individual giving and 6 percent from corporate giving.

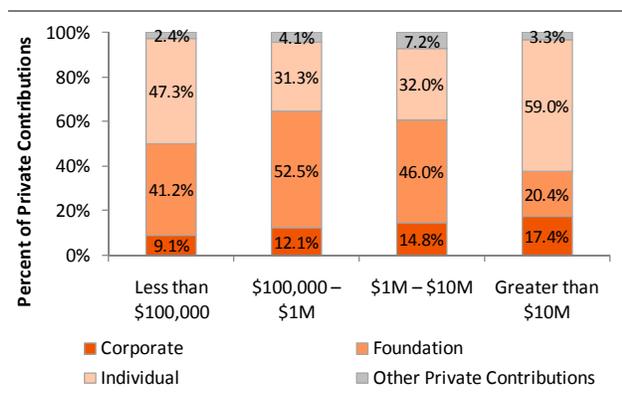
Foundation support accounted for 22 percent of total income in 2009 for groups with budgets between \$100,000 and \$1 million.

Individual giving was 21 percent of total income for the smallest organizations (with budgets less than \$100,000), which is up from 17 percent of total income in 2007. For these small groups, support from foundations was 18 percent of total income, down from 20 percent of total income in 2007.

Corporate support accounted for 4 to 6 percent of total income, on average, for all budget sizes. This range is lower than 2007 levels when corporate support ranged between 5 and 9 percent of total income.

The chart below illustrates the percentage of private contributions by budget size in 2009.

Private Contributions by Budget Size: 2009



Source: Alliance for the Arts, NYSCA

Private support allocations averaged in the range of 27 to 34 percent of total income. Performing arts groups on average experienced a higher percentage of individual support than visual arts or living collections, or 20 percent of total income.

Government Funding

- The City of New York provides the largest source of government funding for organizations of all budget sizes.
- Government funding represents 13 percent of total income in Manhattan, which is 11 percent to 25 percent less than the percentage of total in other boroughs.
- Manhattan receives the most in City funding but, has the lowest average median funding per cultural institution.

Government funding accounted for 14.1 percent of total income for all groups and remains the smallest income source for all disciplines. New York City funding provided the largest share—72 percent—of total government contributions, which amounts to 10 percent of the total income for all organizations.

The City of New York provides general operating support to a select group of 34 institutions that make up the Cultural Institutions Group, with which it has historical operating agreements. Almost all of these organizations occupy City-owned facilities although they are independently operated. These organizations typically receive a higher percentage of their income from City funding.

State funding, including New York State Council on the Arts grants, accounted for 13 percent of total government and 2 percent of total income while federal support, including National Endowment for the Arts grants, accounted for 3 percent of government contributions for all organizations.

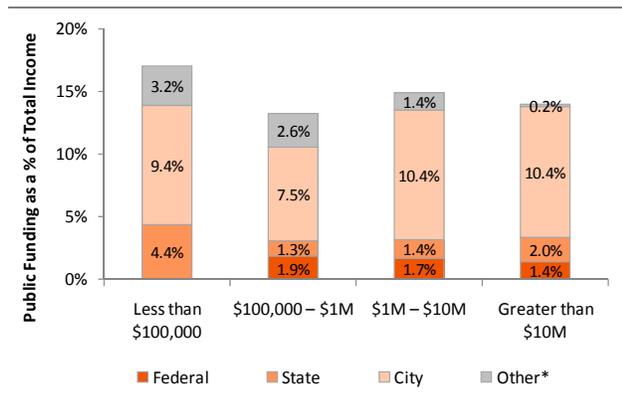
The largest organizations derived only 14 percent of their total income from government sources, while smaller organizations derived 17 percent of their income from government funding.

The largest source of government funding for all budget sizes were City grants, ranging from 9 percent of total government funding for smallest organizations to 10 percent of government funding for largest organizations.

Overall, organizations received less State funding than City funding. However, organizations with budgets less than \$100,000 received at least 2 percent more of their budget from State funding than did other sizes of organizations.

In 2009, government funding as a percentage of total funding varied widely by borough. For Manhattan groups, government sources made up the smallest portion of their total budget, or 13 percent of their total income. Manhattan groups collectively receive the largest amount of all government funding, or 78 percent of funding by borough. Groups in Brooklyn, the Bronx, Staten Island and Queens all received between 24 and 48 percent of their total income from public funding.

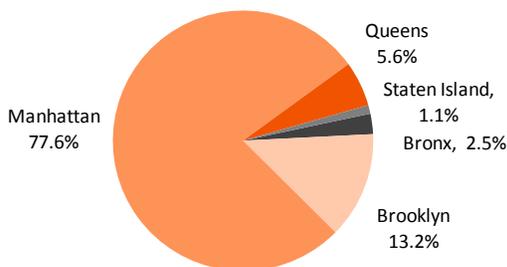
Government Funding as a Percent of Total Income by Budget Size: 2009



Source: Alliance for the Arts, NYSCA
 *Other government funding includes County and NEA funding.

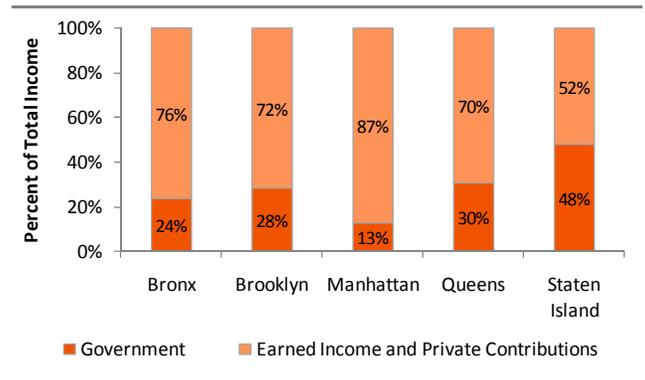
The City provides the majority of government funding, or between 56 percent and 83 percent in each borough. The following two charts depict funding levels by borough.

Total Government Funding by Borough: 2009



Source: Alliance for the Arts, NYSCA

Government Funding as a Percent of Total Income by Borough: 2009



Source: Alliance for the Arts, NYSCA

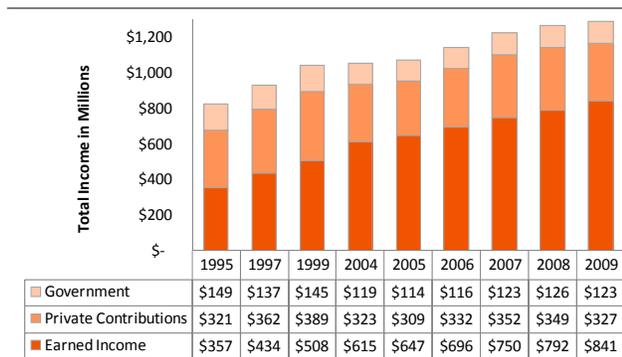
Part II – Trends in Operating Income 1995 – 2009

- Public and private support for the arts has remained flat.
- Small organizations experienced the biggest overall declines in funding.

By examining a subgroup of 194 organizations of the larger 749 study group, it is possible to analyze the fluctuations and trends in income for various years between 1995 and 2009.

Income trends over the past 15 years reveal that funding has been largely supported by increases in earned income, while levels of government and private contributions have declined.

Income Sources for Trends Sample: 1995 – 2009 (in 2009 dollars)



Source: Alliance for the Arts, NYSCA

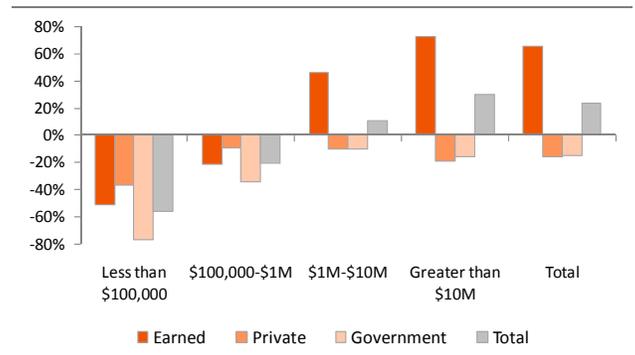
Income fluctuations during these years occurred primarily in the earned income and private contribution categories. Earned income has increased over time, rising to 65 percent of total income between the years 1999 and 2009. During this same period, private contributions decreased as a percentage of total funding to 25 percent from 37 percent. Government support has similarly declined for this sample subset to 10 percent of total income from 14 percent of total income.

The largest organizations with budgets over \$10 million have enjoyed the largest increases in total income due to a 73 percent increase in earned income between 1999 and 2009. Government and private contributions declined over this time by 19 percent and 16 percent, respectively; however, the sharp rise in earned income was able to offset these declines over this period.

Organizations with budgets between \$1 million and \$10 million experienced increases of 46 percent in earned income over the past 10 years. However, this budget size experienced the smallest decrease in government funding, or 10 percent. Private contributions for this group also declined 10 percent, which was less severe than the declines for groups with the largest and smallest budgets.

Smaller organizations in the two budget categories of less than \$1 million experienced declines in all three income categories, illustrating that unlike larger organizations, smaller organizations have more difficulty in offsetting private and public funding declines with earned income. Total income for the two smallest budget sizes declined an average of 38 percent over the last 10 years, while total income for the two largest budget sizes increased an average of 28 percent. Smaller organizations' total income was most impacted by government funding declines, which fell an average of 55 percent since 1999. The chart below illustrates the percentage change in income by budget size a 10-year period. For charts illustrating the 14 year trend between 1995 and 2009, please refer to the appendix on page 11.

Income Sources for Trends Sample: 1999 – 2009 (in 2009 dollars)



Source: Alliance for the Arts, NYSCA

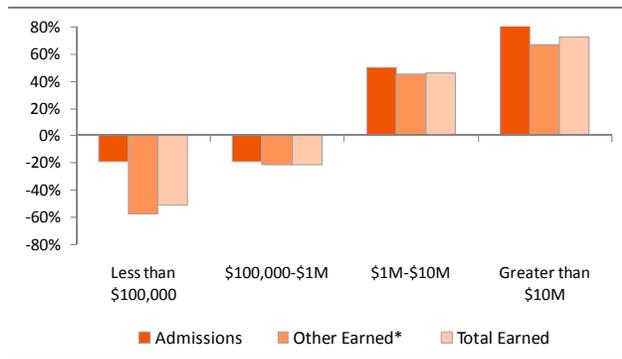
Trends in Earned Income 1999 to 2009

Total earned income increased 66 percent between 1999 and 2009, boosted by a 77 percent increase in admissions and a 60 percent increase in other earned income¹. Other earned income includes fundraising events, contracted services, tuition and workshop fees and concession sales.

¹ Other Income includes "passive" earned income and/or "unrelated income." Unrelated items can include: interest from interesting bearing accounts, annual allotment from an endowment fund or gains from some other kind of fund investment (stocks/bonds, etc), royalties or licensing fees, sale of used equipment and rental income.

Income from admissions for the trend sample increased over 100 percent between 1995 and 2009 and 77 percent in the 10-year period between 1999 and 2009. Admissions income increased by 50 percent during this time for organizations with budgets between \$1 million and \$10 million and decreased by 19 percent for all organizations with budgets less than \$1 million. The chart below illustrates the percent change in earned income by budget size over a 10-year period.

Percent Change in Income by Budget Size: 1999 – 2009



Source: Alliance for the Arts, NYSCA
 * Other earned income includes fundraising events, contracted services, tuition and workshop fees, etc.

Trends in Private Contributions 1999 to 2009

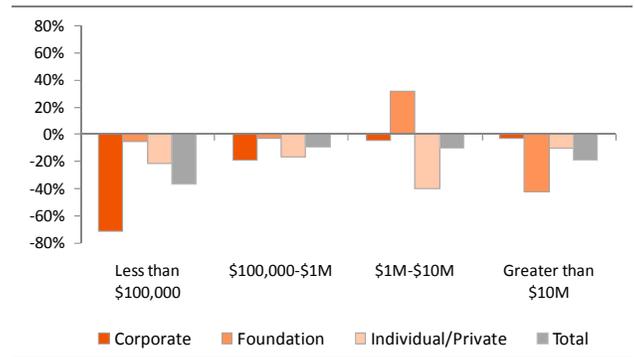
Total private contributions decreased an average of 16 percent from 1999 to 2009. Overall, private contributions were most affected by mid-double digit declines in both individual and foundation giving, which represent nearly three-fourths of all private contributions.

Income from corporate contributions declined an average of 45 percent for organizations with budgets under \$1 million and declined 4 percent for organizations with budgets over \$1 million.

Contributions from foundations declined most for organizations with budgets over \$10 million. Surprisingly, the only increase in private contribution levels over this period was for organizations with budgets between \$1 million and \$10 million, which increased 32 percent.

Declines in individual support averaged 18 percent across budget sizes with the sharpest declines (-40 percent) recorded for organizations with budgets between \$1 million and \$10 million. The following below illustrates the changes in private contributions by budget size.

Percent Change in Private Contributions by Budget Size: 1999 – 2009



Source: Alliance for the Arts, NYSCA

Trends in Government Funding 1999 to 2009

Government funding declined by 15 percent between 1999 and 2009 and by 17 percent between 1995 and 2009. In the 10-year period between 1999 and 2009, what contributed most to this decline was a 51 percent decline in State funding and an 11 percent decline in City funding, on an inflation-adjusted basis. Over this period federal funding increased by 14 percent, mostly due to double-digit federal funding gains for organizations with budgets between \$100,000 and \$10 million.

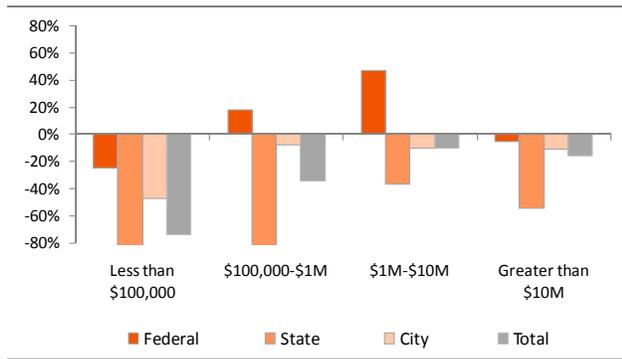
In 2009, 59 percent of all government support went to the largest organizations compared to 60 percent in 1999, indicating that the allocation of government funds has remained largely consistent over time and across budget size.

Smaller organizations during this 10-year period experienced greater declines in funding than did larger organizations. Total government funding for organizations with budgets under \$1 million declined an average of 54 percent. State funding for the two smallest budget sizes declined an average of 88 percent.

Organizations with budgets between \$1 million and \$10 million experienced the smallest relative decline, or 10 percent. Organizations of this size in our study also experienced a sharp increase of 47 percent in federal funding during this time.

The chart at the top of the next page illustrates the changes in government funding by budget size between 1999 and 2009.

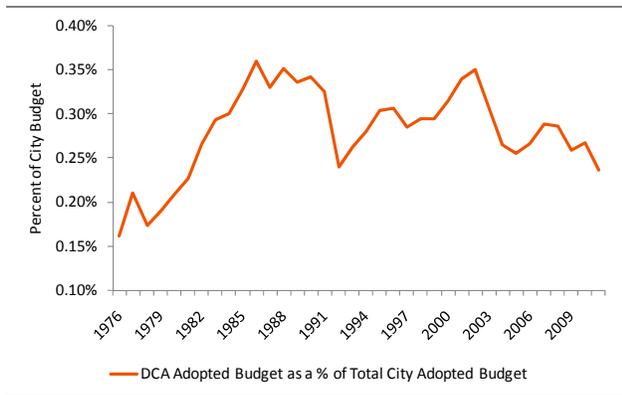
Percent Change in Government Funding by Budget Size: 1999 – 2009



Source: Alliance for the Arts, NYSCA

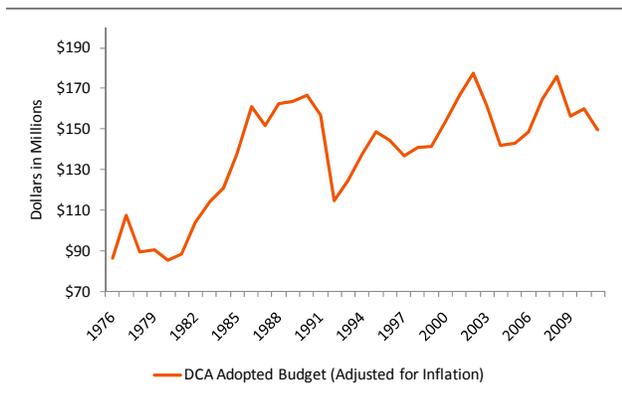
City funding represents 76 percent of total government funding for New York City organizations. The following two charts show historical levels of City funding.

DCA Expense Budget History (1976-2011): DCA's Share of the New York City Adopted Budget



Source: Alliance for the Arts

DCA Expense Budget History 1976-2011, Adjusted for Inflation (in 2010 dollars)



Source: Alliance for the Arts

The two previous charts illustrate the Department of Cultural Affairs's (DCA) share of the Adopted New York City Budget for fiscal years 1976 to 2011. As can be seen in the chart, the current DCA budget represents only 0.24 percent of the total adopted New York City budget compared to the 1980s and the period just after September 11 when DCA funding reached 0.36 percent of the City budget.

The second DCA Expense Budget History chart represents absolute levels of DCA funding on an inflation-adjusted basis. Current funding for fiscal year 2011 was announced at \$149.5 million, which is 15 percent less than funding in 2008.

Methodology

The analysis of the 2009 operating income of nonprofit cultural organizations in New York City is based on data submitted by 749 nonprofit cultural organizations to the New York State Council on the Arts (NYSCA) as part of its Fiscal Year 2011 funding applications. This data was supplemented with information gathered directly from the organizations. It should be noted that this data for the industry, from 2009, is the most complete year of data currently available.

The study sample of 749 groups reflects the scale and diversity of the arts in New York City, and yields significant data on a broad cross-section of the cultural sector. The mix of organizations used in this study is comparable to past *Who Pays for the Arts?* studies.

The trend sample has been adjusted for inflation using a regional inflation rate for the New York metro area from the United States Bureau of Labor Statistics. When analyzing a trend sample, dollars have been adjusted to 2009 dollars.

Budget Categories

Organizations in this study had budgets ranging from less than \$1,000 to more than \$200 million. The group of 749 organizations analyzed in this study and those used in the trend sample were categorized into four income groups:

- Greater than \$10 million
- \$1 million – \$10 million
- \$100,000 – \$999,999*
- Less than \$100,000

* We have simplified tables and charts to read \$100,000 – \$1 million however, the budget size remains \$100,000 – \$999,999.

Boroughs

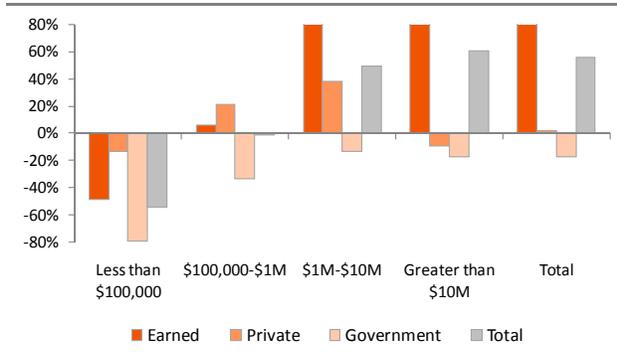
The study sample also reflects the distribution of cultural groups throughout New York City's five boroughs. The majority of these groups, or 581 organizations, are located in Manhattan, which we believe is representative of the larger New York City cultural industry. The remaining 168 organizations are located in the other four boroughs.

Disciplines

Organizations were categorized into four broad disciplines. Performing arts groups (380) account for 43 percent of total income followed by 114 visual arts groups with 24 percent. Living collections account for 3 percent of total income while the Other category accounts for 30 percent.

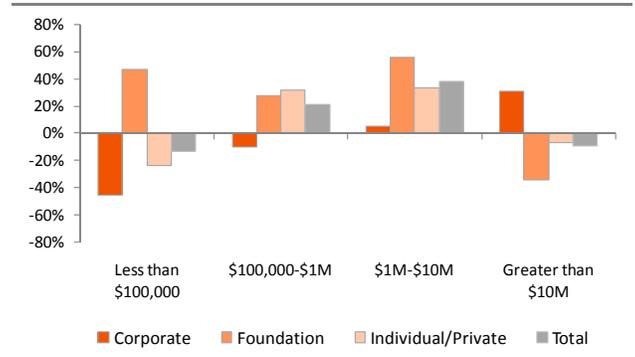
Appendix

**Income Sources for Trends Sample: 1995 – 2009
(in 2009 dollars)**



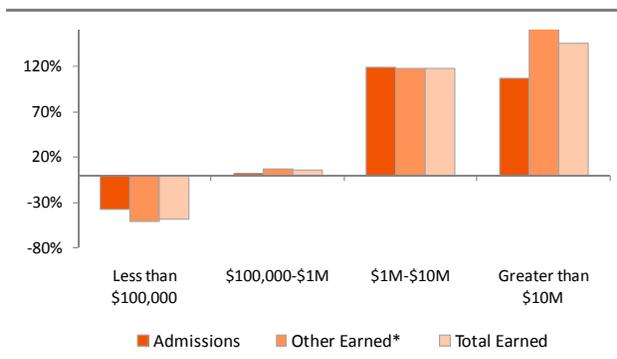
Source: Alliance for the Arts, NYSCA

Percent Change in Private Contributions by Budget Size: 1995 – 2009



Source: Alliance for the Arts, NYSCA

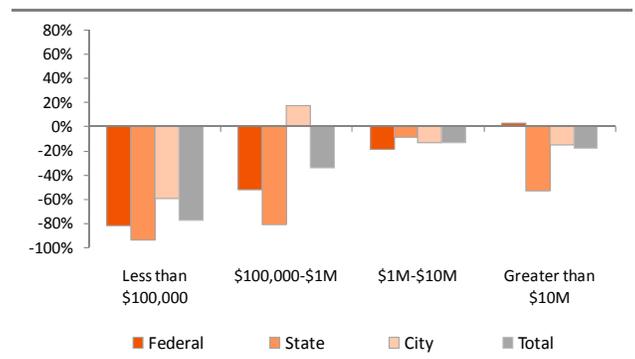
Percent Change in Income by Budget Size: 1995 – 2009



Source: Alliance for the Arts, NYSCA

* Other earned income includes fundraising events, contracted services, tuition and workshop fees, etc.

Percent Change in Government Funding by Budget Size: 1995 – 2009



Source: Alliance for the Arts, NYSCA