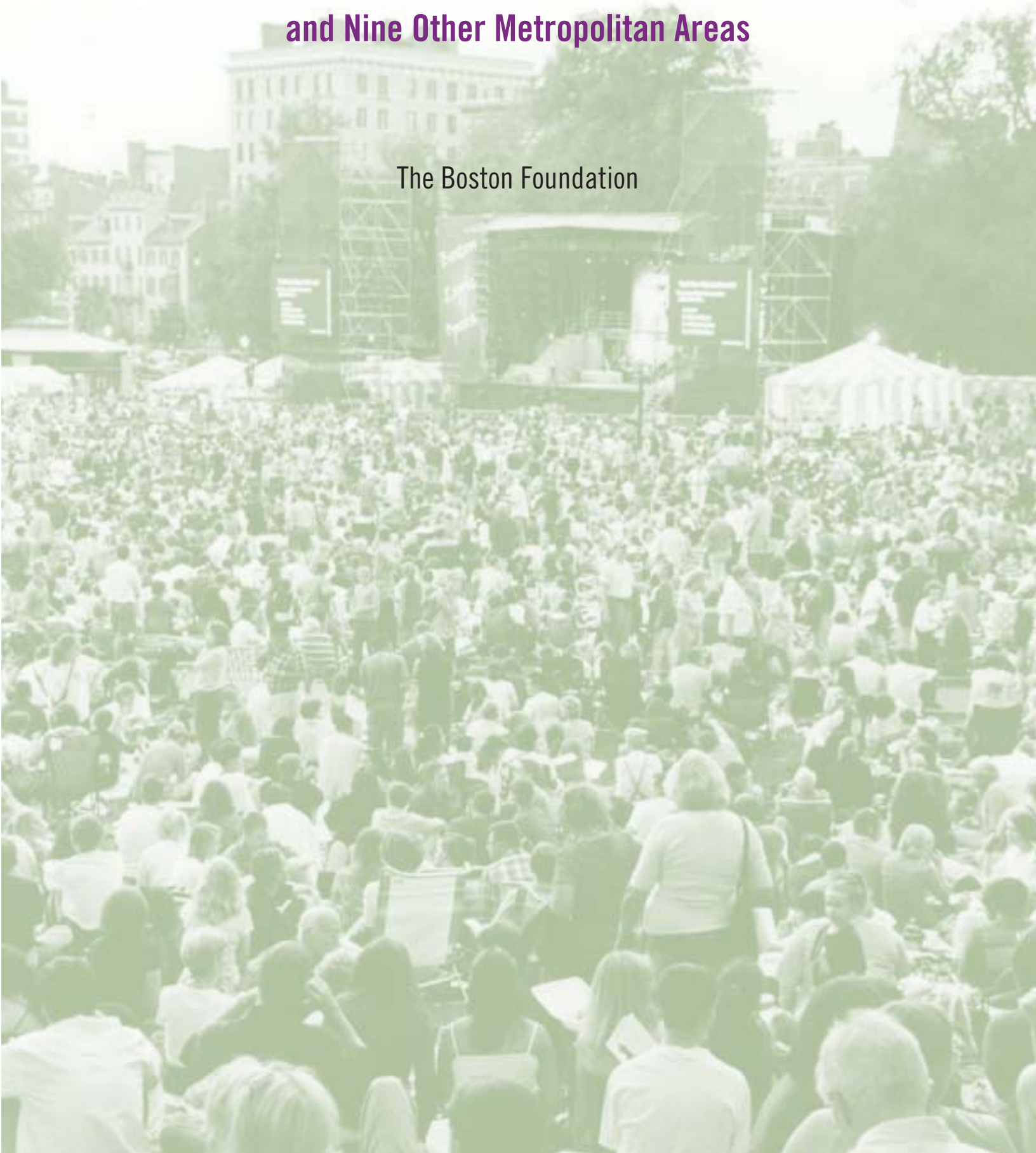


**Funding for Cultural Organizations in Boston
and Nine Other Metropolitan Areas**

The Boston Foundation



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The Boston Lyric Opera's September 2002 presentation of Bizet's *Carmen* attracted 140,000 people to two free performances on the Boston Common.

Contents

Preface	4
Executive Summary	5
Introduction	11
CHAPTER ONE What are the Characteristics of Each Cultural Market?	14
CHAPTER TWO How are Financial Resources Distributed Across the Sector?	22
Cultural nonprofit institutions with annual budgets greater than \$20 million	24
Cultural organizations with annual budgets between \$5 and \$20 million	26
Cultural nonprofit organizations with annual budgets between \$1.5 and \$5 million	29
Organizations with budgets between \$500,000 and \$1.5 million	32
Organizations with budgets under \$500,000	35
CHAPTER THREE What Types of Contributed Resources are Available?	38
Government Funding	39
Foundation Funding	43
Corporate Funding	46
Public Funding Strategies in Large Markets	48
Public Funding Strategies in Small Markets	49
Individual Giving	53
CHAPTER FOUR What are the Implications of These Findings?	54
End Paper	56
APPENDIX ONE Data Sources	i
Demographic Statistics	i
Arts Nonprofit Organizations	ii
State Arts Funding	ii
Foundation Giving	ii
Corporations	iii
Local Arts Agencies	iii
Literature	iii
APPENDIX TWO Local Arts Agencies	iv
Boston	iv
Charlotte	vi
Chicago	ix
Cleveland	x

Dallas	xi
Minneapolis-Saint Paul	xiii
New York	xv
Pittsburgh	xvi
San Francisco	xviii
Seattle	xx
APPENDIX THREE Tracking Negative Net Worth	xxiii
APPENDIX FOUR Additional Information on City of Boston Cultural Funding	xxv
Bibliography	xxvii

CHARTS AND FIGURES

EXECUTIVE SUMMARY CHART A—Growth of Cultural Nonprofits, 1992 to 1999	6
EXECUTIVE SUMMARY CHART B—Average Earned and Contributed Income per Cultural Nonprofit, 1999	7
EXECUTIVE SUMMARY CHART C—Distribution of Cultural Nonprofits and Contributed Income by Budget Size in Metro Boston, 1999	8
EXECUTIVE SUMMARY CHART D—Distribution of Contributed Income by Budget Size, 1999	8
FIGURE 1—Boston Primary Metropolitan Statistical Area	13
CHART 1—Change in Population, 1990 to 2000	15
CHART 2—Median Income, 2000	15
CHART 3—Percent of Population with a Graduate Degree, 2000	15
CHART 4—Total Cultural Nonprofit Organizations per Metro Area, 1999	16
CHART 5—Comparison of Total Nonprofits per Capita and Total Cultural Nonprofits per Capita, 1999	16
CHART 6—Growth of Cultural Nonprofits per Capita, 1992 to 1999	16
CHART 7—Growth Rates of All Nonprofits and Cultural Nonprofits Compared, 1992 to 1999	16
CHART 8—Number of Cultural Nonprofits by Budget Category, 1999	17
CHART 9—Percent of Cultural Nonprofits by Budget Category, 1999	17
CHART 10—Percent Growth of Cultural Nonprofits by Budget Category, 1999	18
CHART 11—Total Contributed Income per Capita, 1999	19
CHART 12—Average Contributed Income per Cultural Nonprofit, 1999	19
CHART 13—Growth in Number of Cultural Nonprofits Compared to Growth of Contributed Income, 1992 to 1999	20
CHART 14—Total Earned Income per Capita, 1999	21
CHART 15—Average Earned and Contributed Income per Cultural Nonprofit, 1999	21
CHART 16—Distribution of Cultural Nonprofits and Contributed Income by Budget Size in Metro Boston, 1999	22
CHART 17—Distribution of Contributed Income by Budget Size, 1999	22
CULTURAL NONPROFITS WITH BUDGETS OVER \$20 MILLION	
CHART 18—Average Budget and Average Contributed Income, 1999	24
CHART 19—Contributed Income per Capita and per Cultural Nonprofit Compared, 1999	25
CHART 20—Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999	25

CHART 21—Average Earned and Average Contributed Income, 1999	25
CULTURAL ORGANIZATIONS WITH ANNUAL BUDGETS BETWEEN \$5 AND \$20 MILLION	
CHART 22—Average Budget and Average Contributed Income, 1999	26
CHART 23—Contributed Income per Capita and per Cultural Nonprofit Compared, 1999	22
CHART 24—Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999	27
CHART 25—Average Earned and Average Contributed Income, 1999	27
CULTURAL NONPROFIT ORGANIZATIONS WITH ANNUAL BUDGETS BETWEEN \$1.5 AND \$5 MILLION	
CHART 26—Average Budget and Average Contributed Income, 1999	29
CHART 27—Contributed Income per Capita and per Cultural Nonprofit, 1999	29
CHART 28—Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999	31
CHART 29—Average Earned and Average Contributed Income, 1999	31
ORGANIZATIONS WITH BUDGETS BETWEEN \$500,000 AND \$1.5 MILLION	
CHART 30—Average Budget and Average Contributed Income, 1999	32
CHART 31—Contributed Income per Capita and per Cultural Nonprofit, 1999	32
CHART 32—Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999	33
CHART 33—Average Earned and Average Contributed Income, 1999	34
ORGANIZATIONS WITH BUDGETS UNDER \$500,000	
CHART 34—Average Budget and Average Contributed Income, 1999	35
CHART 35—Contributed Income per Capita and per Cultural Nonprofit, 1999	36
CHART 36—Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999	36
CHART 37—Average Earned and Average Contributed Income, 1999	36
CHART 38—National Endowment for the Arts Grants to Cultural Nonprofits per Capita, 1999	40
CHART 39—National Endowment for the Humanities Grants to Cultural Nonprofits per Capita, 1999	40
CHART 40—Institute of Museum and Library Services Grants to Cultural Nonprofits per Capita, 1999	40
CHART 41—Average State Art Agency Grants per Nonprofit, 1999	41
CHART 42—Average State Art Agency Grant per Capita, 1999	41
CHART 43—Number of State Art Agency Operating Grants Compared to Average Grant Size, 1999	41
CHART 44—Maximum State Art Agency Grant Compared to Average Grant Size, 1999	42
CHART 45—Total Funding from In-State and Out-of-State Foundations, 1999	44
CHART 46—Total Foundation Funding per Capita Compared to Total In-State Foundation Funding per Capita, 1999	44
CHART 47—Average Funding from In-State and Out-of State Foundations, 1999	44
CHART 48—Percentage of In-State and Out-of-State Foundation Grants, 1999	44
TABLE 1—In-State Foundations Giving More Than \$500,000	45
CHART 49—Number of Cultural Nonprofits per Foundation Giving More Than \$500,000 to Arts and Culture, 1999	45

Preface

Arts and culture bring a great city to life. Artists and cultural institutions attract new investments and new residents, and so catalyze the growth of our neighborhoods and our regional economy. Millions of visitors come to Boston each year to see our historic sites, hear our fine orchestras, visit our renowned museums, and make tourism one of our leading industries. Cultural organizations of all sizes and types—large art and science museums, mid-sized theater companies and orchestras, and small visual arts organizations or choral groups—teach and inspire young people and help us bridge differences among our diverse population. As adults, our encounters with the arts have the power to transform us, prompting us to see, hear and think in new ways. Coming together through cultural experiences, we discover and understand our shared humanity. Art and culture is not a luxury. It is basic. Art and culture is essential to the educational, economic, and social fabric of our lives. The Boston Foundation is an enthusiastic supporter of our community’s arts and cultural opportunities.

This report grew out of our understanding of the importance of this region’s cultural nonprofits and from an acute concern for the long-term viability of the sector. Our largest, world-class institutions, as well as the smallest community-based organizations have pressing capital needs. A lack of suitable stages thwarts the growth of audiences, earned income and economic impact. The shortage of studio space hinders the creation of new work and the education of our children. We note a growth on the wrong side of the ledger sheet: deficits, deferred maintenance and lay-offs are increasing to the detriment of the quality of our lives and the vitality of our commonwealth.

The Foundation, a place of inquiry, exchange and action on the key challenges facing Greater Boston, commissioned this report to provide answers to several fundamental questions. How do we currently invest in this crucial industry? What is the impact of that investment on local cultural organizations? How does metro Boston compare to other leading cities across the country?

This study seeks answers by comparing the roles of public and private funding in the cultural economies of great cities across the country. It shows us what we intuitively knew: that we live in the midst of a very rich, complex and unequalled cultural environment. In fact, metro Boston has more cultural nonprofits per person than even New York. We should embrace this good news and celebrate the accomplishments of the artists, scientists, humanists and administrators that make it possible.

But we also learn that other regions commit more resources to arts and culture than we do. New York and San Francisco have found ways to invest many millions of dollars into their cultural economies. Even Pittsburgh, Seattle and Charlotte make larger investments in cultural sectors that are smaller than Boston’s. Our cultural organizations have come as far as they have thanks to the gifts of individuals. We applaud this generosity, even while understanding that it is not sufficient to meet our aspirations for our cultural institutions.

This study shows that our limited investment is, at best, preventing the region’s cultural institutions from realizing their fullest potential. At worst, it is threatening their very survival. As you read this report, consider how much stronger Boston will become when we commit public funding, both city and state, to our cultural economy. If we want to achieve our promise by realizing the maximum economic, educational and social benefits from this sector, then we must work together on strategies to nurture, support and grow our cultural assets.

Arts and culture have a crucial role to play in making this a truly great, unsurpassed metropolitan region. This report makes a clear case for the importance of pulling together on this key issue. We must seize the opportunity now to create a very different story tomorrow. Thank you for joining the debate that will shape a better Boston.

Paul S. Grogan, President and CEO, The Boston Foundation

Executive Summary

In early 2002, the Boston Foundation posed two questions: How does the financial support available for metro Boston’s arts and cultural sector compare to that of other regions across the country? How does that support impact the sector?

TDC, a nonprofit provider of technical assistance and management consulting services, was commissioned to answer those questions. Working with the advice of local cultural leaders and arts advocates, the research team collected information about metro Boston and nine other metropolitan areas with similar populations, thriving arts communities, and some of the highest art revenues per capita nationally. The ten metropolitan areas in the research project are:

- Boston
- Charlotte
- Chicago
- Cleveland
- Dallas
- Minneapolis-Saint Paul
- New York
- Pittsburgh
- San Francisco
- Seattle

Using existing studies as well as original qualitative and quantitative research, the study explored the following:

- How does funding for arts and cultural organizations in metro Boston compare—on a per capita and a per organization basis—to other metro areas in terms of:
 - ◆ Government funding at the federal, state and local levels;
 - ◆ Private and corporate foundation giving; and
 - ◆ Individual philanthropy?
- How do these differences impact the arts and cultural communities in each metro area? Where more resources are available, are organizations more financially stable?
- How does earned income contribute to the support of cultural organizations?
- Are there lessons to be learned from the ways that other communities support their cultural sectors?

The study focused on numbers. Issues of quality and artistic innovation, while of great interest, were beyond the scope of the research. While this report uses the term ‘arts’ or ‘cultural’ to refer to these organizations, the data refers to all agencies that

identify themselves on IRS Form 990 as ‘cultural,’ which include arts, science, historical and humanity groups.

The primary data source was the National Center for Charitable Statistics at the Urban Institute’s Center on Nonprofits and Philanthropy, which compiles information on all nonprofits reporting financial information on IRS Form 990. The study focuses on total “contributed” income reported on Form 990 (called “public support” by the IRS), including all private, foundation, corporate, and government gifts and grants. “Earned” income—ticket and shop sales, program fees, facility rental, as well as investment income—provides cultural organizations with another significant source of revenue; this data also comes from the Urban Institute IRS database. When corporations make gifts through their foundations, those contributions are captured in total foundation giving. However, corporate contributions made through marketing or other internal budgets are reported by nonprofit organizations as earned income.

Because the most complete data were available for 1999, it was used as the base year for all statistics. 1992 was used as a comparison year for growth trends. More recent data from 2000 were used to confirm trends and 2002 information was used when relevant and available. The study focused on entire metropolitan areas—Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and Consolidated Metropolitan Statistical Areas (CMSAs)—to ensure that the data reflected the reality of who uses and supports cultural organizations in any given region. Occasionally, the report refers specifically to a city, for example when it discusses city funding.

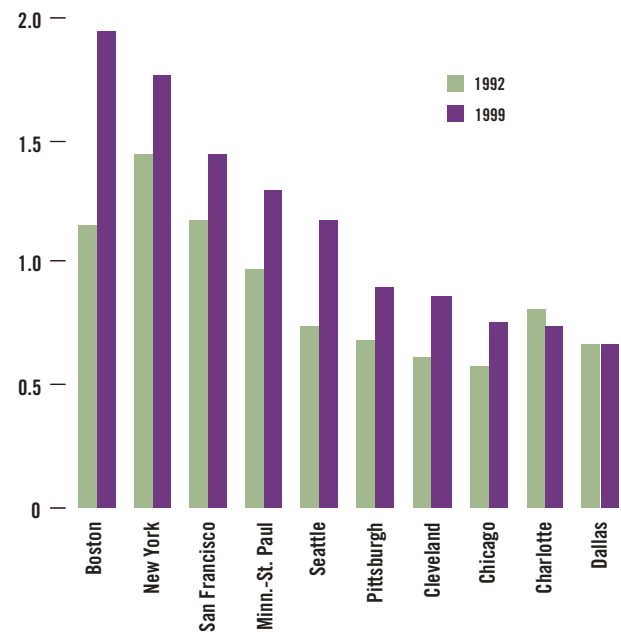
Additional statistics from the Census, the National Assembly of State Arts Agencies, Americans for the Arts, and the Foundation Center were also used. Interviews with local experts provided context and interpretation for the quantitative results.

Finally, it should be noted that all available data came with caveats. It is therefore important to look at the study as a relatively accurate picture of existing cultural funding and trends, not as a table of absolutes. Even with that caution, the study yielded both expected and surprising answers.

Metropolitan Boston has a very broad and deep arts and cultural community for a region of its size. Indeed, while Boston’s total population is closer to the smaller regions in this study—Charlotte, Dallas, Cleveland, Minneapolis-Saint Paul, Pittsburgh and Seattle—its total number of cultural organizations clusters most closely with Chicago, New York and San Francisco. This is likely due to the attributes of its population and to the maturity of its market.

Boston has a highly educated and relatively wealthy population that has many opportunities for active participation in the region’s cultural sector. In fact, **on a per capita basis Boston has the highest number of arts and cultural nonprofit organizations in the study group**, outpacing even New York (Chart A). In addition, Boston’s cultural community grew at the fastest rate over the course of the 1990s. Like all other metro areas in the sample, most of Boston’s cultural organizations have annual operating budgets of less than \$500,000. Not surprisingly, the growth in the number of arts organizations in metro Boston has largely been driven by increasing numbers of groups in this lower budget category. This finding suggests both a very entrepreneurial sector and modest barriers to entry into the cultural arts marketplace.

CHART A
Growth of Cultural Nonprofits, 1992 to 1999
 per 10,000 persons



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.



PHOTOGRAPH: RICHARD HELDMAN

Steve Maler, seen here on the set of *The Tempest* in 2000, launched the Commonwealth Shakespeare Company in 1996, after completing his education at Harvard University’s Institute for Advanced Theatre Training at A.R.T. In July and August 2002, Commonwealth Shakespeare’s free summer performances of *Henry V* on the Boston Common were enjoyed by a diverse audience of 45,000. In that same year, about 5,000 people attended *Much Ado About Nothing*, the Apprentice Company’s *Tour of the Parks* production in Dorchester, Jamaica Plain, South Boston, North End and the Boston Common. The company also presented performing arts workshops, a residency at Charlestown’s Boys and Girls Club, and an internship program for older teens and college students. Its annual 2002 budget is about \$500,000.

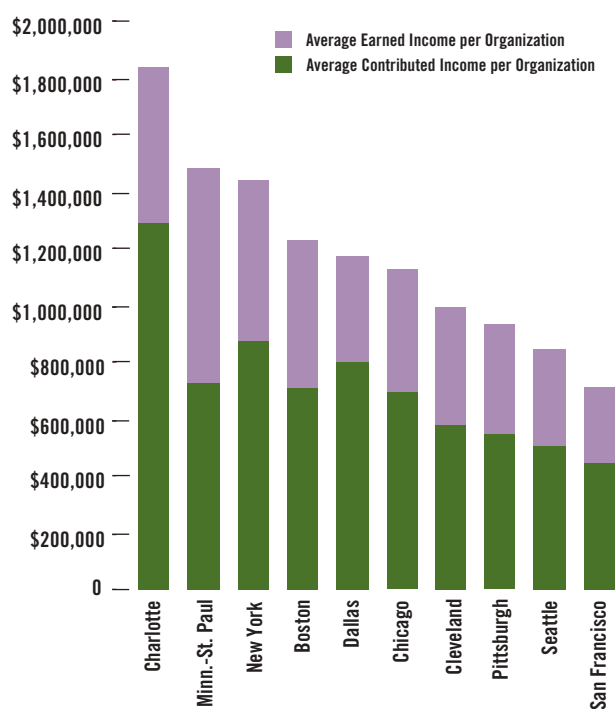
Metro Boston’s cultural sector, with total contributed and earned income of more than \$800 million in 1999, has a significant impact on the state economy. The sector provides jobs for workers in the building trades, administrators, and creative workers of all descriptions. The Museum of Fine Arts, Boston employs over 1,300 people, making it one of the top 20 largest employers of Boston residents. The Museum is also a major restaurateur and retailer, infusing \$370 million a year in to the state economy.¹ Together, metro Boston’s 640 cultural nonprofits are a very significant employer and economic engine.

The ability of metro Boston’s cultural organizations to support their work through earned income—ticket sales, program fees, investment income—was not as strong as peer agencies in other cities. In spite of the comparative strengths of its cultural sector, **Boston ranked fourth of the ten metro areas in terms of overall income per cultural organization** (Chart B). Boston, however, was outpaced by Charlotte, Minneapolis-Saint Paul and New York.

Metro Boston’s cultural community experienced rapid growth in contributed income that was funded largely by the increased generosity of individuals. In 1999, the Boston metro region was second only to New York in terms of per capita contributed income for the arts. In addition, Boston’s level of total contributed income for arts organizations—over \$475 million—outpaced the rapid growth in the number of arts organizations. The majority of this income came from individual donors, and most of that went to larger organizations with budgets greater than \$5 million. The national reputation of these organizations, the sophistication of their fundraising efforts, and the local visibility of their offerings combined to attract a large and generous donor base.

While individual giving and earned income provide relatively strong sources of support, the study shows that Boston does not have the depth and breadth of funding mechanisms, most notably in the level and structure of foundation and government resources, that many of its peer cities have. Although metro Boston benefited from strong state cultural council funding in 1999, the region ranked at the low end of the sample for support from Massachusetts-based foundations and local government agencies. Now, state funding strength has been significantly undermined. In 2002 the Massachusetts Cultural Council budget was reduced by 62%, a cut that forced an equivalent reduction in the agency’s investments across the state. On the local level, Boston’s cultural sector lacks the dedicated taxes or revenue sources provided in Pittsburgh, San Francisco, and Seattle. An equivalent level of investment here would add about \$45 million to the region.

CHART B
Average Earned and Contributed Income per Cultural Nonprofit, 1999



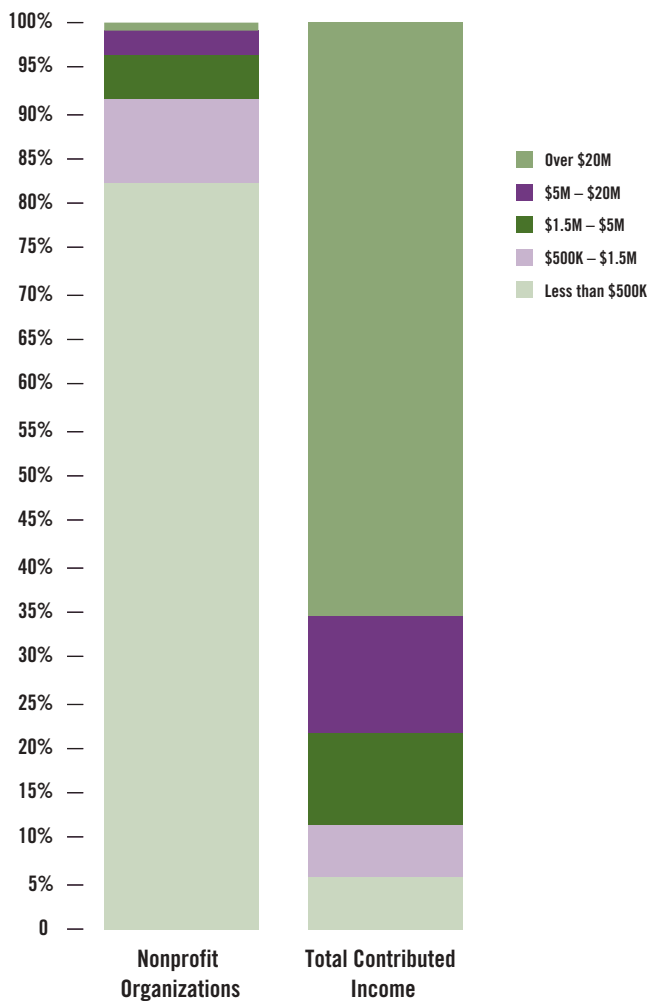
Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

¹ Mt. Auburn Associates, Inc. and Economic Development Research Group, Cambridge, MA: Economic Impact of the Museum of Fine Arts, Boston, June 2002.

In Boston, 65% of total contributed income went to organizations with budgets greater than \$20 million (Chart C). In 1999, eight out of ten of the sample metro areas had organizations with budgets of more than \$20 million. Yet while this budget size represented only 1% to 2% of each marketplace, those institutions received a majority of funds contributed (Chart D). In contrast to Boston, San Francisco attracted about 25% less funding to its largest institutions despite having a very similar market.

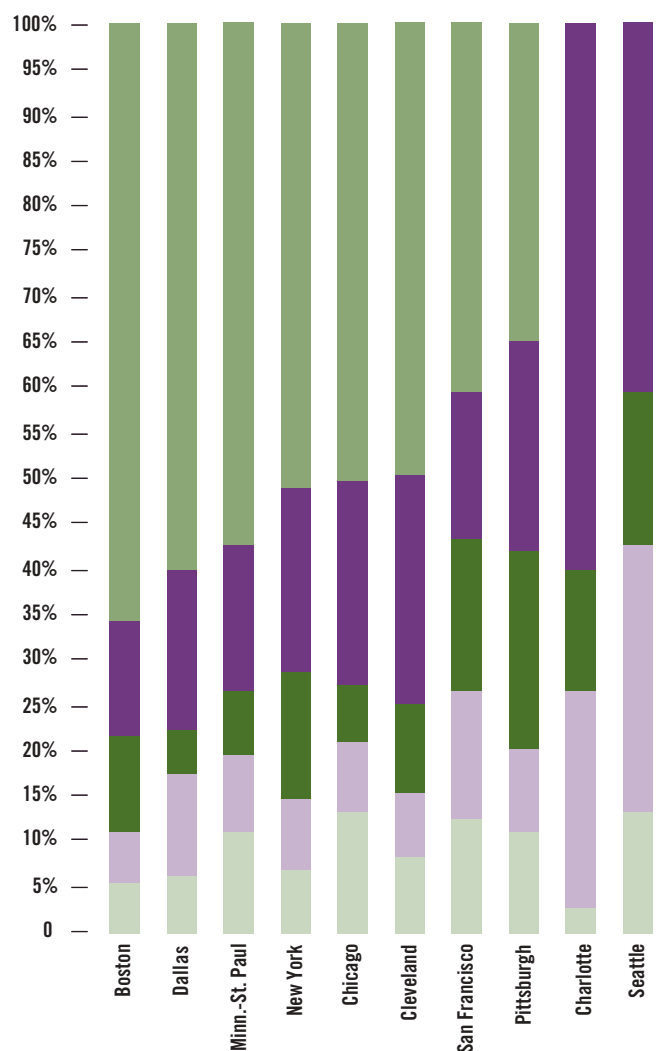
Limited foundation and government investments have the biggest impact on small- to mid-size organizations. The conventional wisdom, that organizations with budgets under \$5 million rely more on structured giving from foundations and government agencies, holds true; agencies with budgets less than \$1.5 million are especially reliant on these sources. It is also true that it is difficult and cost-prohibitive for smaller organizations to tap into Boston’s community of generous arts donors.

CHART C
Distribution of Cultural Nonprofits and Contributed Income by Budget Size in Metro Boston, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART D
Distribution of Contributed Income by Budget Size, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

As a result of the lack of foundation and government funding, **Boston organizations with budgets under \$5 million show indications of poor financial health.** The data point to this conclusion in many ways:

- Boston's cultural nonprofits with budgets less than \$1.5 million had the lowest average contributed income of any metro area in the study. Agencies with budgets between \$1.5 million and \$5 million did somewhat better, with Boston placing fifth in the sample.
- **Every group with budgets between \$1.5 million and \$5 million saw a decrease in actual giving per organization** when the numbers were adjusted for inflation.
- Cultural agencies with total budgets of less than \$5 million had a low ratio of contributed income to total budget. Organizations with budgets less than \$1.5 million had an especially low ratio of contributed income to total budget.
- Earned revenue, a positive indicator of high participation by individuals, was relatively strong, but did not make up for the lack of contributed revenue. Some organizations were engaging in deficit spending, indicating financial instability. Per organization and per capita, metro Boston's smaller agencies with budgets under \$1.5 million had the highest incidence of negative net worth in the sample.

This challenging funding environment is the product of multiple factors, including the region's lack of major foundations and its low level of government funding. Another equally important factor was the rapid growth in the number of arts organizations in this segment of the market, which would strain even more robust support systems. These factors work against the major positive trend of substantially increased per capita giving to groups in every budget segment.

All segments of metro Boston's large and growing arts community lack the depth and breadth of funding mechanisms available in other regions. Other metro areas in the survey group outranked Boston on this dimension, largely because of one common factor working in their favor: they have core groups of leading organizations that are able to provide major financial support and strategic leadership for the arts. San Francisco, for example, is home to 20 foundations that make major gifts to the cultural sector; in addition, the city has a local funding tax that provided about

\$35 million annually to arts groups in the 1990s. In contrast, Boston, with a similar population and a larger arts sector, is home to only eight foundations of a similar caliber, and its city-funding was less than \$1 million in 1999. Even when adjusted to a per organization level, these differences persist.

Cities that have a wealth of foundations, government agencies, and active corporate supporters are better positioned to establish a common vision for their arts and cultural sector. While vision alone is not a panacea, it does help to build consensus around joint strategies that target funding in ways that will enrich the cultural life of the city and a region as a whole.

Indeed, targeting appears to be essential to a good arts strategy, regardless of how many funding mechanisms are available. Targeting happens on many levels: some cities focus on key cultural institutions or certain artistic disciplines while others target a set of smaller, cutting-edge or community-based organizations. Some of the cities in the sample recognize that giving to all arts organizations equally, regardless of budget size, means giving up the opportunity to achieve real impact in key parts of the market. Boston's lack of a critical mass of funders with an interest in the arts, combined with its lack of a dedicated local revenue source, has meant that it has not developed a targeted strategy that can support its growing arts community.

Strengthening metro Boston's arts market will require a complex solution based in a clearly articulated vision of a vibrant cultural community supported by broadly representative leadership. Many strategies could be employed to address the weaknesses in the Boston cultural market. These include advocating that the state grant Boston the flexibility to create a dedicated revenue source or tax, encouraging newly formed foundations to support the cultural sector, promoting greater corporate philanthropy, developing additional mechanisms to build and renovate cultural facilities, finding ways to help smaller organizations access individual giving, and helping all agencies optimize their earned income potential. However, other cities show that these strategies do not arise in the absence of coordinated leadership.

Real leadership tends to arise when people believe passionately in a clearly articulated, ambitious and hopeful vision that places the arts squarely in the

intellectual, emotional, and economic center of the community. A vision that draws the energy and financial commitment of a new generation of leaders will likely be one that targets quality organizations across a variety of disciplines, rather than simply advocating financial health for all cultural organizations. While this study did not address the question of quality and diversity, any future strategy will need to probe this issue in great depth to create a compelling vision of a truly vibrant arts community.

At many points during the course of this study, the authors were reminded of the creativity of Boston's cultural organizations and the dedication of their supporters. City leaders, foundation executives, and cultural leaders hold strong and compelling individual visions of the role of arts and culture in their community's life. The Boston Foundation, for one, is clear in its vision that a healthy community is built on a cultural sector that is healthy throughout, from its major, world-class institutions to its smallest, community-based agencies. These visions are played out in the Boston Lyric Opera's fully staged presentation of "Carmen" on the Boston Common

to an audience of over 140,000 people and in the development of two new theaters on city-owned property at the Boston Center for the Arts. Building projects led by institutions as diverse as the Museum of Fine Arts, the Institute of Contemporary Art, and the Fort Point Cultural Coalition speak to strong institutional visions and new chapters in long histories. New, innovative organizations such as the Boston Modern Orchestra Project, Commonwealth Shakespeare Company, and Boston Cyberarts prove that this market attracts some of the most dynamic arts leaders in the world.

Metro Boston's cultural community, ranging from the New England Aquarium and the Boston Symphony Orchestra to the Cantata Singers and First Night, exhibits much strength. But at the same time, this wonderful asset—one that provides not only great art and cultural opportunities for all residents, but also makes significant economic contributions to the city as a whole—is very fragile. This cultural community deserves a leadership strategy that can support Boston's current and future strengths.

PHOTOGRAPH: DON WEST COURTESY OF THE BOSTON CENTER FOR THE ARTS



Ground was broken for two new theaters at the Boston Center for the Arts (BCA) in the South End on July 2, 2002. This cultural facility project is a collaboration between the BCA, the Huntington Theatre Company, Druker Development, and the Boston Redevelopment Authority (BRA). Here, left to right, are Susan Hartnett, BRA Director of Economic Development, Nicholas Martin, Artistic Director of the Huntington, Mark Maloney, BRA Director, developer Ronald Druker, Mayor Thomas Menino, and Libbie Shufro, BCA President, at the groundbreaking ceremony. Martin plans to program the 350-seat proscenium theater with new works while the 200-seat black box theater will be available to smaller companies. As the first new theaters to be built in Boston in decades, these stages will significantly expand audiences' theatrical options.

Introduction

Boston’s cultural organizations give its residents much to celebrate. Boston has significantly more nonprofit arts organizations per capita than other cities, including New York. Residents participate in arts activities by attending events, joining the singing, dancing or other art making, and by volunteering at cultural organizations at a significantly higher rate than other communities. Boston’s major cultural institutions are recognized around the world while its community-based arts groups are deeply cherished by local residents. Yet, there is a growing recognition that these cultural organizations, large and small, struggle every day to secure adequate financial resources. Is this problem unusually acute in Boston? Do the arts organizations of other cities suffer from a similar lack of financial resources?

In early 2002, the Boston Foundation commissioned TDC, a nonprofit provider of technical assistance and management consulting services, to answer those questions. Working with the advice of local cultural leaders and arts advocates, the research team collected information about metro Boston and nine other metropolitan areas with similar populations, thriving arts communities, and some of the highest art revenues per capita nationally. The ten metropolitan areas in the research project are:

- Boston
- Charlotte
- Chicago
- Cleveland
- Dallas
- Minneapolis-Saint Paul
- New York
- Pittsburgh
- San Francisco
- Seattle

The working hypothesis of the advisory group—and of numerous other arts supporters, funders, and leaders of organizations in the area—was that Boston must cope with significantly less corporate, foundation, and government giving to the arts than other cities. The goal of this study was to discover if this disparity does indeed exist. The research also sought to resolve the funding picture with the apparently conflicting facts of Boston’s high rate of cultural participation and numerous cultural institutions of recognized quality.

Using existing studies as well as original qualitative and quantitative research, the study explored the following:

- How does funding for arts and cultural organizations in metro Boston compare—on a per capita and a per organization basis—to other metro areas in terms of:
 - ◆ Government funding at the federal, state and local levels;
 - ◆ Private and corporate foundation giving; and
 - ◆ Individual philanthropy?
- How do these differences impact the arts and cultural communities in each metro area? Where more resources are available, are organizations more financially stable?
- How does earned income contribute to the support of cultural organizations?
- Are there lessons to be learned from the ways that other communities support their cultural sectors?

As the research progressed, the emerging answers to these questions took on a far more complex nature than originally imagined. This complexity was due to several factors, including the consistency of available data, the variety of funding strategies, and the significant growth of the sector across the study group.

Data on foundation, corporate, local government, and individual philanthropy are not tracked consistently across various cities nor is giving tracked by the recipient’s characteristics, including agency size or type. This makes city-to-city comparisons difficult. In addition, few funders report on the kind of funding—operating, capital, or project support—they distribute. While the National Center for Charitable Statistics at the Urban Institute’s Center on Nonprofits and Philanthropy does impressive work building compatible national, state, and regional databases and developing uniform standards for charitable reporting, concerns about the data remain². Nonprofits’ IRS Form 990 filing methods are not uniform or detailed enough to conduct a reliable and detailed analysis of the supporting financial structures for any segment of the nonprofit sector over time.

²For a full discussion of data definitions and disclaimers see Appendix One.

As a result of these various reporting methods, researchers must guard against counting the same dollar multiple times. Cities use different strategies in funding cultural organizations, and often derive that funding from multiple sources. Along with dedicated tax dollars, many city-based funding agencies receive pass-through grants from the National Endowment for the Arts, state arts councils, or local foundations. When these grants are embedded in the statistical reporting of each of these funding sources, the temptation to double count available dollars is strong while the ability to pull apart the various funding sources is difficult. As a result, what information on city giving can reflect most accurately is its particular strategy to affect the growth and stability of its cultural sector, rather than the level of money it adds to the overall total.

Just as important as these data and reporting issues is a fact not considered in the original design of this research: the tremendous growth in the number of nonprofit arts and cultural organizations. In fact, in many cities reviewed for the study, the growth in arts organizations over the 1990s outpaced the overall growth of that cities' nonprofit sector. This growth takes on real significance when combined with the fact that almost all growth in the sector has occurred among organizations with budgets of less than \$500,000. Today, over 80% of the arts organizations in the cities included in this study are in that budget classification.

What data was collected and how was it used? We are a mobile society, willing to travel some distance to visit an aquarium or hear an opera. To reflect the reality of who uses and supports arts organizations in any major city and to avoid the question of whether a theater group, for instance, should be counted at its office or performance address, data was pulled based on the larger metropolitan area of each city—Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and Consolidated Metropolitan Statistical Areas (CMSAs). These metropolitan areas, which are compiled with census tract data, are commonly used, allowing the reader to make their own cross-references to other kinds of studies. Here, unless the report refers specifically to a city, for example when discussing city funding, the larger metro area should be assumed.

The primary data source was the National Center for Charitable Statistics at the Urban Institute's Center on Nonprofits and Philanthropy, which compiles information on all nonprofits reporting financial information on IRS Form 990. The study focuses on total "contributed" income reported on Form 990 (called "public support" by the IRS), including all private, foundation, corporate, and government gifts and grants. "Earned" income—ticket and shop sales, program fees, facility rental, as well as investment income—provides cultural organizations with another significant revenue source. The data tracked here is pulled from the same Urban Institute IRS database.

The New England Aquarium served over 1.6 million children and adults in 2002, placing it among the state's most popular tourist attractions. Visitors, nearly 15% of whom come from outside the country, are drawn by the Aquarium's coral reef exhibit, one of the most detailed and scientifically accurate recreations of its kind, and its new Simons IMAX Theatre. In addition, the institution conducts marine science research, operates a working aquatic animal hospital, and presents educational programs throughout the year.



PHOTOGRAPH COURTESY NEW ENGLAND AQUARIUM

When corporations make gifts through their foundations, those contributions are captured in total foundation giving. However, corporate contributions made through marketing or other internal budgets are reported by nonprofit organizations as earned income.

Because the most complete data were available for 1999, it was used as the base year for all statistics. 1992 was used as a comparison year for growth trends. More recent data from 2000 were used to confirm trends and 2002 information was used when relevant and available. Because precisely matching data is not available for direct comparisons between 1992 and 1999, this trend data is offered to characterize the scale of growth and public support rather than to document any absolute change.

While this report uses the term ‘arts’ or ‘cultural’ somewhat interchangeably, it should be understood that the data is based on all agencies that identifying themselves as ‘arts, culture, and humanities’ on IRS Form 990. This designation includes organizations in the visual, performing, folk, and media arts, as well as arts service organizations. Also included are humanities-based agencies such as science museums, history museums and historic houses, and genealogical societies. It does not include libraries, botanical gardens, zoos or nature centers. Similarly, museums or theaters within schools and universities are not included.

Additional statistics from the Census, the National Assembly of State Arts Agencies, Americans for the Arts, and the Foundation Center were also used. Earlier studies were also consulted while interviews with stakeholders in each metropolitan area provided context for the numbers.

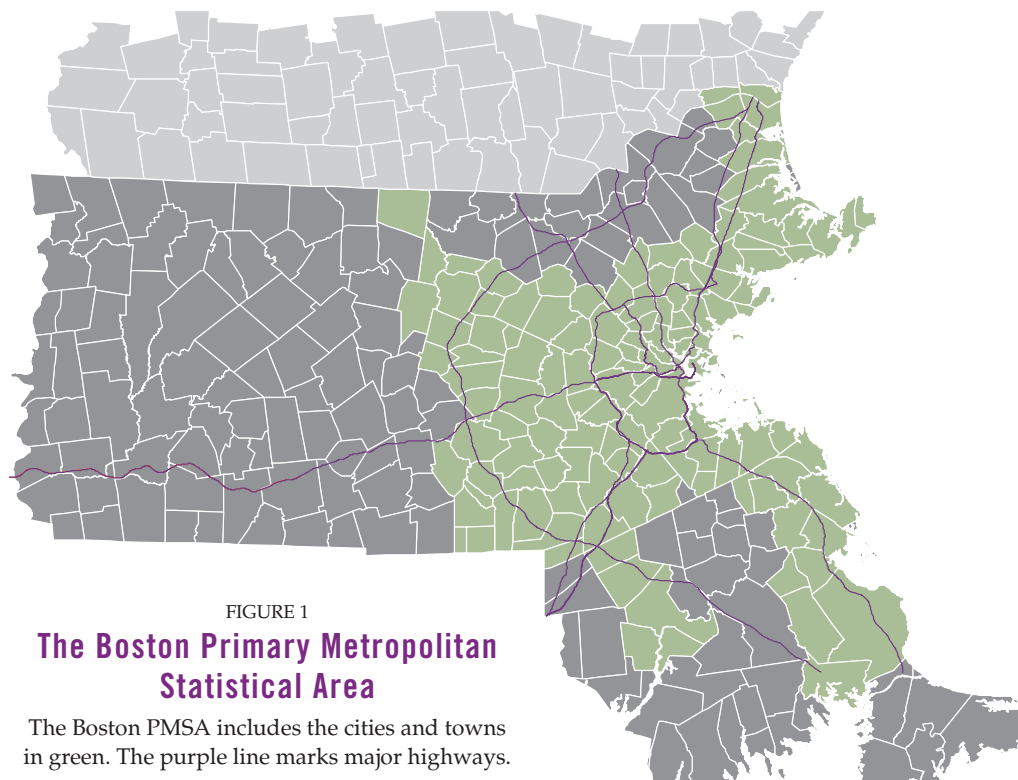


FIGURE 1
The Boston Primary Metropolitan Statistical Area

The Boston PMSA includes the cities and towns in green. The purple line marks major highways.

All available data came with caveats. It is therefore important to look at the study as a relatively accurate picture of existing cultural funding and trends, not as a record of absolutes. As the cultural sector grows larger, more sophisticated, and more aware of the benefits of evaluating long-term viability, foundations and regulatory agencies at all levels would be well served by more detailed and uniform data tracking.

Even with these cautions, the study yielded both expected and surprising answers. Chapter One describes the characteristics of each metro region’s cultural market including its demographic context, market size, and sources of support. Chapter Two provides an in-depth analysis of the distribution of earned and contributed income across the different budget categories represented in each market. Chapter Three builds on this information by looking at the distribution of different sources of funding—federal, state and local government, foundation, corporate, and individual—in each market place. Chapter Four outlines emerging implications of the study’s findings and concludes by posing questions that the data suggests but does not answer.

CHAPTER ONE

What are the Characteristics of Each Cultural Market?

The people of metro Boston participate in a very vibrant cultural scene. The region's population of about 3.3 million enjoys a high median income and boasts the highest percentage of residents with graduate degrees of all the cities in the study (Chart 1 to Chart 3). Indeed, Boston's high rate of participation in the arts, including high levels of volunteer involvement is well documented³ and the broadest indicators of vibrancy show that Boston fares very well indeed. The sector is growing, there are a high number of arts groups per capita, and contributed income is increasing at a rate that outpaces the overall growth in the number of organizations.

To understand the unique characteristics of each cultural marketplace in the sample, the study focused on a few key indicators: demographics, sector growth from 1992 to 1999, the composition of each marketplace organized by budget size, and the nature of contributed and earned income. This chapter uses those measures to establish a baseline understanding of each metro region in the study. From all these measures, it is clearly evident that Boston does, indeed, have a vibrant cultural sector.

Metro Boston has the highest number of cultural nonprofits on a per capita basis. On an absolute basis, Boston is third in total number of cultural nonprofits. Interestingly, this pattern held true for all nonprofits: metro Boston is home to a significant number of nonprofits working in all sectors, ranking the highest per capita (Chart 4 to Chart 6).

Boston's total population is closer to the smaller regions in this study—Charlotte, Dallas, Cleveland, Minneapolis-Saint Paul, Pittsburgh and Seattle (Chart 1). **But, its total number of cultural organizations closely aligns with the largest metro areas of Chicago, New York and San Francisco** (Chart 4). This is likely due to the attributes of its population and to the maturity of its market.

Metro Boston cultural nonprofits represent about 11% of all nonprofits in the region. Boston clusters with the majority of the sample in this, ranking fourth among the ten areas surveyed. New York has the highest percentage of cultural nonprofits and Charlotte, Cleveland, and Pittsburgh have the lowest (Chart 5).

Boston's cultural sector experienced the highest rate of growth from 1992 to 1999. The number of cultural nonprofits increased by 70% during the study period. Boston also had the highest rate of growth for all nonprofits, with cultural nonprofits increasing at a slightly slower rate than other nonprofits (Chart 6). This disparity of growth rate is true for the entire sample except Seattle.

³ Lane, Terry Saunders and Douglas Currivan. *Social Capital in Boston: Findings From the Social Capital Community Benchmark Survey, Final Report 2001*. The Boston Foundation.

CHART 1
Change in Population, 1990 to 2000
 In Millions

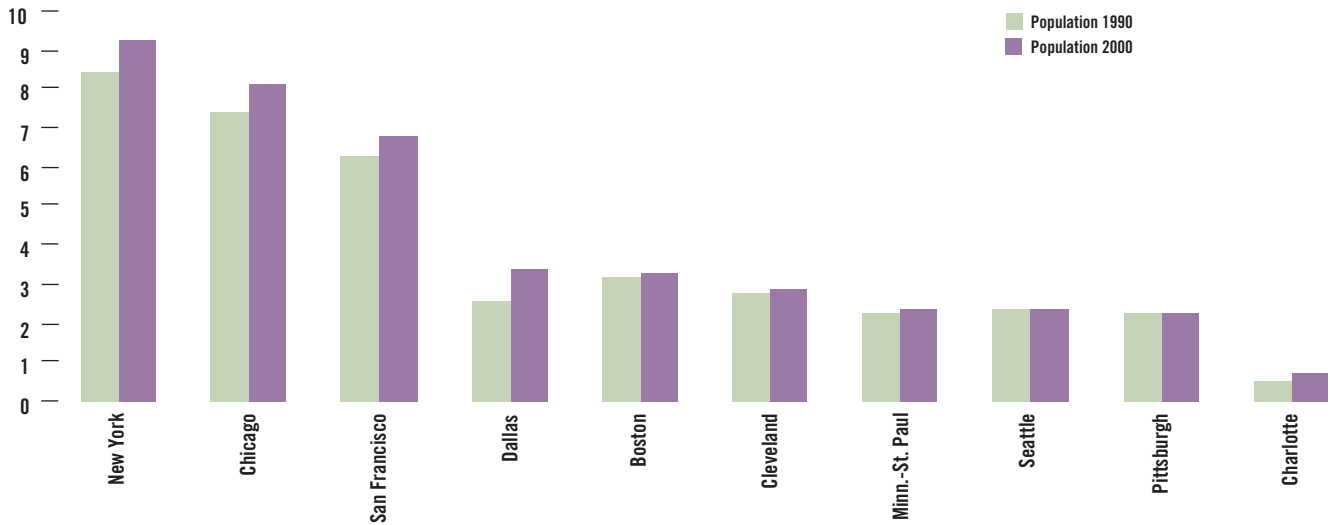


CHART 2
Median Income, 2000

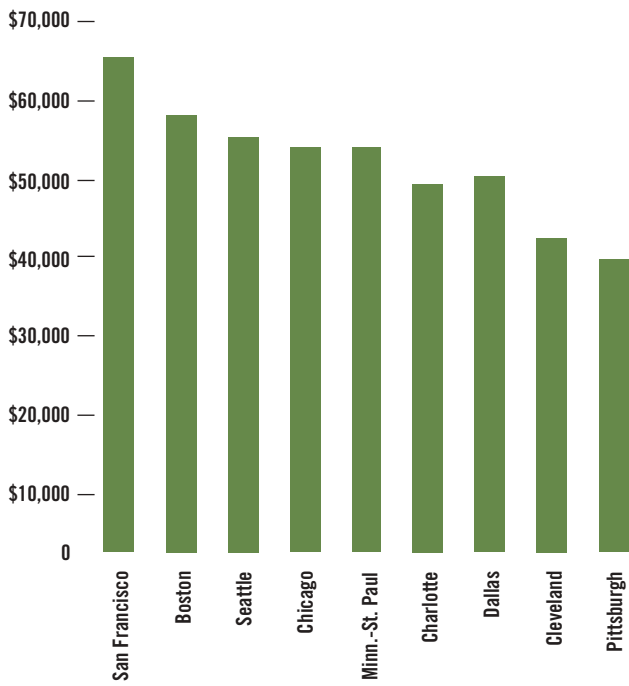
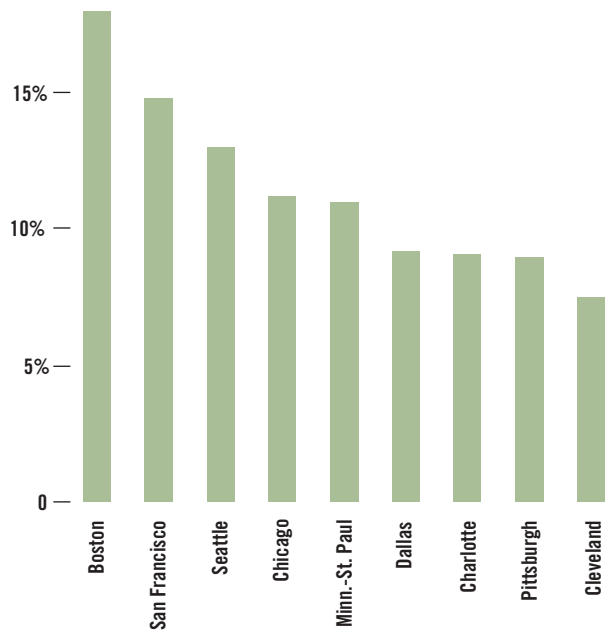
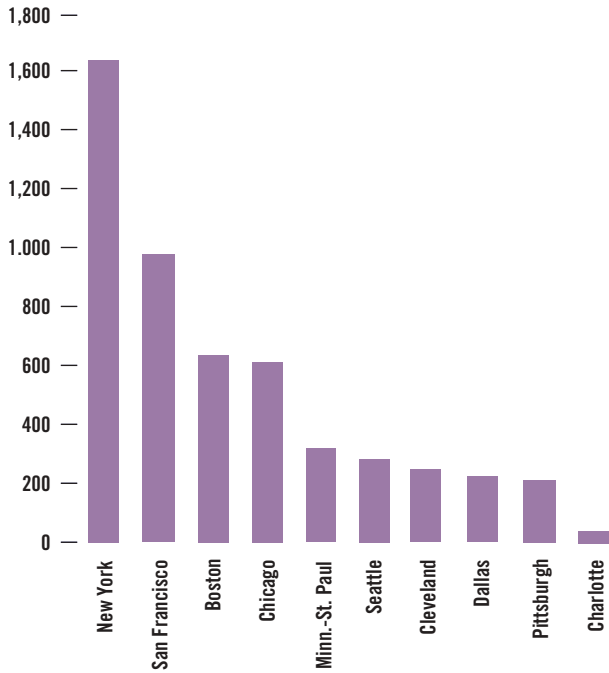


CHART 3
Percent of Population with a Graduate Degree, 2000



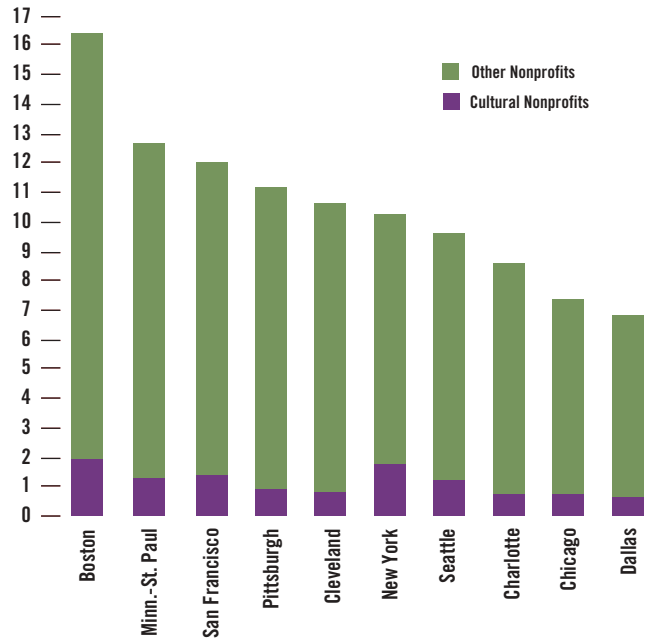
Source: Census 1990-2000 Supplementary Surveys.

CHART 4
Total Cultural Nonprofit Organizations per Metro Area, 1999



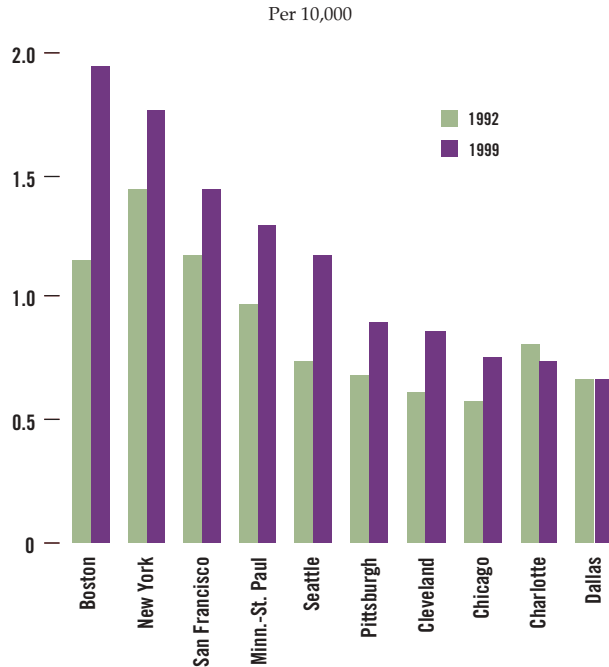
Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 5
Comparison of Total Nonprofits per Capita and Total Cultural Nonprofits per Capita, 1999
 Per 10,000



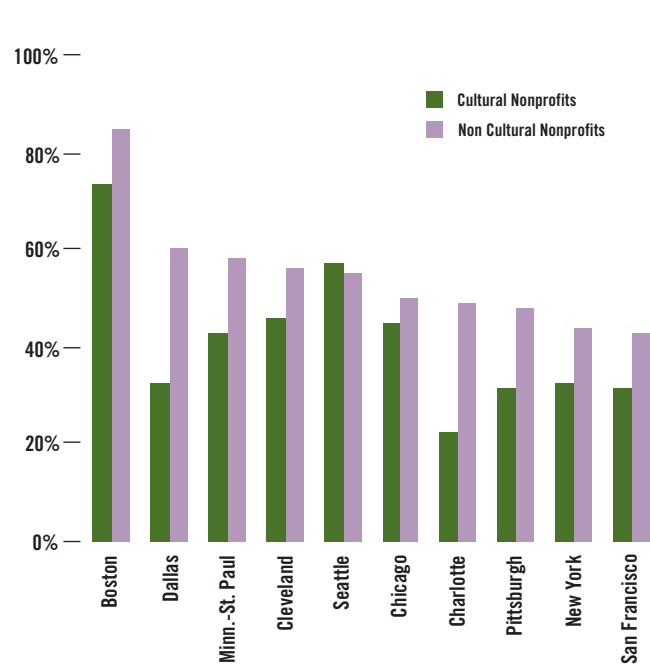
Source: The Urban Institute, GuideStar-NCCS and Census 2000 Supplementary Survey.

CHART 6
Growth of Cultural Nonprofits per Capita, 1992 to 1999
 Per 10,000



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

CHART 7
Growth Rates of All Nonprofits and Cultural Nonprofits Compared, 1992 to 1999



Source: The Urban Institute, GuideStar-NCCS, and Census 1992-2000 Supplementary Survey.

CHART 8

Number of Cultural Nonprofits by Budget Category, 1999

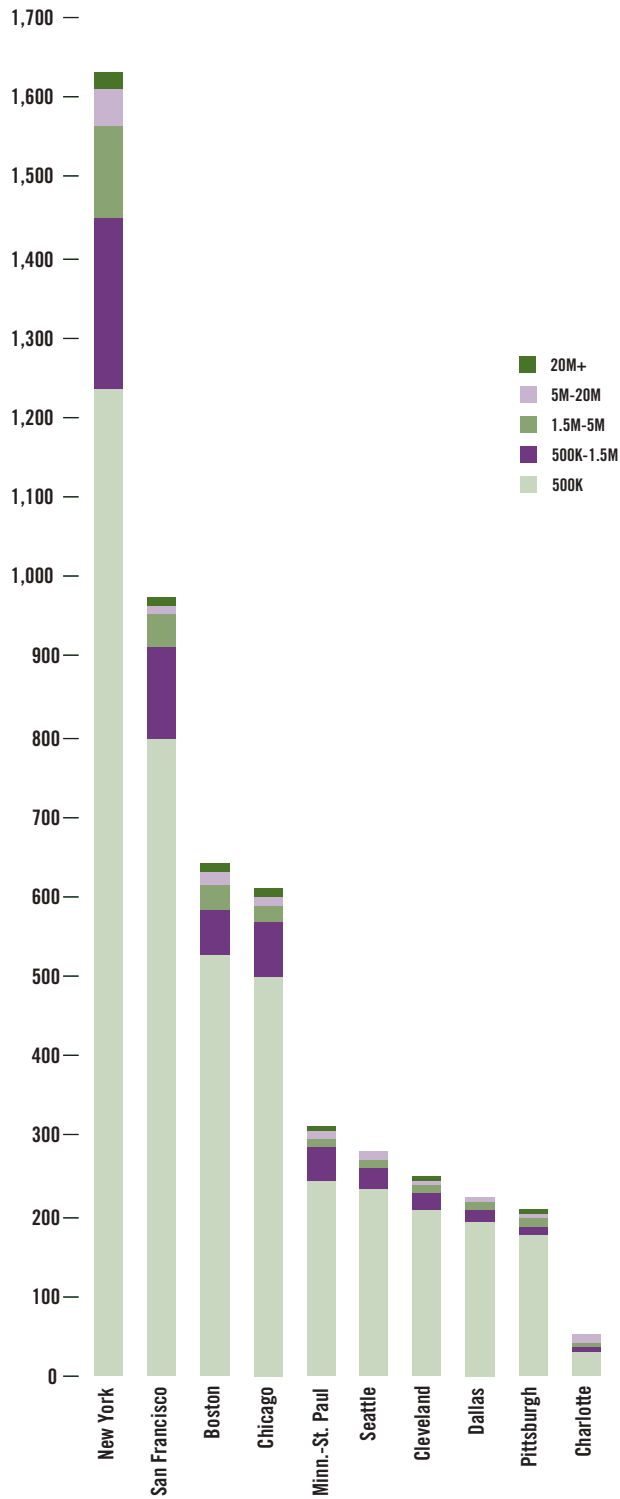
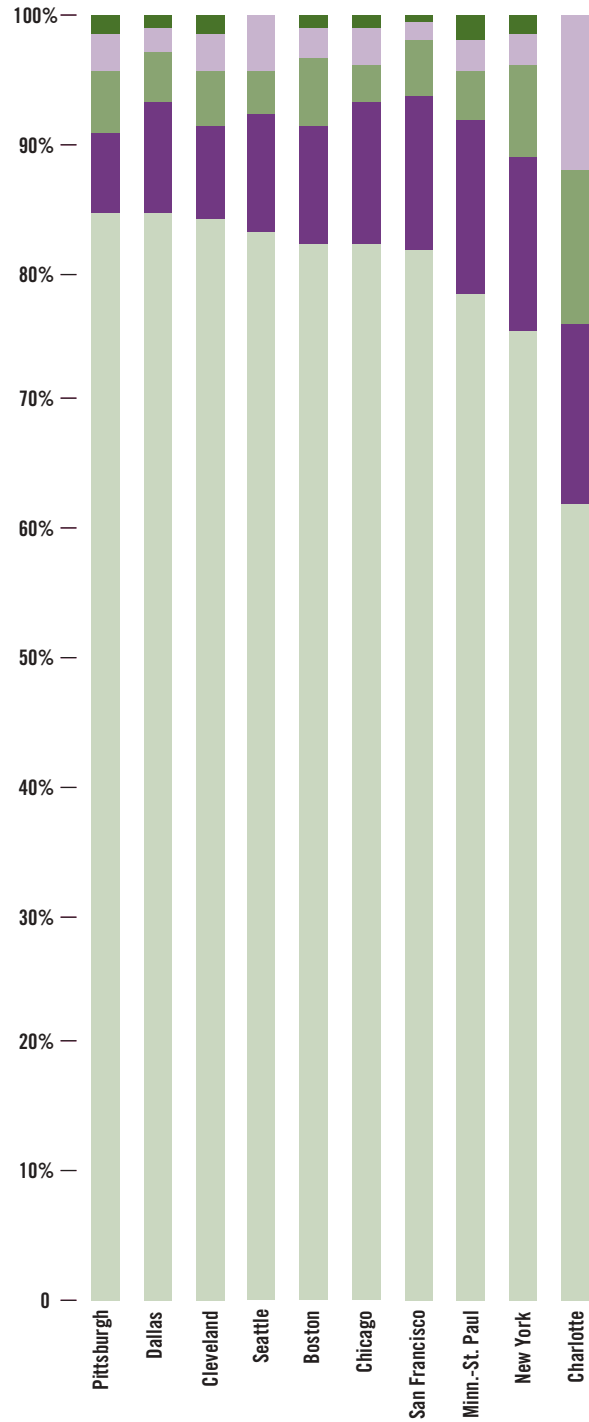


CHART 9

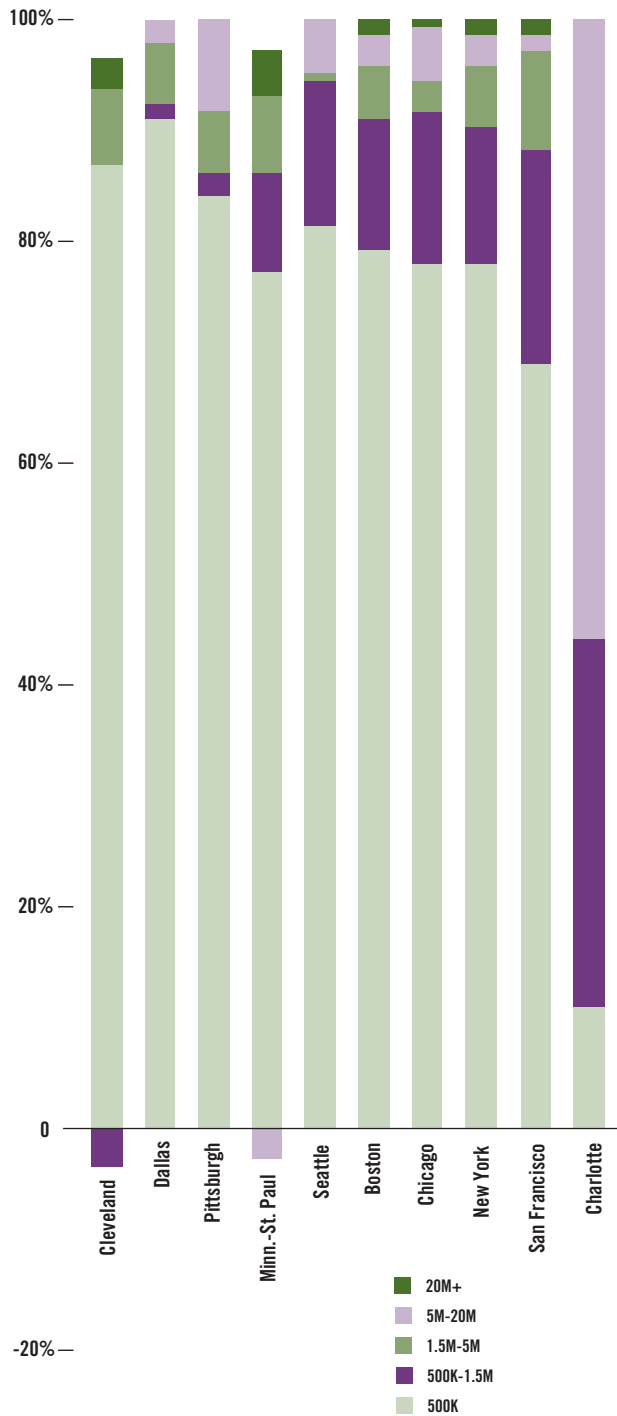
Percent of Cultural Nonprofits by Budget Category, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 10

Percent Growth of Cultural Nonprofits by Budget Category, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

How does the composition of the Boston's nonprofit arts market compare to other metro areas? While an arts marketplace could be subdivided by type or discipline to better understand its composition and characteristics, the most readily available data segments by budget size. This is particularly useful because agencies within similar budget categories tend to share similar characteristics, including the capacity to secure resources. For this study, agencies were grouped into these budget size clusters:

- Under \$500,000
- \$500,000 to \$1.5 million
- \$1.5 million to \$5 million
- \$5 million to \$20 million
- Over \$20 million

Like all other metro areas in the sample, the vast majority of Boston's nonprofit arts and cultural organizations have budgets under \$500,000. Over 80% of these agencies fall into this smallest budget range in metro Boston (Chart 9). This pattern is matched across the sample, with 75% to 85% of arts nonprofits clustered in this budget range. Only Charlotte falls significantly outside the sample, with just 62% of its arts organizations within this smallest budget category.

In Boston, as in most other sample cities, the overall increase in the total number of arts organizations has been driven by proliferation of agencies in this lowest budget segment. Arts organizations with budgets under \$500,000 represented 79% of all growth in Boston between 1992 and 1999 (Chart 10). Again, this was similar to the rest of the sample with the exception of Charlotte, which grew at a much slower rate. Several key respondents noted that Boston's high start-up rate suggests an entrepreneurial environment that anticipates a responsive audience.

In the middle of the market, Boston's 17% rate of growth for organizations with budgets between \$500,000 and \$5 million was average for the sample. San Francisco and Charlotte saw the most aggressive growth in this budget category, with increases of 28% and 33% respectively (Chart 10).

CHART 11

Total Contributed Income per Capita, 1999

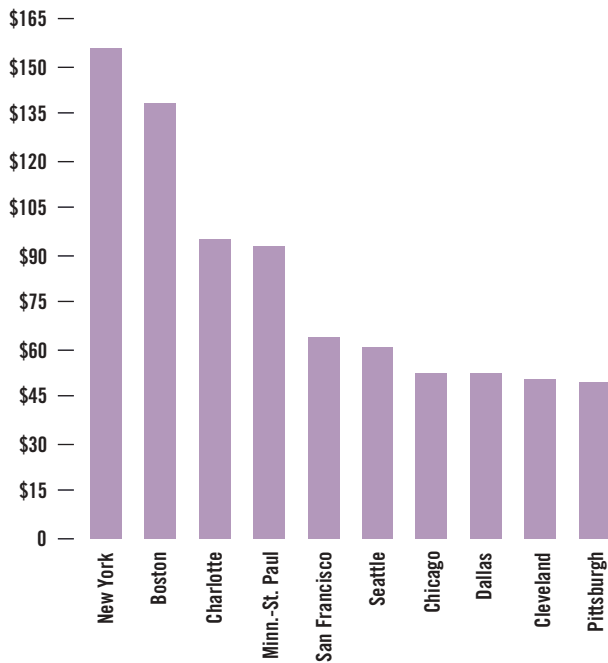
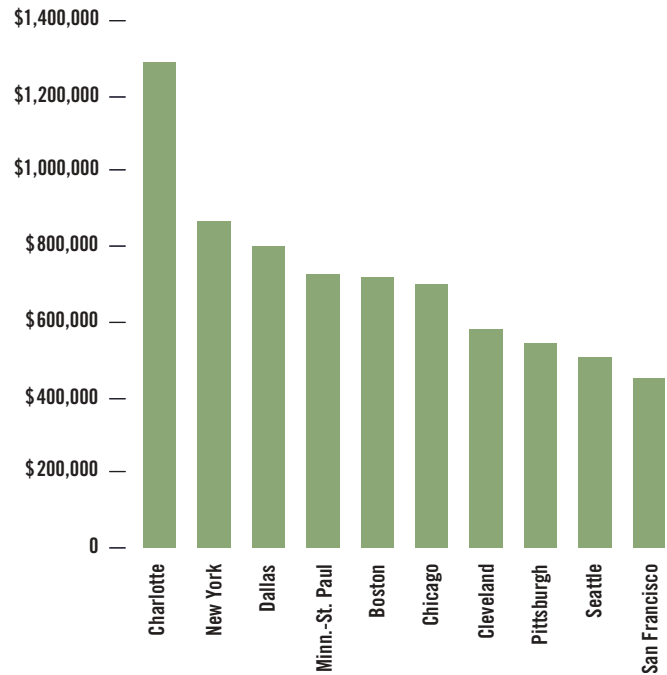


CHART 12

Average Contributed Income per Cultural Nonprofit, 1999



The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

What these growth rates cannot distinguish is how many nonprofits went out of business, or moved from one budget category to another, or were truly new to the market.

Total contributed income is another excellent indicator of the overall health and stability of the nonprofit arts marketplace. Numbers here are drawn from the IRS Form 990 line titled “total public support”⁴, which includes government, foundation, corporate, and private gifts or grants. However, this document substitutes the term “total contributed income” to better distinguish this combined revenue from income derived solely from public government sources.

“Per capita contributed income” is simply the total contributed income divided by the total population.

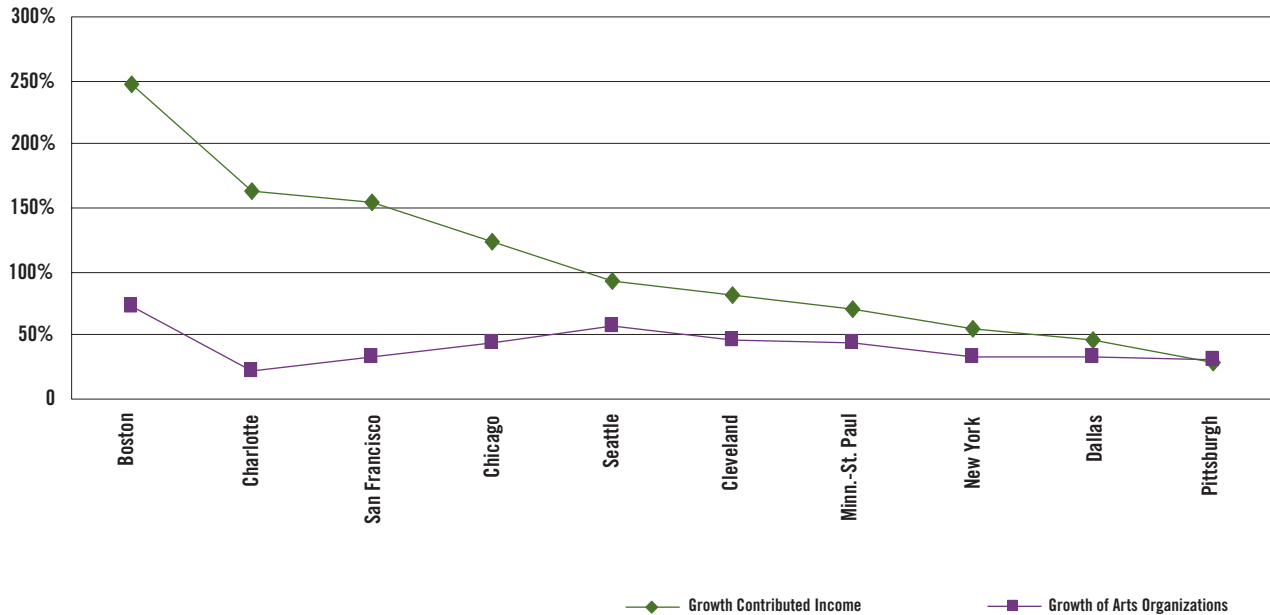
This provides the reader with a sense of the scale of the total contributions; it is not a direct indication of individual giving. This per capita measure, seen in Chart 11, allows apples-to-apples comparisons of metro regions with very different base populations. It also gives the reader an idea of the potential of each market.

“Per nonprofit” divides contributed income by the total number of cultural nonprofits (Chart 12), again to scale those contributions to the size of the market. Comparing per capita figures with per nonprofit figures, as in Chart 13, the reader can understand where the impact lies—in the number of organizations or the contributed resources those agencies attract. Again, the story is not in the absolute numbers, but in the comparisons and relationships of those numbers.

⁴ The Urban Institute defines “public support” as “Collected from the IRS Form 990, line 1d, includes private gifts and contributions (both cash and in-kind) and government grants”.

CHART 13

Growth in Number of Cultural Nonprofits Compared to Growth of Contributed Income, 1992 to 1999



Available data on contributed income is relatively uniform⁵ though again, the numbers on the following charts are approximations representing trends rather than absolutes.

In 1999, metro Boston arts and cultural organization’s per capita contributed income was second only to New York’s (Chart 11). However, Boston ranked fifth in average contributed income per cultural organization (Chart 12). In addition, Boston’s level of total contributed income for arts organizations outpaced the rapid growth in the number of arts organizations: between 1992 and 1999, total contributions to Boston’s cultural nonprofits increased by 246%, while the number of arts organizations in that period grew 73% (Chart 13). In other words,

contributed income grew at more than three times the rate of nonprofit growth in this sector. While Boston’s growth rate was very positive, Charlotte saw contributions grow at over seven times the rate of nonprofit growth, and San Francisco saw a rate of almost five times the rate of nonprofit growth.

This suggests that between 1992 and 1999, the average arts organization in Boston should have experienced an increase in total contributed income. However, as the reader will learn, the distribution of this income makes all the difference.

⁵ Though the Urban Institute database is the most comprehensive of its kind, there are caveats. The Urban Institute itself states, “There is evidence, however, that some organizations may be treating revenue from government programs inconsistently. The rules that determine whether government revenue should be called a government grant, another type of public support, or program service revenue (line 2 on the Form 990) can be difficult to interpret. The magnitude of this problem has not yet been determined.”

Earned income—ticket and shop sales, program fees, facility rental, as well as investment income—provides cultural organizations with another significant source of revenue. It can also serve as a proxy for participation. The data reported here also comes from the Urban Institute IRS database and should be viewed with the same caveats as contributed income: the data could be heavily affected by a few organizations that failed to file or switched their reporting methodology.

On an absolute per capita basis, Boston cultural nonprofits had the second-highest level of total earned income among the metropolitan areas surveyed. Boston arts organizations garnered a total of \$333 million in earned revenue in 1999, second only to New York organizations, which received \$915 million (Chart 14). Again, this is an indicator of strong participation.

Overall, Boston’s organizations ranked fourth in the sample for average contributed income and average earned income combined. Boston was fifth for average contributed income per arts organization in the sample (Chart 15). Boston’s relatively strong earned income performance pushed it up one notch for all income combined.

CHART 14

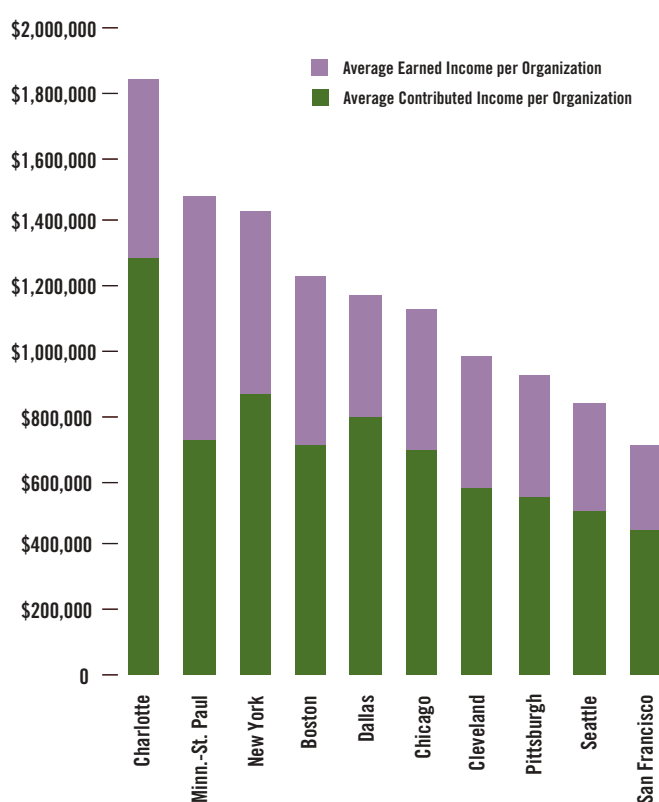
Total Earned Income per Capita, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 15

Average Earned and Contributed Income per Cultural Nonprofit, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

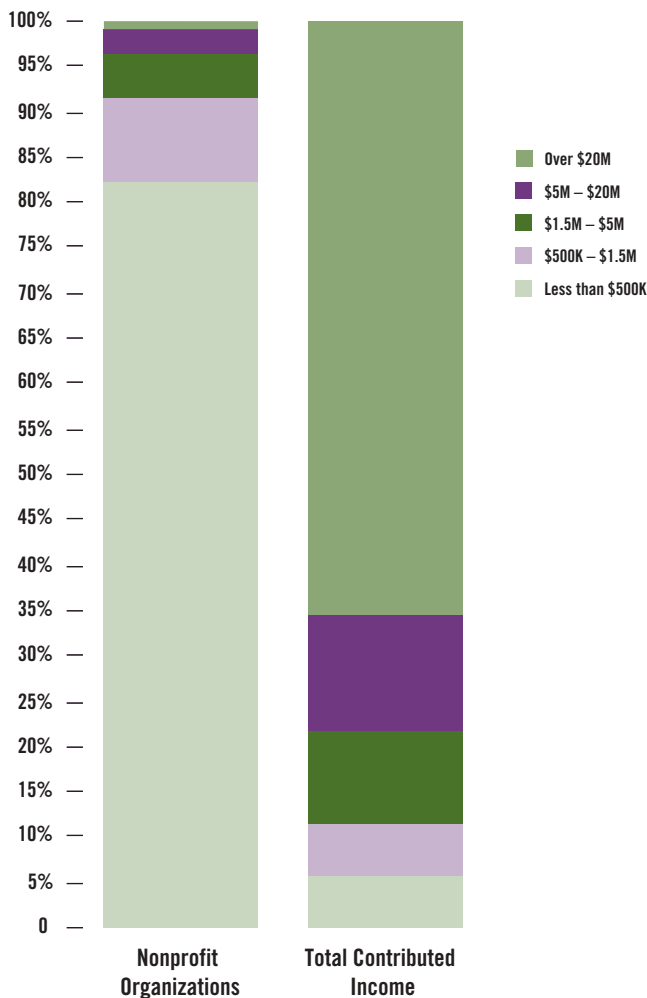
CHAPTER TWO

How are Financial Resources Distributed Across the Sector?

The broadest indicators of vibrancy in the nonprofit cultural marketplace show that Boston fares very well indeed. The sector is growing, there are a high number of arts groups per capita, and contributed income is increasing at a rate that outpaces the overall growth in the number of organizations.

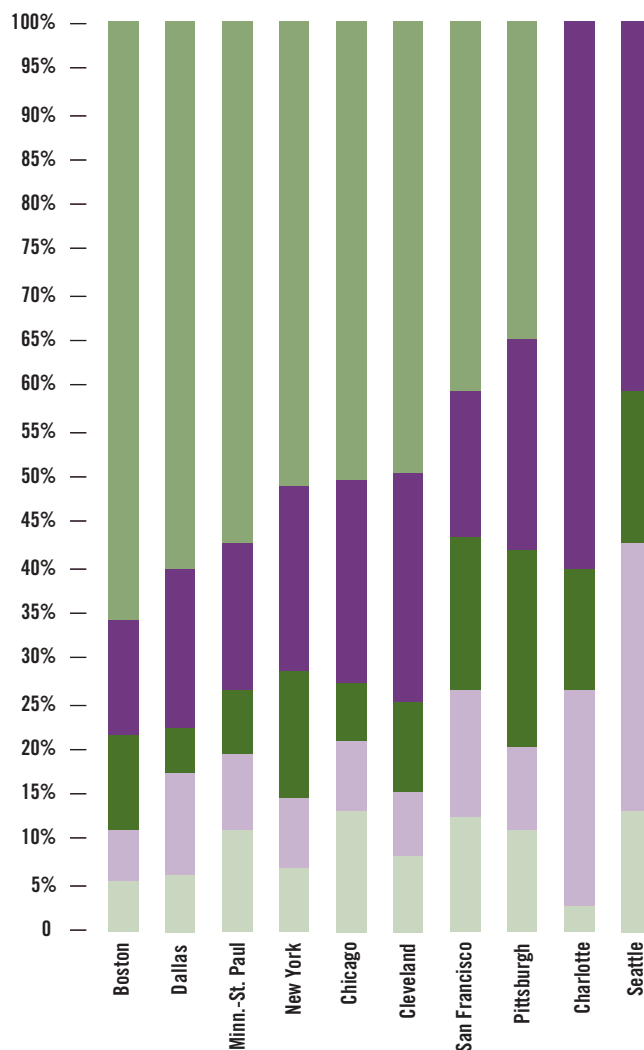
Did these increasing resources reach all parts of the sector? Given the total level of cultural funding in any given community, which size organizations tend to receive the most funding? Are resources clustered among a few organizations, or spread among many? The 1999 IRS data revealed that the distribution of contributed income is quite uneven.

CHART 16
Distribution of Cultural Nonprofits and Contributed Income by Budget Size in Metro Boston, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 17
Distribution of Contributed Income by Budget Size, 1999



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

The institution was facing deficits and declining audiences when Malcolm Rogers assumed the role of Ann and Graham Gund Director of the Museum of Fine Arts, Boston in fall 1994. Over the next few years, Rogers re-opened the Huntington Avenue doors, abolished admission fees for youth under age 17, and extended Museum hours. Today, major exhibitions and expanding collections, a re-energized education program for adults and children, and admission-free Open Houses draw more than a million visitors each year. Rogers is seen here with the master plan model for the expansion and renovation of the Museum designed by the London architectural firm of Foster and Partners. The MFA campaign of \$425 million is expected to be complete in about five years.

Along with the MFA, Boston's largest cultural institutions include the Boston Symphony Orchestra, the Museum of Science, the New England Aquarium, and WGBH.



PHOTO COURTESY MUSEUM OF FINE ARTS

In Boston, 65% of total contributed income went to organizations with budgets greater than \$20 million (Chart 16). In the 1999 base year, eight out of ten of the sample metro areas had organizations with budgets of more than \$20 million. But while those institutions represented only about 1% to 2% of each marketplace, they garnered between 35% and 65% of contributed funds in those eight markets (Chart 17). In contrast to Boston, San Francisco attracted about 25% less funding to its largest institutions despite having a very similar market.

Several explanations may be advanced for this imbalance. Key informants suggest that capital campaigns underway at such leading institutions as the Boston Symphony Orchestra and Museum of Fine Arts may have skewed Boston's 1999 numbers. Or, differing funding strategies may have played a role in how funds are distributed across a given market. Finally, it is very clear that a region's largest organizations are recognized community assets with a sizable patron bases, highly visible and attractive offerings, and sophisticated fundraising teams raising money from both local and national sources.

How are resources distributed across organizations by budget category?

While it is apparent that the largest cultural organizations in any given metro area appear to garner the majority of contributed income in that market, it is also important to understand how this distribution pattern impacts every other budget cluster in that region. Is, for instance, the average organization in a certain budget range receiving more or less funding than its peers in other cities? What does that mean for the fiscal health of each part of the sector? What is the role of earned income?

To answer these questions, researchers analyzed inflation-adjusted growth rates of average contributed and earned income from 1992 to 1999. The remainder of this chapter looks at the particular characteristics of organizations within each of the five budget categories introduced in Chapter One, including their capacity to secure resources. This comparative analysis of how financial resources—earned and contributed income—are distributed across each market place begins to point to the impact of local funding strategies, which will be fully explored in Chapter Three.

Cultural nonprofit institutions with annual budgets greater than \$20 million

Cultural organizations with annual budgets over \$20 million commonly display high levels of excellence in both public offerings and internal management. Regarded as world-class leaders, these institutions are highly sophisticated in their ability to reach and cultivate wide circles of local, regional, and national supporters. One caveat: because each city is home to only a few such organizations—or, in the case of Charlotte and Seattle, none at all—there is a great potential for the data to be distorted by the activities of one or two.

In 1999, metro Boston's major cultural institutions attracted the second highest level of average contributed income. Only Dallas outpaced Boston, even though Boston boasts eight institutions in this category, compared to two in the Dallas market (Chart 18). At the same time, on average Boston's largest institutions received about 69%

of their budgets from contributed income, placing third in sample.

As an indication of the scale of revenue attracted to this segment of the market, **Boston's largest institutions received the most contributed income on a per capita basis.** New York, with a significantly higher population, came next in the sample. Chicago and San Francisco had less than a third of the per capita contributed income of metro Boston. Adjusted for the number of nonprofits, metro Boston area was second to Dallas, which has far fewer organizations (Chart 19).

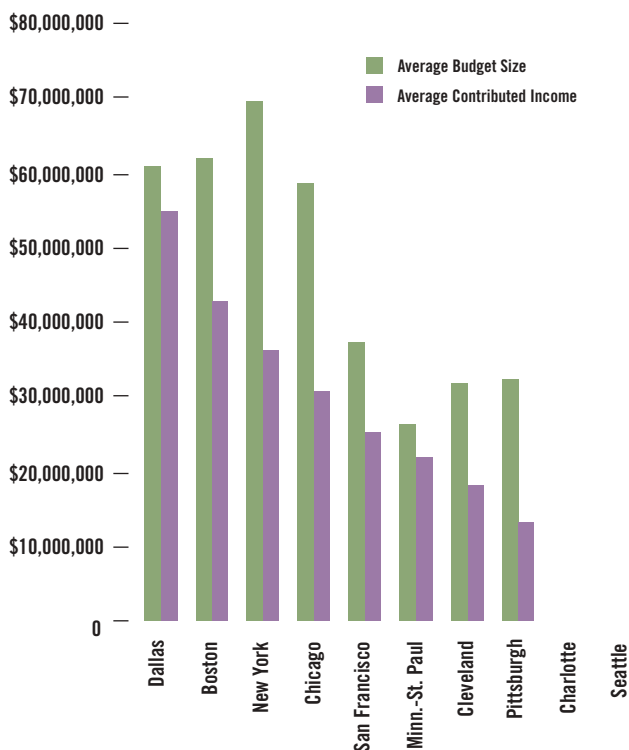
Between 1992 and 1999, the number of Boston institutions in this highest budget category grew by 75%, placing metro Boston fourth in the sample. Minneapolis-Saint Paul, San Francisco, and Cleveland grew the size of this segment at a greater rate than Boston (Chart 20).

Adjusting for inflation, the average contributed income per major arts organization in Boston grew by 115% between 1992 and 1999. This places Boston's major cultural institutions first in the sample, with Minneapolis-Saint Paul close behind (Chart 19).

Boston's largest cultural organizations ranked first in the sample for average contributed income and average earned income combined. Boston ranked third in average earned income per arts organization in this budget range, and second in average contributed income per arts organization (Chart 21).

Looking at these findings together, it is clear that Boston's major institutions have experienced higher rates of contributed income than most of their peers in other markets. Further, over the seven-year study period, this segment of the Boston market has seen its contributed income grow at a significant rate.

CHART 18
Average Budget and Average Contributed Income, 1999
Budgets Greater than \$20 Million

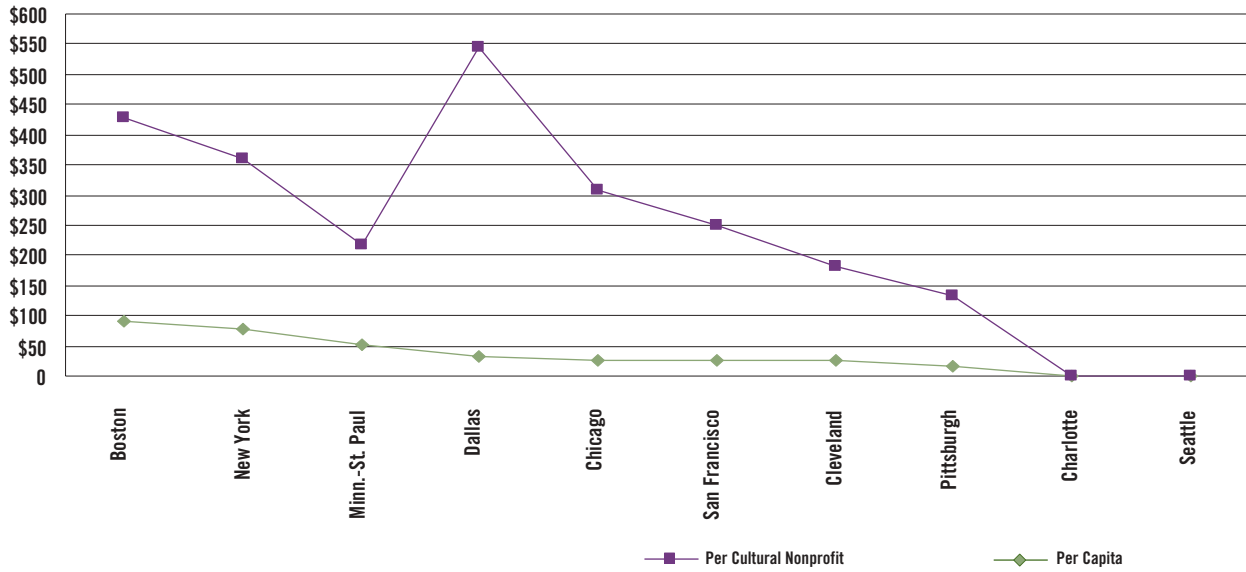


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 19

Contributed Income per Capita and per Cultural Nonprofit Compared, 1999

Budgets Greater than \$20 Million

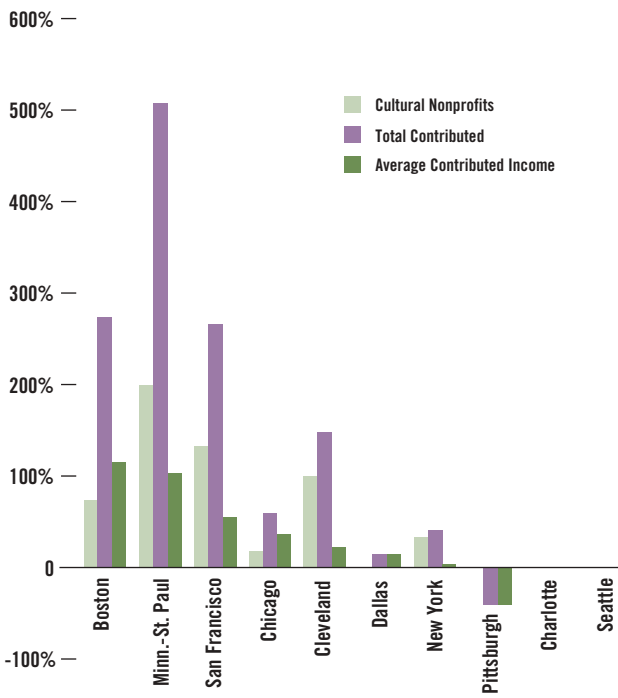


Source: The Urban Institute GuideStar-NCCS, and Census 2000 Supplementary Survey.

CHART 20

Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999

Budgets Greater than \$20 Million

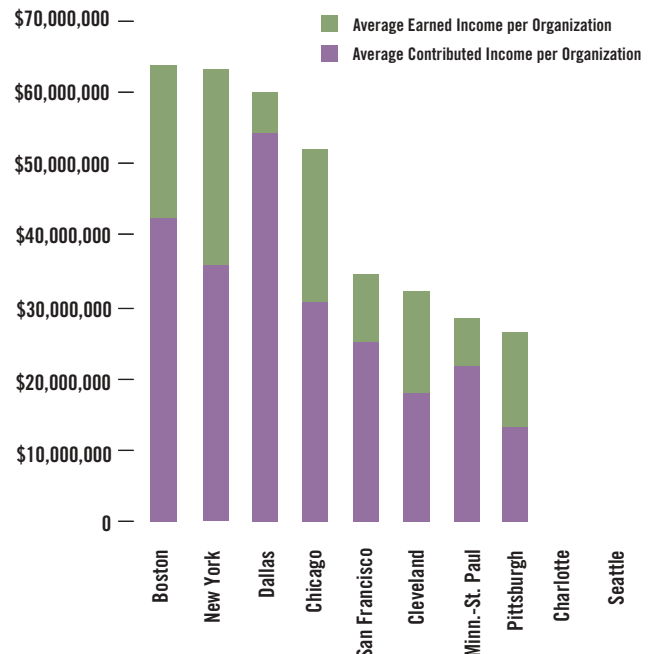


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

CHART 21

Average Earned and Average Contributed Income, 1999

Budgets Greater than \$20 Million



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

How does this influence the financial health of this part of the market? A measure of the unrestricted net assets or net worth was selected as an indicator of fiscal strength. Unrestricted net assets are the available net worth of an organization. If this number is negative, that is a clear measure of poor financial health. The individual equivalent is a person with no money in the bank and a high credit card balance. (See Appendix Three, Tracking Negative Net Worth, for specific data for each budget category.)

But even this relatively straight forward measure of positive versus negative net worth comes with a caveat: while unrestricted net worth indicates significant financial problems, a positive net worth does not alternatively tell us that all is well. Three cities, Boston included, each have one major institution with negative net worth, but this appears to be idiosyncratic rather than the pointing to any trend. Alternatively, there is no way to look at the numbers to see if the agencies with a positive balance sheet have enough funding to achieve their goals or to serve their communities as their constituencies would like. Thus, it would be wrong to assume that even a well-managed cultural institution is garnering sufficient support.

Cultural organizations with annual budgets between \$5 and \$20 million

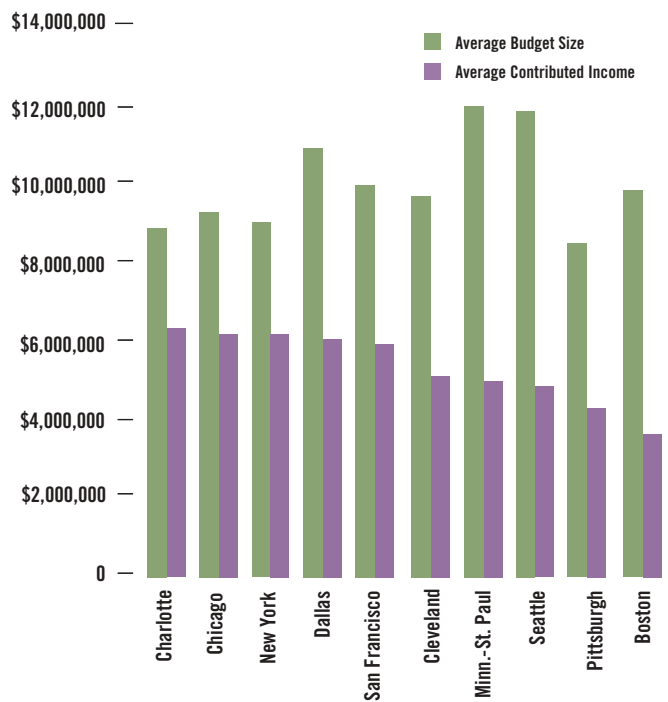
Looking at the **cultural organizations in the \$5 to \$20 million range**, the reader will note many similarities to the larger institutions. These agencies have built large-scale quality programs that allow them to reach beyond local stakeholders to regional and national supporters. They usually have sophisticated fund-raising operations and well-connected boards. Foundation funding tends to play a key but somewhat limited role: foundation funds are used for new ideas, program expansion, capital investments, and strategic changes, rather than for basic operations. In some cases, federal grants from the National Endowment for the Humanities or the National Endowment for the Arts can play a small but catalytic role in developing or launching special projects.

Metro Boston’s cultural organizations in this \$5 to 20 million budget category have significantly lower levels of average contributed income than their peers. However, in the seven-year study period, these agencies did begin to gain ground and contributions increased faster than the number of nonprofits.

In 1999, Metro Boston organizations in this category garnered the lowest level of average contributed income in the sample (Chart 22). At the same time, this contributed income was only 37% of the average budget, again the lowest in the sample. On a per capita basis, Boston was fourth behind Charlotte, New York, and Seattle in the contributed income. Boston drops to last in contributed income per nonprofit in the \$5 to \$20 million budget group (Chart 23).

Earned income—and the **high levels of participation that produced that income**—drove the growth of Boston’s arts and culture organizations with budgets between \$5 million and \$20 million.

CHART 22
Average Budget and Average Contributed Income, 1999
Budgets Between \$5 and \$20 Million

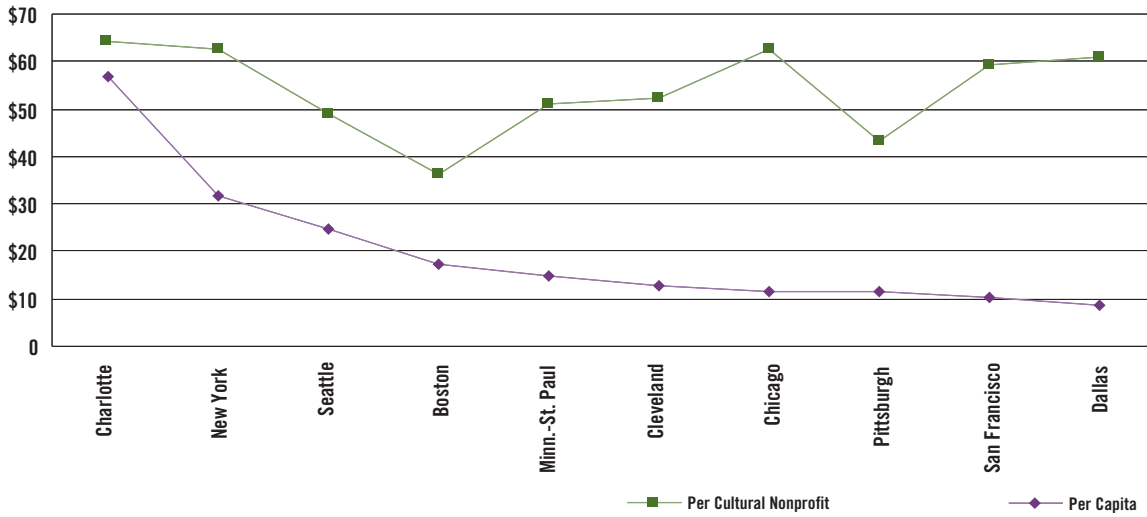


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 23

Contributed Income per Capita and per Cultural Nonprofit Compared, 1999

Budgets Between \$5 and \$20 Million

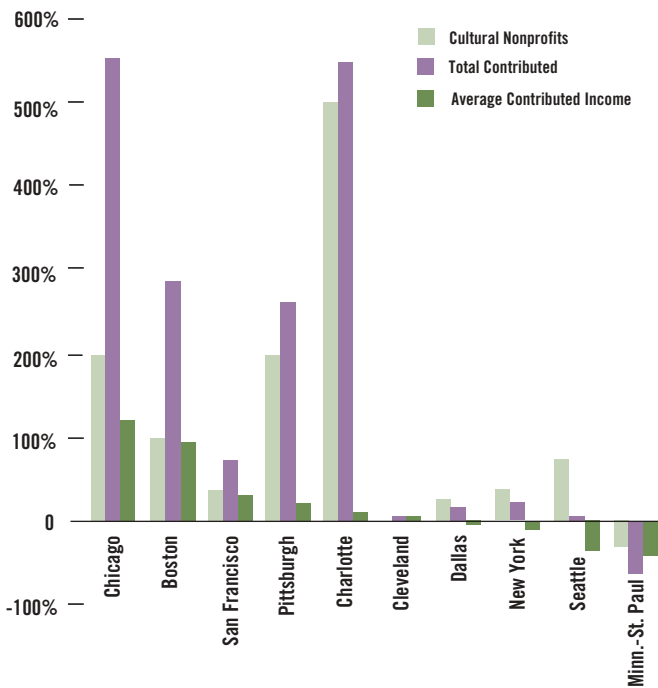


Source: The Urban Institute GuideStar-NCCS, and Census 2000 Supplementary Survey.

CHART 24

Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999

Budgets Between \$5 and \$20 Million

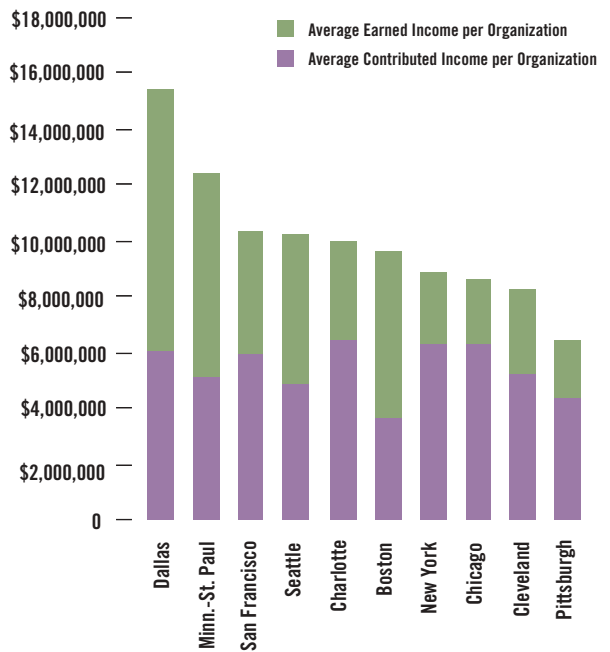


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 25

Average Earned and Average Contributed Income, 1999

Budgets Between \$5 and \$20 Million



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

These organizations had the third highest average earned income per arts organization in the sample, averaging about \$5.9 million in earned income in 1999 (Chart 25). Combining average contributed income and average earned income, Boston ranked sixth in the sample. Boston's position in this category again appears to be due primarily to exceptional performance in average earned income, which pulled the region from last place for average contributed income.

Boston's arts and culture agencies had the fourth highest rate of growth in this budget category, with a 100% increase in the number of organizations in the seven-year study period. Charlotte, Chicago, and Pittsburgh experienced even greater growth rates (Chart 24).

Boston's average contributed income per arts organization in this budget category range grew by 94% in inflation-adjusted terms from 1992-1999. Only Chicago saw a greater increase.

Again, we need to ask how this impacts the financial health of these organizations. The good news for Boston is that in 1999, no agencies with budgets between \$5 million and \$20 million had negative unrestricted assets. While this does not necessarily mean that these agencies had enough support to meet their goals, at least they had sufficient assets and sufficiently able management to avoid negative net worth.

PHOTOGRAPH COURTESY OF THE CHILDREN'S MUSEUM



The Children's Museum serves children, their families and educators by providing changing hands-on exhibits and programs that integrate the arts and sciences, urban life, and world cultures. The Museum also develops curricula and provides professional development for educators and resources for parents.

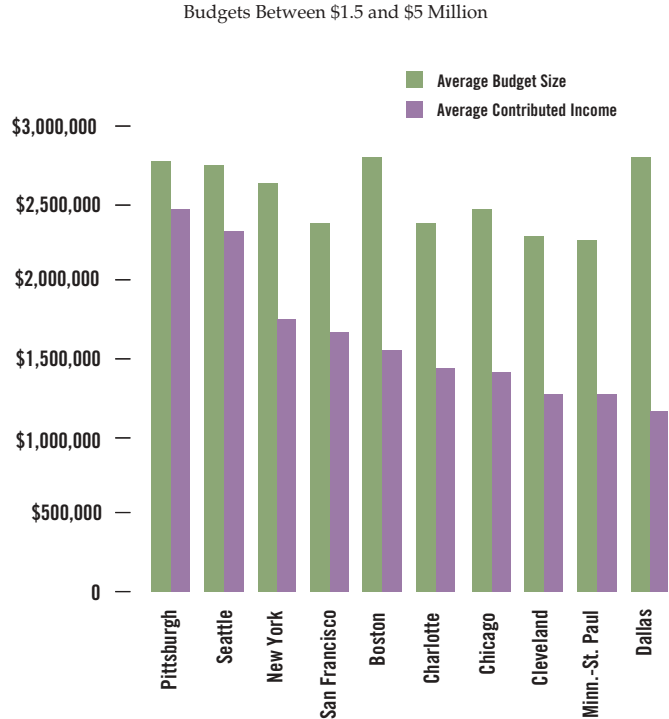
Other cultural institutions with annual budgets in the \$5 to \$20 million range include American Repertory Theatre, Boston Ballet, Boston Lyric Opera, FleetBoston Celebrity Series, the Huntington Theatre Company, the Isabella Stewart Gardner Museum, and the Wang Center for the Performing Arts.

Cultural nonprofit organizations with annual budgets between \$1.5 and \$5 million

Arts and cultural organizations with budgets between \$1.5 million to \$5 million make up 3% to 7% of all cultural agencies in the sample cities. Charlotte is the single exception, with 12% of its cultural nonprofits in this category (Chart 9). Groups of this size, while not quite at the level of sophistication of their larger cohorts, do exhibit growing levels of expertise in management and programming. In addition, the conventional wisdom that these size organizations begin to develop more serious relationships with individual donors while attracting a broader range of foundations seems to hold true. From time to time, these groups successfully access federal funding sources for special projects. The picture that emerges from the charted data is very mixed.

Boston's arts organizations in the \$1.5 to \$5 million range placed fifth in the sample for average level of contributed income in 1999. At the same time, Boston's average contributed income was approximately 55% of average budget placing it seventh in the sample. Pittsburgh, Seattle, New York, and San Francisco all surpassed Boston in this measure (Chart 26).

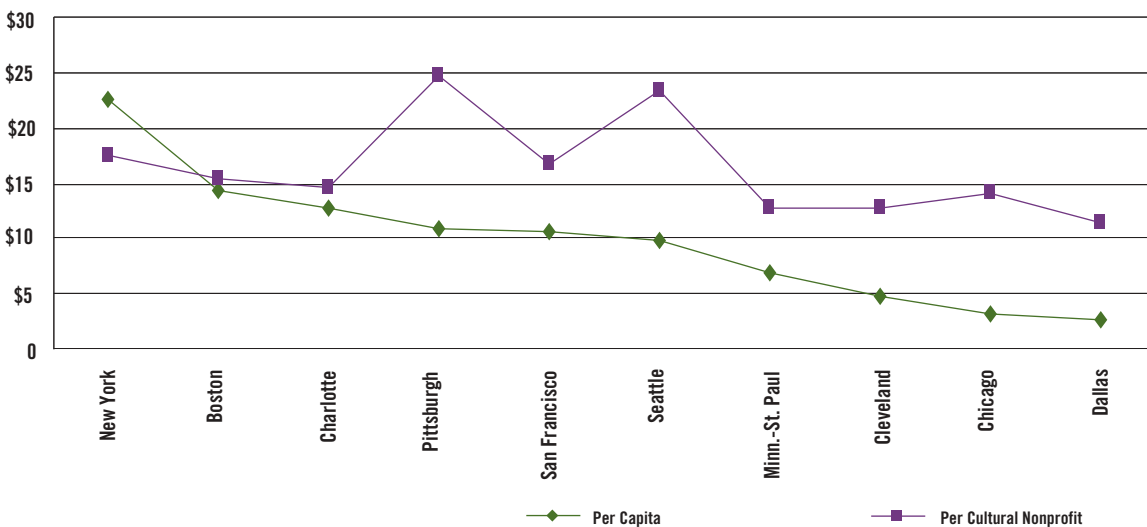
CHART 26
Average Budget and Average Contributed Income, 1999



The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 27
Contributed Income per Capita and per Cultural Nonprofit Compared, 1999

Budgets Between \$1.5 and \$5 Million



Source: The Urban Institute GuideStar-NCCS, and Census 2000 Supplementary Survey.



The Institute of Contemporary Art, one of the oldest museums devoted exclusively to contemporary art, presents cutting edge exhibitions, Vita Brevis public art projects, and programs such as ICA Artists in Residence at Boston National Historic Park. The ICA's new 62,000 square foot museum, designed by Diller + Scofidio for the Fan Pier Waterfront, will include permanent and temporary galleries, and a vibrant center for public performances, educational activities and waterfront access.

Other cultural organizations with budgets between \$1.5 and \$5 million include First Night Boston, the Handel & Haydn Society, and World Music.

In this market segment, **Boston's cultural organizations also ranked fifth in average earned income per arts organization.** Combining average earned and contributed income, these organizations ranked sixth. The fact that average earned income and average contributed income per arts organization ranked at roughly the same level suggests that neither source drove growth (Chart 29).

This segment of Boston's market grew at a substantial 72% rate from 1992 to 1999. However, this growth rate was only fourth in the sample, behind Cleveland, Minneapolis-Saint Paul, and San Francisco (Chart 28). Scaled to population, on the basis of per capita contributed income, Boston is second in the sample; based on the number of nonprofits, Boston drops to fifth (Chart 27).

However, Boston's average contributed income per arts organization, adjusted for inflation, fell by 6% from 1992 to 1999. Dallas, Minneapolis-Saint Paul, Chicago, and Chicago faced even greater declines while the rest of the sample experienced gains

(Chart 28). Boston and Minneapolis-Saint Paul were the only regions to experience growth in total contributed income ⁶ of greater than 40% and still confront decreases on a per organization basis. This may be attributed to the increase number of agencies, which stretched resources.

The impact of declining contributed and earned income and substantial growth in this market segment is clearly seen in indicators of negative net worth (Chart 28). **In this mid-size budget category, Boston has a significant number of struggling organizations** although the average amount of negative unrestricted funds is in the middle of the sample (Appendix Three). In addition, the reader can see that:

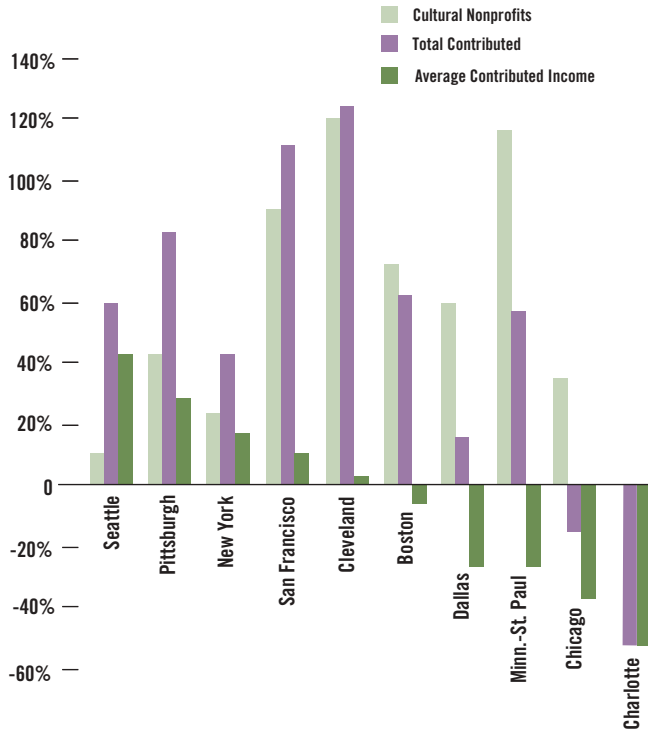
- ◆ Boston's mid-sized organizations have the second highest total negative net worth, next to New York.
- ◆ Boston has the third highest rate of negative net worth per capita, after New York and Minneapolis-Saint Paul.
- ◆ Boston ties with Minneapolis-Saint Paul and is second to Dallas in its percentage of mid-sized nonprofits with negative unrestricted assets.

⁶ The Catalogue for Philanthropy's Generosity Index notes that between 1997 and 2000, Massachusetts residents doubled their charitable giving. Generosity Index researchers noted that charitable giving varies directly with media coverage of this issue.

CHART 28

Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999

Budgets Between \$1.5 and \$5 Million

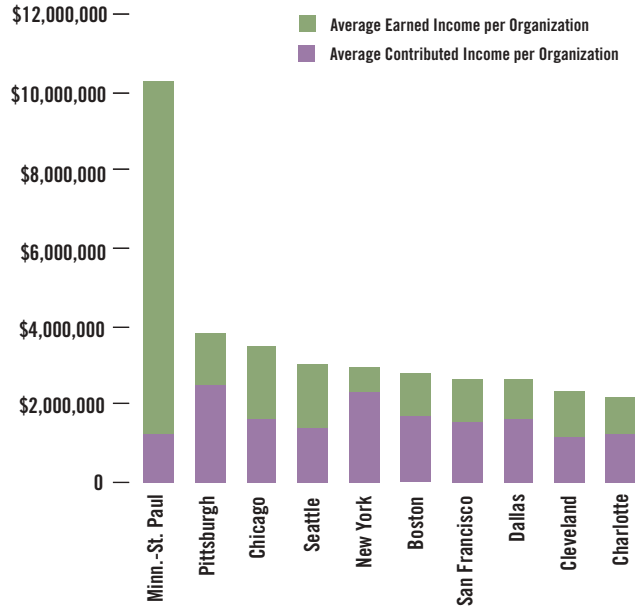


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 29

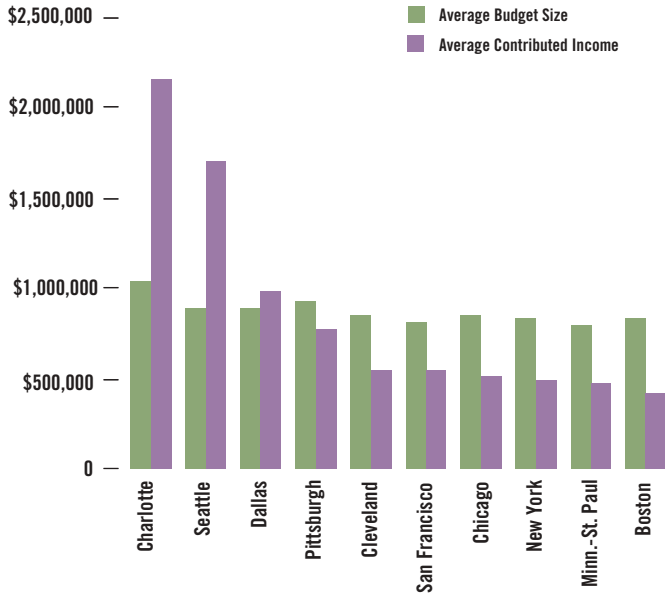
Average Earned and Average Contributed Income, 1999

Budgets Between \$1.5 and \$5 Million



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

CHART 30
Average Budget and Average Contributed Income, 1999
 Budgets Between \$500,000 and \$1.5 Million

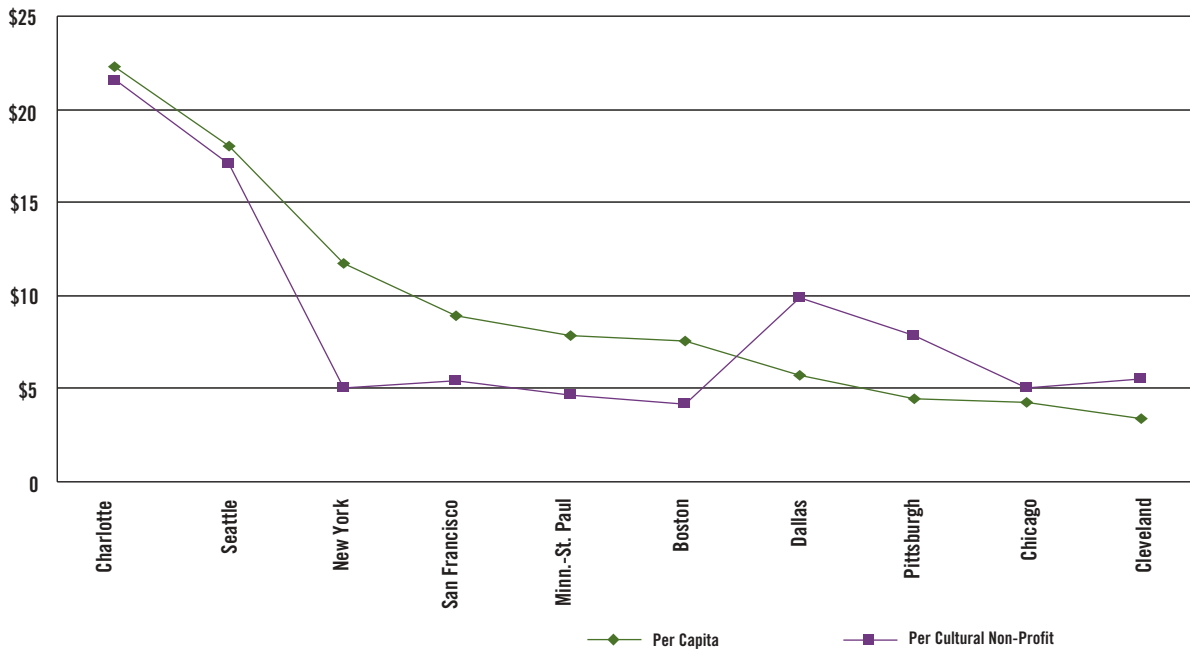


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

Organizations with budgets between \$500,000 and \$1.5 million

Organizations with budgets between \$500,000 and \$1.5 million make up about 6% to 14% of the arts and culture groups in all the sampled metro areas (Chart 9). These agencies often have more in common with their smaller peers with budgets under \$500,000 than with those in the next larger budget size. In general, they have relatively small staffs and very lean budgets. Still, having approached the mid-range, these agencies are likely to have increased their administrative and/or fundraising staff. This administrative expansion, in turn, may increase their ability to cultivate individual donors. Still, at this stage, conventional wisdom dictates that direct giving by loyal board members will likely be their most significant source of individual support. Most of their funding will come from foundations and government sources.

CHART 31
Contributed Income per Capita and per Cultural Nonprofit Compared, 1999
 Budgets Between \$500,000 and \$1.5 Million



The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

The Museum of Afro-American History collects, conserves, interprets and exhibits artifacts dating through the end of the 19th century, including a collection of African American literature, books and journals. The Museum’s cultural sites include the African American Meeting House and the Abiel Smith School on Beacon Hill and the African Meeting House on Nantucket, as well as the Boston and Nantucket Black Heritage Trails.

Other organizations in the \$500,000 to \$1.5 million budget range include Arts/Boston, the Boston Center for the Arts, Boston Modern Orchestra Project, Greater Boston Youth Symphony Orchestras, José Mateo’s Ballet Theatre, the Museum of the National Center of Afro-American Artists, the Topf Center for Dance Education, and the Wheelock Family Theatre.



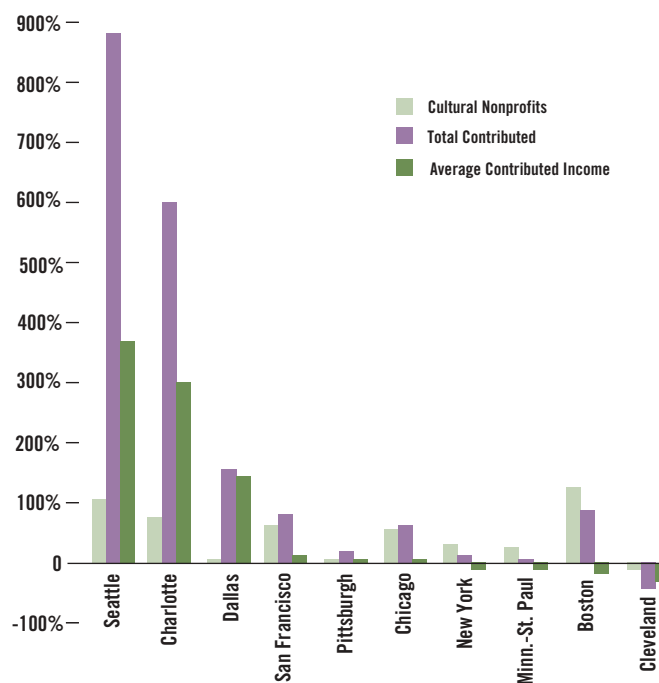
COURTESY OF THE MUSEUM OF AFRO-AMERICAN HISTORY

Metro Boston organizations in the \$500,000 to \$1.5 million range had the lowest level of average contributed income in 1999. At the same time, this contributed income was about 50% of the average budget, again placing Boston at the bottom of the sample (Chart 30). On this measure, Chicago came closest to Boston with a ratio of average contributed income to total budget of 58%.

Boston was sixth in the sample for per capita contributed income in this budget category. On a per nonprofit basis, the metro Boston area was last in the sample.

Boston’s arts organizations in this budget range ranked sixth in the sample for average contributed income and average earned income combined. Since these agencies ranked last for average contributed income, but first for average earned income, their sixth place ranking on this measure seems largely due to exceptional performance in average earned income (Chart 33). Together with the decline in average contributed income over the 1990s, this suggests that the increasing number of Boston organizations in this budget range have fueled their growth primarily through their earned income activities.

CHART 32
Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999
 Budgets Between \$500,000 and \$1.5 Million

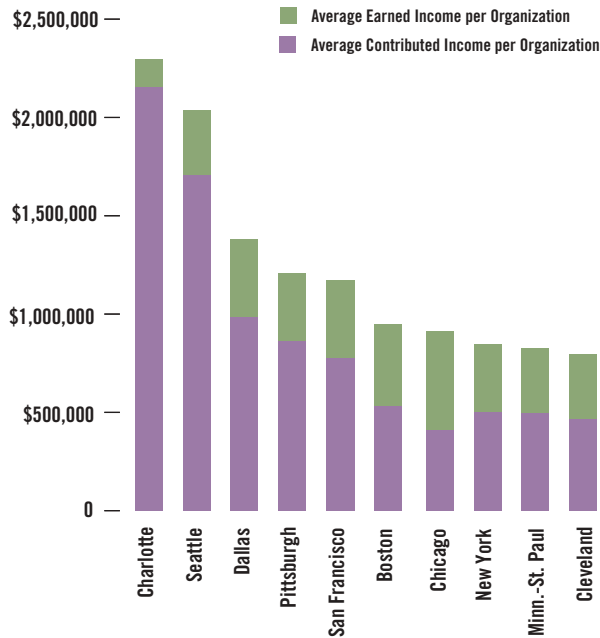


Source: The Urban Institute, GuideStar-NCCS, Census 2000 Supplementary Survey.

CHART 33

Average Earned and Average Contributed Income, 1999

Budgets Between \$500,000 and \$1.5 Million



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

Boston saw the highest growth rate in the number of arts organizations with budgets between \$500,000 and \$1.5 million in the period 1992-1999. Boston arts organizations in this segment increased by 122% in this period. Seattle was right behind Boston in growth rate. Metro areas such as Charlotte (75%), San Francisco (65%), and Chicago (58%) also saw significant growth rates during this period.

Boston's average contributed income per arts organization in this budget category range fell by 16% in inflation-adjusted terms from 1992-1999. Other areas including New York, Minneapolis, and Cleveland all saw similar declines. In looking at this statistic it is important to note that the spread between change in total contributed income and average contributed income was quite different in Boston that in other cities. Boston saw an 80% increase in total contributed

income but did not see a positive per organization increase in contributions.

In 1999, metro Boston cultural agencies in this budget range had the highest average earned income per arts organization in the sample, averaging approximately \$499,000 (Chart 33). These agencies also saw a 4% drop in average earned income during the period in inflation-adjusted terms.

Now the question becomes: are those agencies in the \$500,000 to \$1.5 million budget range experiencing the documented growth in contributions to the cultural sector? Clearly the answer, regardless of the metro region, is no. A count of agencies with negative net worth (Appendix Four) makes this apparent:

- ◆ Boston, with San Francisco close behind, is second only to New York in total negative assets. Based on an average per organization, Boston trails Pittsburgh.
- ◆ Boston has the highest per capita rate of negative net worth, a statistic that provides an indication of the scale of the problem.
- ◆ Boston is in the middle of the sample when the percentage of nonprofits with negative net worth is considered, indicating that the financial stress felt by agencies in this region is also common to other areas in the sample.

Taken as a whole, these statistics indicate that in metro Boston, despite high per capita giving to agencies in this budget category, other factors combine to create significant financial stress. During the 1990s, the low average contribution per organization, low ratio of contribution to budget, and the decline in average contributions created significant problems for this important segment of the arts community. If 17% of agencies in this segment were unable to balance their books at the end of the boom 1990s, how will these organizations weather the current economic downturn?

Organizations with budgets under \$500,000

Organizations with budgets under \$500,000 make up about 80% of any given region’s cultural sector and by virtue of sheer numbers dominate the landscape. Despite their budgets, which tend to average about \$100,000, these agencies provide significant community benefit.

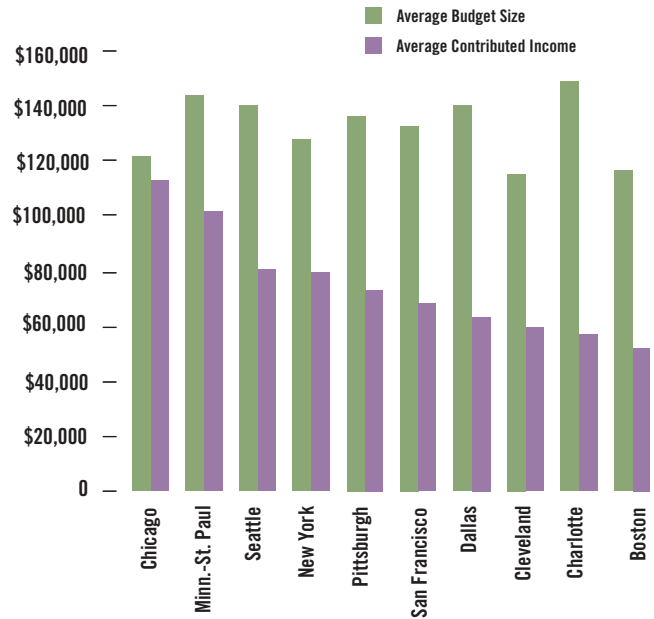
Lean budgets dictate very lean, program-focused staffing structures with little room for dedicated administrative or fundraising staff. As a result, it is both difficult and cost-prohibitive for these smallest organizations to cultivate a significant individual donor base. When an agency does receive individual gifts, these typically come from a small group of friends, or often, family. Support from board members is crucial, but conventional wisdom holds true: these organizations rely heavily on foundation and government sources of support. In general, the foundations making grants at this level are not the national funders also supporting the major institutions, but rather are funders with a special interest or community focus.

As the charted statistics show, metro Boston’s smallest agencies, while deeply rooted in their communities, are operating in a very challenging environment. How well do the smallest organizations, those with budgets of less than \$500,000, fare?

Pro Arte Chamber Orchestra, now under the baton of Isaiah Jackson, has a growing African American and Russian audience for their Saunders Theatre performances of classical and contemporary orchestral works. Since 1997, Pro Arte’s budget has nearly doubled to about \$500,000.

Boston’s smallest cultural treasures, with operating budgets of less than \$500,000 annually, include the Boston Chapter of the American Composers Forum, the Cantata Singers, Commonwealth Shakespeare Company, Dorchester Community Center for the Visual Arts, Pro Arte Chamber Orchestra, the Theater Offensive, The Art Connection, and ZUMIX.

CHART 34
Average Budget and Average Contributed Income, 1999
Budgets Under \$500,000



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

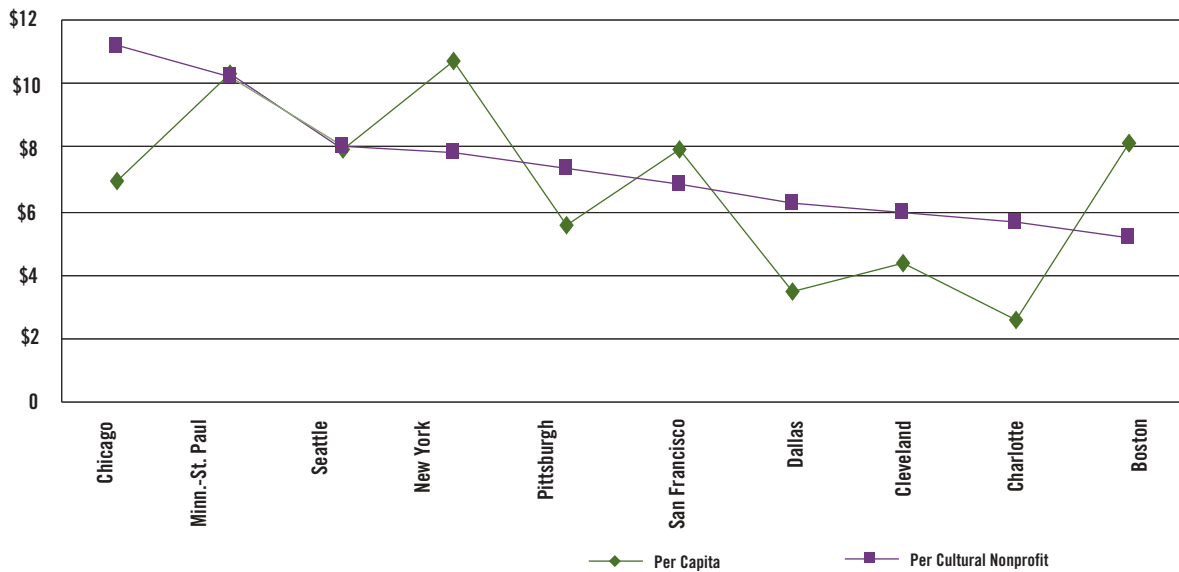


COURTESY OF THE PRO ARTE CHAMBER ORCHESTRA

CHART 35

Contributed Income per Capita and per Cultural Nonprofit Compared, 1999

Budgets Under \$500,000

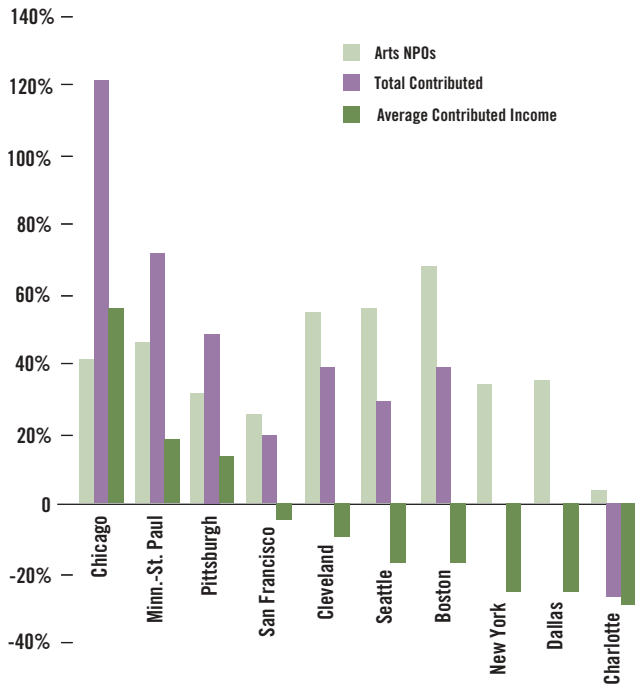


Source: The Urban Institute, GuideStar-NCCS, and Census 2000 Supplementary Survey.

CHART 36

Change in the Number of Cultural Nonprofits, Total Contributed Income, and Average Contributed Income, 1992 to 1999

Budgets Under \$500,000

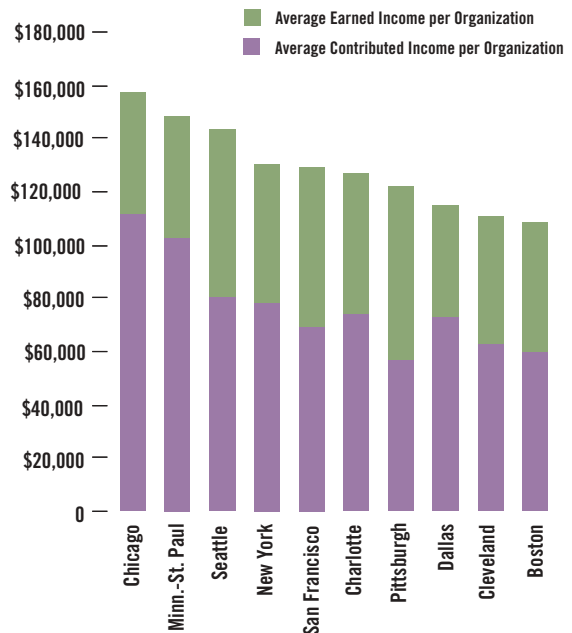


Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

CHART 37

Average Earned and Average Contributed Income, 1999

Budgets Under \$500,000



Source: The Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1992, 1999.

The number of Boston's smallest cultural organizations increased by 69%, the highest rate of growth in the sample. Cleveland and Seattle were right behind Boston's 1992-1999 growth rate. Minneapolis-Saint Paul and Chicago all saw growth rates in the mid-40% range while the number of smallest agencies in the San Francisco region increased by about 25%. (Chart 36)

Boston's smallest arts groups had the lowest level of average contributed income in 1999. At the same time, this group's average contributed income was approximately 44% of its average budget, a ratio that was second from the bottom of the sample. The smallest organizations in seven of the study cities had contributed income that was substantially more than 50% of their total budget. (Chart 34)

Boston's smallest arts organizations had the fifth-highest average earned income per arts organization, about \$48,000, in 1999. But, because metro Boston agencies were last in average contributed income per arts organization, they were last in the sample for the combined levels of average contributed income and average earned income (Chart 37). This may indicate that Boston's smallest arts organizations relied on earned income to finance operations.

Boston's smallest arts groups had the third highest per capita contributed income behind New York and Minneapolis-Saint Paul. While this would seem to indicate high levels of giving, adjusted for the number of agencies in this budget range, **Boston was last in the sample for contributions per nonprofit.** (Chart 35)

Boston's smallest arts groups experienced a decline in contributed income in the 1990s. In fact, from 1992 to 1999 average contributed income per arts organization in the under \$500,000 range fell by 17% in inflation-adjusted terms (Chart 36). Other areas including New York, Seattle, Dallas, and Charlotte saw similar declines. Contributed income did not keep pace with the increased rate of new entrants into the field.

How does this impact the relative financial health of this group of nonprofits? It seems that in the 1990s, despite Boston's high per capita giving levels, the combined effect of low average contributions per agency, low ratio of contributed income to total

budget, and the general decline in contributed income to the smallest organizations has been one of destabilization. Data on negative net worth (Appendix Three, Table 1) reveals the following:

- ◆ Boston's smallest agencies show the second highest total amount of negative net worth, second only to New York. Based on an average per organization, Boston is first. This means that Boston's smallest organizations carrying debt have a higher negative net worth (or more debt) than any other in the sample.
- ◆ Boston has the highest rate per capita of total negative net worth. This provides a second indicator of the scale of the problem.
- ◆ Boston and New York both have 7% of agencies in this budget category struggling with negative net worth. Chicago is close behind at 6%.

This is bleak news for those agencies operating with the smallest budgets. It is bleak news, too, for the region's quality of life and for those residents who relish the offerings of Boston's excellent yet small agencies. Innovative education programs are offered to smaller audiences if presented at all, artists forgo producing new work or consider moving to more hospitable environments, and underserved neighborhoods are neglected.

As preceding sections have shown, the smallest agencies are not alone. In fact, when organizations in the \$500,000 to \$1.5 million range are added to the picture, it is clear that this small, entrepreneurial community-based cluster was significantly under-resourced at the end of the 1990s. If this was true at the end of a period of economic expansion, how will these agencies survive the current downturn?

CHAPTER THREE

What Types of Contributed Resources are Available?

What are sources of contributed income? What is its impact? How well do Boston's arts nonprofits fare in attracting these funds?

In general, all nonprofit agencies derive their contributed income from three major sources: government agencies; private, family and corporate foundations; and individuals. This holds true for the cultural sector as well. However, the relative share of each type of funding in any given market makes a significant difference to the stability of that market.

This chapter describes the unique characteristics of each type of funding and how successful each metro area is in garnering those particular resources. It also goes deeper into public funding in each city or metro area with a look at the local arts agencies and the varied mechanisms used in each region to aggregate and distribute funds.

Government funding for arts and cultural activities is available at the federal, state, and local levels. The three major federal agencies are the National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), and the Institute of Museum and Library Services (IMLS). In addition, as many as twenty or more other federal agencies, including the Department of Justice and the Environmental Protection Agency, offer funds that sometimes match a cultural organization's activities.

At the state level, direct funding most often comes through state arts agencies funded by legislative appropriation. As is the case with the federal government, cultural organizations can sometimes access funds at other state agencies focused on tourism, economic development, or transportation. Financing may also be available to large capital projects through state bonding mechanisms and, in some states, the largest institutions may have direct line items in their state's budget.

Local government agencies at the city or county levels offer assistance to cultural organizations through a variety of mechanisms including dedicated cultural

departments, tax districts or development authorities. Funding can range from support for infrastructure, buildings, public art and festivals to direct operating grants. A local agency can also play a role in providing access to bond financing for large-scale projects.

Foundations, whether private, family or corporate philanthropies, are crucial to cultural funding. Foundations direct their funding based on their individual missions. They may provide start-up money for new ideas, support for organizations targeting a special populations, or initiative funding to encourage particular programmatic directions. Some foundations focus on capital projects while others prefer to support work that develops management capacity. Less frequently, foundations may also provide general operating support. Financial support aside, foundation leaders, along with their civic and corporate counterparts, can foster a community climate that encourages giving to a specific organization, idea, targeted demographic, or discipline. This combination of leadership and dollars makes foundations key to the overall philanthropic environment of any community.

Individuals continue to be the largest source of funding for the cultural sector. Giving anywhere from a few dollars to many millions, individuals make gifts based on a number of reasons including their interest in a particular agency, artist, or historical period. Whatever their motivation, an individual's gift is usually based in a deep relationship with the nonprofit and its mission. This relationship takes significant time and attention to nurture. As a result, larger institutions fare better in garnering individual donations than smaller organizations that are usually without staff specifically dedicated to the task.

Funding sources are not strictly limited to government agencies, foundations and individuals. Corporations, for example, can provide sponsorship funds from their marketing budgets. Volunteers and in-kind donations ranging from materials and supplies to printing services are also important forms of corporate support.

While this kind of support is not counted as contributed income, it is nonetheless crucial to the nonprofit support system.

Finally, in some cities or regions there are nonprofits that serve as **local arts agencies** or **united arts funds** to catalyze or organize giving to the sector. These agencies raise money from multiple sources, and then redistribute it in grants to other cultural organizations. In the best-case scenario, the funds raised add to the total available funding, rather than simply redirect or repackage it.

How do each of the ten metro regions draw on the available resources? Again, it is important to begin with an understanding of the limitations of the data.

State and local government cultural funding can come from multiple sources, including foundations and other government sources, rather than simply from a direct budget appropriation or dedicated tax revenue. For example, a city cultural affairs office may receive funding from a state arts council, which in turn may be supported by the National Endowment for the Arts. For a true understanding of funding sources and impact, it is crucial not to count available dollars twice.

Data on foundation and individual giving provides its own particular challenges. There is no data source that tracks how distributed funds are restricted. Indeed, many funders don't track whether their grant is restricted to, for example, capital projects, endowment, or general operations. And, there is no government or private data source on individual giving. The sample survey conducted by Giving USA provides the broadest strokes, but since its numbers don't break down into metro area patterns, it doesn't paint a detailed picture.

Even with these limitations, there is significant and revealing data available. The next sections focuses on the following sources of support:

- Federal dollars distributed to cultural nonprofits through the National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), and Institute of Museum and Library Services (IMLS);
- Direct legislative appropriations to state arts agencies;
- Foundation grants;
- Corporate giving; and
- Local government funding, including dedicated funding sources and appropriations by the major city in each metro region.

The size of each market—the number of cultural organizations at each budget level—is important to remember when looking at this information. The reader may find it helpful to refer back to Chart 8, (page 17), which illustrates the number of cultural nonprofits in each city by budget category.

Government Funding

Federal funding to arts and culture is analyzed by looking at grants made in 1999 by the NEA, NEH, and IMLS. To be consistent with earlier IRS data and the study parameters, grants made to universities, school systems, or individual artists were not included.

The data (Chart 38 to Chart 40) demonstrates that metro Boston is very competitive in garnering this type of federal funding. However, while this kind of support is very important in lending a seal of approval to specific organizations and projects, the low per capita numbers show that it does not represent a significant portion of any metro area's funding. Of course, one of the reasons for this is that cultural funding is a very low percentage of the federal budget: in 2000, for example, New York City's Office of Cultural Affairs budget was larger than the entire National Endowment for the Arts budget ⁷.

⁷ Americans for the Arts. Fiscal Year 2000 Survey of Local Arts Agencies.

CHART 38

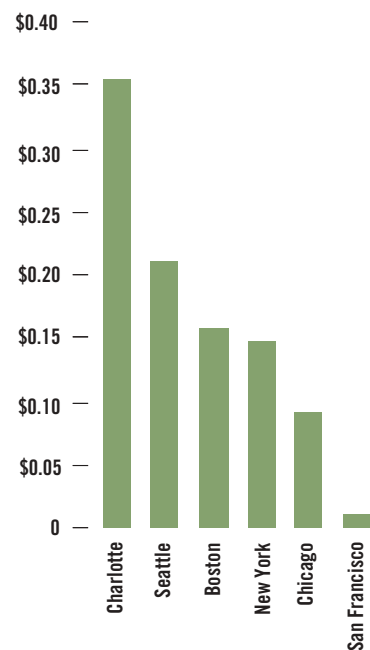
National Endowment for the Arts Grants to Cultural Nonprofits per Capita, 1999



Source: National Endowment for the Arts 1999 Grant Recipients, Census 2000 Supplementary Survey.

CHART 39

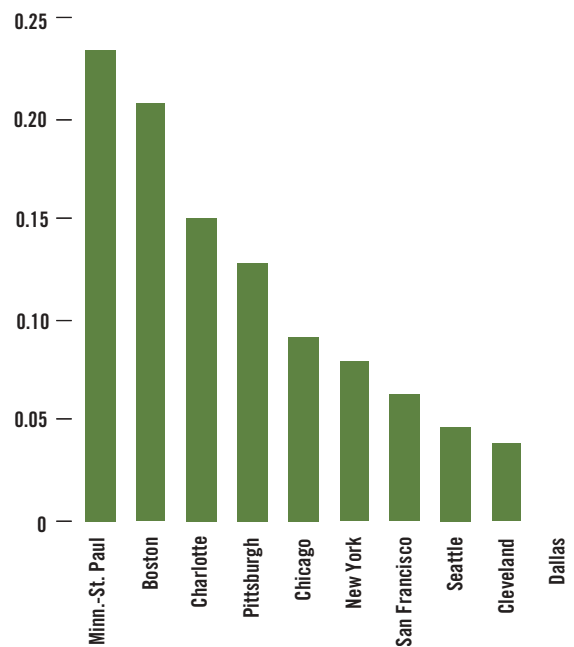
National Endowment for the Humanities Grants to Cultural Nonprofits per Capita, 1999



Source: National Endowment for the Humanities 1999 Grant Recipients, Census 2000 Supplementary Survey.

CHART 40

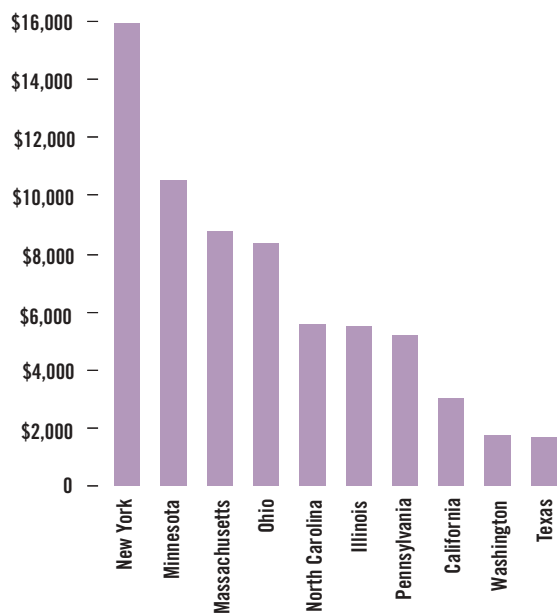
Institute of Museum and Library Services Grants to Cultural Nonprofits per Capita, 1999



Source: Institute of Museum and Library Services 1999 Grant Recipients, Census 2000 Supplementary Survey.

CHART 41

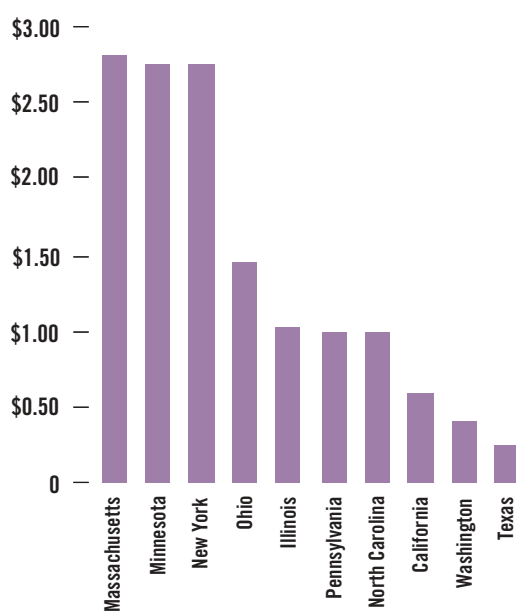
Average State Art Agency Grants per Nonprofit, 1999



Source: National Assembly of State Arts Agencies 1999.

CHART 42

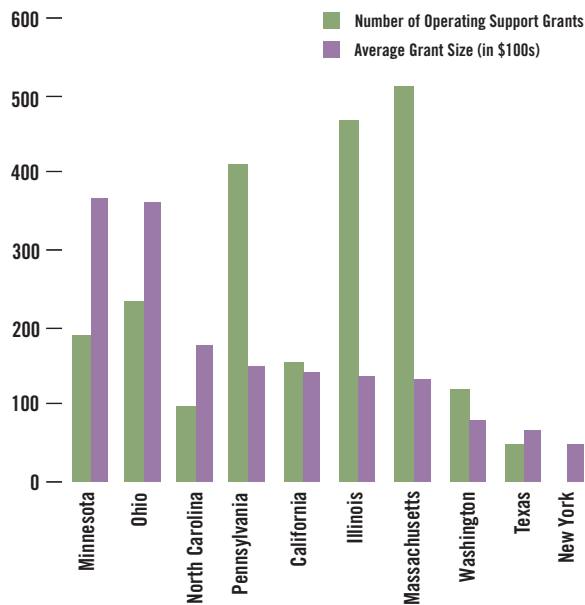
Average State Art Agency Grant per Capita, 1999



Source: National Assembly of State Arts Agencies 1999.

CHART 43

Number of State Art Agency Operating Grants Compared to Average Grant Size, 1999



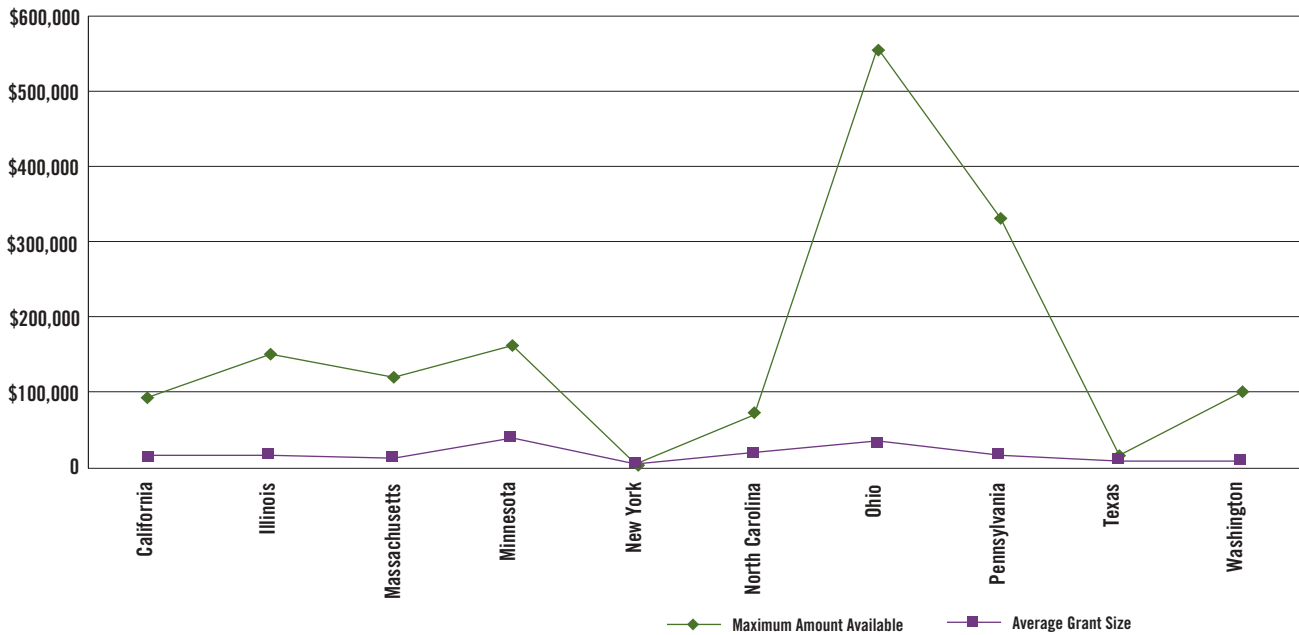
Source: National Assembly of State Arts Agencies, 1999.

State support for its cultural sector is typically distributed through a state arts council, which in turn makes grants to nonprofits. The Massachusetts Cultural Council, along with some other state arts councils, distributes funds to local or regional arts councils for re-granting at the local level. Because precise metro area data is not available, this study examines three data points: average state dollars per capita, average state dollars per organization, and average operating support per organization.

The reader is reminded that while we have temporarily left the metro areas behind, we remain in 1999. And, as Massachusetts’s residents are well aware, historic funding levels do not indicate trends for future growth. The Massachusetts Cultural Council (MCC) budget was cut by 62% in the state’s 2003 budget. This brings into stark relief the heavy impact of political and economic considerations on state arts funding. Depending on the particular context of each state, legislators may seek to minimize cultural spending in the belief that it is not an appropriate role for government. Or, as in the Massachusetts case, large

CHART 44

Maximum State Art Agency Grant Compared to Average Grant Size, 1999



Source: National Assembly of State Arts Agencies 1999.

deficits and declining tax revenues can lead legislators to authorize cuts to many agencies, including the state arts council.

In 1999, Massachusetts was among the leaders in state funding for the arts. Massachusetts had the highest per capita state funding (Chart 42) and the third highest level of funding per organization (Chart 41), averaging almost \$10,000 per agency. **This speaks to MCC’s leadership role.**

However, there are significant differences state funding strategies. While some states distribute larger grants to fewer organizations, MCC makes smaller grants to a larger number of organizations: in 1999, MCC’s maximum operating grant was \$120,000, but its average was \$13,281. MCC provides the largest number of unrestricted operating grants in the sample (Chart 43), indicating a conscious emphasis on breadth versus depth. This strategy is based in its understanding that Massachusetts has a large number of arts organizations and limited local funding. On the other hand, the New York State Council on the Arts

reports only one operating support grant during this time period and in general makes smaller grants than the MCC. Minnesota boasts the largest average grant size of the ten state agencies.

How does state funding impact an arts organization? State funding is by and large directed towards general operating support, and so it plays a special role in helping small arts agencies transition to the next level. Small operating grants to small agencies can have a significant impact in paying for an extra staff member or an expanded program. Of course, state funds are most accessible to those organizations that demonstrate both quality programs and community support as indicated by gifts from individual supporters. This combination—quality recognized by others and backed by a source of operating support—indicates that state funding is a clear marker of early institutional viability.

Foundation Funding

Foundation giving is tracked by the Foundation Center, a leading authority on institutional philanthropy. Its 1999 data⁸ returns the reader to a focus on the metro area. This available data, which does not include information on either the type of funding or size of the recipient agency, yields some surprising results, including the significant impact of grants from out-of-state foundations. For this reason, graphs track both total grants and funding from foundations within the metro region's home state and from out-of-state foundations. Most of these out-of-state funders are national foundations based in New York.

Metro Boston cultural organizations ranked fifth in total foundation grants received. In 1999, Boston area organizations received about \$50 million in foundation dollars, far behind New York City at \$250 million (Chart 45). Pittsburgh organizations totaled about \$100 million received from foundations, but these results may be distorted by one exceptionally large grant. Boston ranked close to the foundation funding levels of San Francisco at \$70 million and Chicago at about \$50 million.

On a per capita basis, Boston is fourth in the sample (Chart 46), indicating a relatively healthy level of funding from foundations. However, when funding is tracked based on the total number of organizations, Boston ranks sixth (Chart 47).

Most of metro Boston's foundation funding for arts and culture comes from outside the state. In fact, a surprisingly large 60% of all foundation grants to cultural organizations came from outside of Boston (Chart 48), placing the city last in the sample for the percentage in-state foundation grants. Most other cities receive more than half their foundation dollars from in-state foundations.

This makes it very clear that Boston has a very limited number of in-state foundations making grants in the cultural arena. In fact, in 1999 Boston had only eight foundations that make annual grants totaling more than \$500,000 to arts organizations, a statistic that has not changed substantially (Table 1). This puts Boston in seventh place, well behind New York with 69 such foundations, Chicago with 21, San Francisco with 20, and Pittsburgh, which boasts 17.

⁸ The Foundation Center produced lists of top foundation giving to arts nonprofits within each of the ten MSAs included in the study for 1999. For this data request, "the search set was based on the Foundation Center's grants sample, which includes grants of \$10,000 or more awarded to organizations by a sample of 1,015 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file."

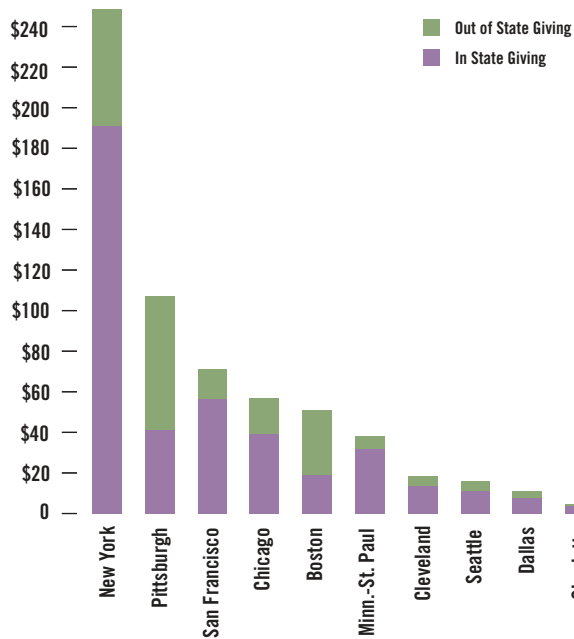


COURTESY OF THE ISABELLA STEWART GARDNER MUSEUM

Isabella Stewart Gardner Museum artist-in-residence Dan Harvey discusses the work he creates in collaboration with Heather Ackroyd with children from the Museum's School Partnership Program before they launch into their own art projects. The Gardner Museum has attracted significant support from beyond the local region. National foundations including the Pew Charitable Trusts, the Ford Foundation, the Andrew Mellon Foundation, and the Wallace-Reader's Digest Funds have made major grants to support the Museum's ongoing planning, expansion and implementation of its exhibition, education, and community programs.

CHART 45

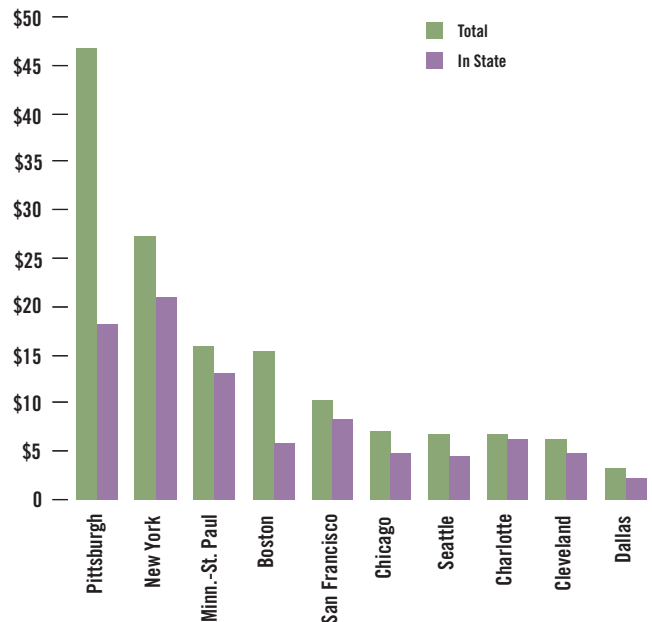
Total Funding from In-State and Out-of-State Foundations, 1999



Source: The Foundation Center 1999.

CHART 46

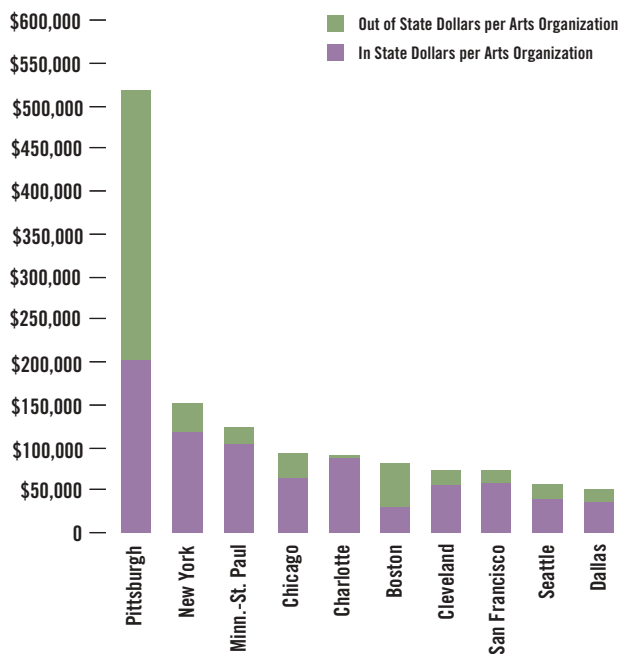
Total Foundation Funding per Capita Compared to Total In-State Foundation Funding per Capita, 1999



Source: The Foundation Center 1999, Census 2000 Supplementary Survey.

CHART 47

Average Funding from In-State and Out-of-State Foundations, 1999



Source: The Foundation Center 1999.

CHART 48

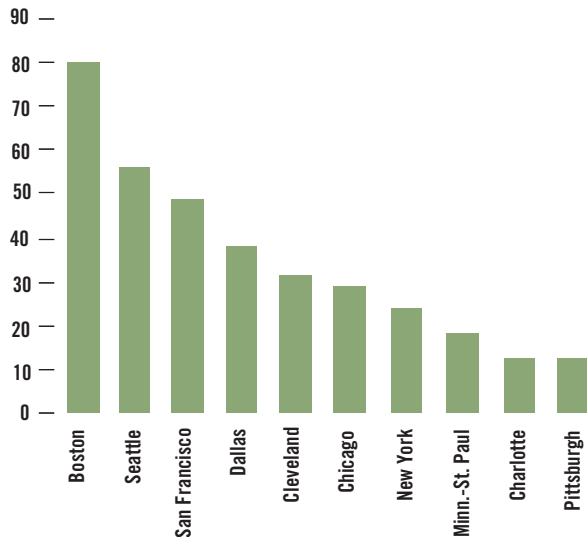
Percentage of In-State and Out-of-State Foundation Grants, 1999



Source: The Foundation Center 1999.

CHART 49

Number of Cultural Nonprofits per Foundation Giving More Than \$500,000 to Arts and Culture, 1999



Source: The Foundation Center 1999.

The ratio of Boston cultural nonprofits to local foundations supporting culture puts Boston’s arts groups at a disadvantage compared to their peers in other cities. This produces a highly competitive market for in-state foundation dollars. In Boston, there is one foundation for every 80 arts organizations (Chart 49). This ratio is significantly higher than the next metropolitan area, Seattle, which has one such foundation for every 58 organizations, or San Francisco that has a ratio of 1 to 48.

Every year, the Foundation Center produces a list of the top fifty foundations giving to arts and culture as well as the top fifty recipients of those grants. The 1999 lists demonstrate Boston’s ability to attract such funding, but its lack of leadership giving by in-state foundations. Boston has four of the top fifty grant recipients in the country, but no “top fifty” foundation.

What is the impact of this disparity between funder and cultural institution? While there is no data on what sized agencies are receiving the foundation dollars, it would seem that the lack of in-state foundations would likely have the greatest impact on those organizations without a compensating base of individual donors—the nonprofits with the smaller budgets. Conversely, it is highly likely that out-of-state foundation money is directed to the larger organizations that have national or international reputations.

National or out-of-state foundations carry significant impact in validating quality, but they don’t carry the banner of local leadership, which can generate greater levels of local investment. Local foundation support, especially when it is highly targeted or made at a significant level, is often seen as an expression of strong community support and stamp of approval.

Table 1

In-State Foundations Giving More Than \$500,000

	Total In-State Foundations	Total Number of Grants by In-State Foundations	Total Number of Arts/Culture Organizations
New York	69	259	1631
Chicago	21	498	609
San Francisco	20	561	973
Minneapolis-Saint Paul	17	371	312
Pittsburgh	17	280	207
Boston	8	154	640
Cleveland	8	178	250
Dallas	6	99	226
Seattle	5	262	282
Charlotte	4	41	50

Source: The Foundation Center 1999.

The Wang Center for the Performing Arts provides its corporate members with invitations to special events, including backstage tours, as well as opportunities for significant public recognition and associations with its excellent programming.



PHOTOGRAPH: ERIC ANTONIOU

Corporate Funding

Corporate giving is very difficult to track and measure. Giving through corporate foundations, which is counted in an agency's total contributed income, is analyzed along with all other foundations above. Corporations can also give through marketing or civic affairs departments, which agencies report as earned income on the IRS Form 990. This combines it with ticket revenue, shop income, and program fees, making it impossible to analyze separately. However, interviews with key informants and the work of other researchers yield important information about recent shifts in corporate support.

Nation-wide, corporate support for the cultural sector has been growing⁹. But what is the impact of mergers and acquisitions on business giving in a particular market place? Again, while the anecdotal evidence that mergers do decrease total funding is compelling, this is difficult to analyze precisely. However, the psychological impact on arts communities is clear—fundraisers become very nervous when an unknown, out-of-state company replaces a known benefactor. Funding relationships built over many years can change significantly as personnel and marketing goals shift.

A recent report by the Conference Board, "The Impact of Mergers and Acquisitions on Corporate Citizenship,"¹⁰ determined that while some companies give more to a community after a merger, anecdotal

evidence seems to indicate that the post-merger company does not always give at the same level as the two pre-merger companies did. This gives credibility to feelings of fundraising professionals: 1 + 1 does not necessarily equal 2. The report also noted that mergers often seem to lead to a reshuffling in giving priorities, providing new management with an opportunity to realign corporate giving with the goals of the new company.

Mergers are of special concern in Minnesota, a state which has led the way in creating a positive atmosphere for corporate giving through its Minnesota Keystone ProgramSM.¹¹ A 2001 discussion paper funded in part by the Minneapolis Foundation and produced by the Center for Ethical Business Cultures, "Mergers: Implications for Corporate Philanthropy & the Community," highlighted three key issues:

- Corporate philanthropy has evolved over the last twenty years, but this change has more to do with shifts in giving patterns and practices than with mergers. Increasingly, corporations look to align their giving with their commercial interests. They no longer give mostly in their hometown, but have decentralized giving so that funding is spread across multiple locations. The combination of focused giving priorities and a widely dispersed giving budget lessens giving in any one city or to any single nonprofit.

⁹ Business Committee for the Arts, Inc. 2001 *National Survey of Business Support to the Arts*.

¹⁰ This report written in 2000 looked at "the impact of a merger or acquisition on the corporate citizenship of the companies involved."

¹¹ The Minnesota Keystone Program encourages corporations to give two to five percent of their pre-tax profits to charity through annual recognition and aggressive promotion of participating corporations.

- In Minnesota, mergers have decreased corporate contributions to some nonprofits.
- Nonprofits report that the most profound effect of mergers may be the loss of local business leadership which can strongly influence giving patterns and provide significant commitment and guidance in dealing with community issues.

In reviewing the concerns expressed in Minneapolis about recent mergers, one wonders how this applies to the Boston story. Has Boston already felt the effects of what Minneapolis is just now feeling? Over the last 10 years, Boston has seen the merger or acquisition of Wang, Digital, Lotus, Shawmut, BayBank, Bank of New England, Bank of Boston, Boston Company, New England Telephone, Boston Edison, The New England and more. These corporations all provided some level of support to the cultural community. Have new corporations assumed this role? Has the loss of locally led companies affected the Boston cultural community's ability to attract visible support from key leaders? How does the reduced number of key business leaders, combined with the limited number of foundation leaders, combine to impact support for a vibrant and healthy cultural community?

Local Arts Agencies

Local arts agencies are yet another piece of cultural funding puzzle. A Local Arts Agency (LAA) has been defined as “a private community organization or local government agency that supports cultural organizations, provides services to artists or arts organizations, and/or presents arts programming to the public.”¹² Nation-wide, 25% of LAAs are public agencies and 75% are private nonprofits. These agencies are typically involved in one or more of the following: cultural programming, grantmaking, facility management, services to artists and arts organizations, and community cultural planning

There is significant variety in the structure of local agencies across the metro areas in the study. Boston, Chicago, Dallas, New York, San Francisco, Seattle have agencies within city government. Cleveland and Minneapolis-Saint Paul have no significant city-level agency while Pittsburgh and Charlotte focus city-level cultural funding through independent agencies.

Minneapolis-Saint Paul, Pittsburgh, and Seattle have regional arts agencies within county governments.

Funding mechanisms for these local agencies are equally diverse. (For a more thorough review of the structure, funding, and programming of each city's arts agencies, see Appendix Two.) Many are not funded by local tax dollars, but rather by a variety of sources such as state legislative appropriations, foundation grants, corporate contributions, and individuals. However, what appears to be local funding is not always new money, but may be passed on from other appropriations. New city or county funds are typically one of three types: dedicated revenue from a special tax, city budget appropriations, or city investments in facilities.

Because of this diversity in revenue sources, combined with incomplete or missing budget information from some city or regional agencies, it is impossible to generate a complete or accurate comparison. For example, if deducting state and foundation revenues eliminated double counting of local funds, the remainder might lead to a misperception of the size of that particular agency's budget. In addition to incomplete income data, some local agencies could or would not supply detailed information on past grant making. These reasons compel an examination of local funding strategies on a qualitative rather than quantitative basis.

Four key factors seem to have the most significant impact on the effectiveness of a city's cultural funding strategy:

- **Overall market size:** the larger the market, the more challenging it is to move that market.
- **Dedicated revenue:** cities that have a large dedicated revenue sources for the arts, especially one that is large in proportion to the market, appear to have a greater ability to impact local cultural organizations.
- **Grant making strategy:** local arts agencies must choose how widely to spread the funds that they have, opting to give grants to as many organizations as possible or making larger investments in fewer groups.

¹² Davidson, Benjamin. “Local Art Agency Facts—Fiscal Year 2000.” Americans for the Arts. 2001

- **Partnerships:** some local arts agencies appear to leverage more support for the arts, either directly or indirectly, through strategic partnerships with key organizations or, in a few cases, by establishing themselves as a public-private partnership.

Different combinations of these factors yield very different results. For example, a city with a small market, relatively large dedicated revenue source, highly targeted grant making strategy, and strong partnerships is more able to have a big impact on key sections of the market. In contrast, a local arts agency operating in a large market with limited funding, a broad grant making strategy, and few outside partners will find it much harder to move the market in any appreciable way.

Different market size and funding scale pose specific challenges to local arts agencies. To illustrate how this plays out and to facilitate comparison, this section splits the sample group into two sections by market size:

- **Large arts markets:** Boston, Chicago, New York, and San Francisco are the four largest arts markets in the survey. In size and scale of their cultural sectors, they are roughly equivalent, with 1999 metro area levels of contributed revenue of over \$400 million and more than 600 cultural organizations. However, it is worth remembering that while its cultural sector ranks it as a large art market, Boston's population size is much closer to that of the smaller arts markets in the study.
- **Small arts markets:** Cleveland, Minneapolis-Saint Paul, Pittsburgh, Dallas, Seattle, and Charlotte are the smallest arts markets in the study group. In 1999, these markets had less than \$250 million in contributed income and fewer than 350 arts organizations in each city.

Public Funding Strategies in Large Markets

Boston: In FY01, Boston's Office of Cultural Affairs (OCA) distributed a total of about \$871,000 in 320 grants. About \$250,000 of this total represents state funds that were regranted through Boston's Local Cultural Council, part of a system of volunteer boards that the Massachusetts Cultural Council uses to

distribute funds in every city and town across the state. Boston's LCC grants averaged less than \$1,250 each. An additional \$400,000 was distributed from the Boston Cultural Agenda Fund, funds from the City operating budget that went to about 60 groups at an average of \$6,750 each. Both grant making streams represent a strategy of broad, rather than deep, funding support.

In addition, the City of Boston takes an active role in arts-related development through a variety of other departments and mechanisms, including its \$2 million commitment for capital improvements to the city-owned Strand Theater. The city has also assigned \$19 million in Empowerment Zone bonds to finance the \$30 million renovation of the Opera House. Finally, the Boston Redevelopment Authority, an independent agency funded through land sales and leases, has invested an additional \$2 million at the Boston Center for the Arts to facilitate the development of two new theaters where an old vaudeville house once stood.

Chicago:

The major local arts agency in this market is the Chicago Department of Cultural Affairs, which allocates less than \$2 million to grants for the arts. Like Boston, the city has opted to spread its limited funds broadly, providing grants that are a proportionally small part of the local cultural organization's budget. Chicago provides 21 major institutions with average grants of about \$6,900 each, and 90 small organizations with average grants of about \$1,700.

Chicago's Department of Cultural Affairs, which had a total budget of about \$12 million in 2000, also incorporates the Chicago Office of Tourism. In addition, it manages the Chicago Cultural Center and, through

Gallery 37, provides arts-based job training to about 4,000 youth each year. The DCA's Planning/Special Projects Division provides technical services to artists and cultural nonprofits, including architectural, urban planning, legal, and real estate development to assure that the city's urban planning and development initiatives are facilitated with a cultural perspective.

New York: In 2000, New York's Department of Cultural Affairs (DCA) had a \$120 million budget¹³ that was largely targeted in two ways. First, the Department committed over \$100 million to fund 34 key cultural organizations in the city, providing an average grant of about \$3 million. In addition, the DCA's \$5 million matching grant program provided 156 smaller organizations with average grants of over \$30,000, and leveraged significant private sector funding.

New York's Capital Projects program supports capital improvement for cultural institutions in city-owned buildings on city land. Other institutions' capital projects are often supported through funds allocated in the city budget process.

San Francisco: This city's hotel-motel tax is a national example of large-scale dedicated funding for the arts. The 14% tax on hotel room charges generated \$195.1 million dollars in FY2000-2001; of this, the city allocated \$36.7 million to local arts organizations. These funds were distributed through a variety of mechanisms, including the Grants for the Arts (GFTA) and the San Francisco Arts Commission. GFTA was established in 1961 through City and State legislation to make economic investments in cultural activities that

enhance the city's attractiveness to visitors and provide employment and enrichment to local residents. It currently provides over \$15 million in funds to about 250 organizations, for an average grant size of roughly \$60,000.

San Francisco Arts Commission (SFAC) distributes Hotel Tax Funds through its Cultural Equity Grants program, which supplies funding to individual artists and to smaller agencies with average annual budgets of less than \$1 million. The commission's strategy is to grow "an inclusive and vibrant arts environment that celebrates San Franciscans' vast ethnic diversity and variety of cultural traditions."

In addition, San Francisco owns the buildings that house the War Memorial and Performing Arts Center, Fine Arts Museums, and Asian Art Museum, each of which receive facility and operating support from the Hotel Tax Fund.

Public Funding Strategies in Small Markets

Charlotte: Charlotte's main local arts agency is the Arts and Sciences Council (ASC), an independent nonprofit founded in 1958 to raise funds from government, individual, and corporate sources. In 2001, the ASC raised \$16.5 million and distributed \$14 million in grants and about \$280,000 in facilities subsidies. Charlotte's strategy is to concentrate its major grant making among a few organizations in the city: in 2001, 28 organizations received a total of \$11.5 million, an average basic operating support grant of about \$410,000.

The ASC is notable for its independent status—it is not a city agency—and for its collaborative fundraising, which pools public support from the city,

¹³ Americans for the Arts, "Local Art Agency Facts | Fiscal Year 2000," August 2001.

county, corporations, workplace giving programs, and individual donors. In 2001, ASC's annual fund drive raised \$10 million from a variety of sources including 350 companies and 35,000 individuals participating in workplace giving programs, half of whom contributed less than \$50. This level of participation made it the country's largest united arts fund. The City of Charlotte and Mecklenburg County also contribute to the total pool, adding \$5.7 million in 2001. Here it is important to note that any government and foundation funds raised by the ASC are not new money and have been reflected in previously cited numbers.

Finally, ASC's is also notable for its advocacy and close relationships with local officials, school boards, and corporations. Each year, for example, ASC holds a recognition event for elected officials and school boards as well as an orientation for incoming elected officials to acclimate them to the cultural community and their partnership.

Cleveland: Cleveland has no arts agency within its city government; city funding is limited to \$800,000 for a performing arts center.

One organization, the Partnership for Arts and Culture, is working towards creating a unified cultural community in Cleveland. The Partnership was formed in response to the Cleveland Foundation Civic Study Commission on the Performing Arts, which called for a process to create a community-wide cultural plan for Greater Cleveland. Several of the strategies from the cultural plan, issued in May 2000 after two years of research, are moving forward. These include website development for a clearinghouse of arts and culture information, an ordinance for housing and workspace for artists (live/work), and the development of

public funding, which will be in place by 2003 or 2004.

Dallas:

The Dallas Office of Cultural Affairs allocates nearly \$5 million to grants every year, concentrating its grant-making among a few institutions. A total of 41 organizations receive \$4.1 million in operating support grants, with an average grant size of \$100,000. Two smaller programs provide more than \$360,000 each for touring and other cultural services. An additional \$1.6 million in indirect support goes to operate city-owned cultural facilities. Beyond this, Dallas appears to be ramping up its efforts with facilities by pursuing a \$16.4-25.4 million bond project to renovate existing cultural facilities and develop new facilities.

Minneapolis-Saint Paul:

The Twin Cities, like Cleveland, are unusual for the absence of a strong city-level arts agency in either Minneapolis or Saint Paul. The Minneapolis Office of Cultural Affairs was recently disbanded, and Saint Paul has no corresponding city-level agency to manage cultural affairs and policies. Before it was disbanded in 2002, the Minneapolis OCA had only about \$30,000 to distribute across the city for an average grant of about \$1,500 per arts organization.

In Saint Paul, the major source of funding is the STAR (Sales Tax Revitalization) Program, a 0.5% local options sales tax enacted in 1993 to support Civic Center capital expenses and to fund residential, cultural, commercial and economic development programs. Cultural STAR was established in 1994 to promote economic growth by strengthening the arts and cultural sector. This program distributes 10% of all STAR revenues, or about \$1.2 million in grants in 2001. At least 80% of Cultural STAR funds are used in a defined Cultural District area

within Saint Paul, with the balance distributed across the city.

Pittsburgh: Pittsburgh does not have a city agency that coordinates arts policy or issues grants. Instead, its metro area has two organizations that play key roles in supporting the arts: the Pittsburgh Cultural Trust and the Allegheny Regional Asset District (ARAD).

The Pittsburgh Cultural Trust, formed in 1984 as both an arts agency and a real estate and economic development catalyst, owns, manages and programs key facilities and public spaces. Widely credited with the revitalization of the downtown, the Trust spends approximately a third of its \$26 million budget on real estate development and related projects.

The Allegheny Regional Asset District was created in 1994 by Allegheny County; it levies a special 1% sales tax divided equally between funding county and municipal governments and support for civic, cultural and recreational entities, libraries, parks and sports facilities. Two elements of this county funding structure are notable. First, as a county tax, suburban residents participate in supporting the city attractions they use. Second, because a portion of the grants are allocated to long-term agreements with more than ten major arts organizations in Pittsburgh, these key agencies have greater stability. During FY 1999 and 2000, ARAD dedicated \$24.6 million and \$32.8 million respectively to arts groups and libraries in Allegheny County. In 2002, \$28.5 million went to cultural organizations including libraries, and excluding parks and recreational agencies.

Seattle: Despite its smaller arts market, Seattle has a wide array of local funding agencies. The Seattle Arts Commission

provided grants of about \$1.2 million in FY2000. In addition, King County's Office of Cultural Resources (KCOCR) receives a portion of the county hotel-motel tax that was enacted in 1988; in 2002, KCOCR's share of these funds was about \$5.8 million. Combined with direct King County allocations, its total grant making was about \$8 million in 2002.

However, King County's population shifts and lower tax revenue are prompting changes at its Office of Cultural Resources. In early 2001 the government agency began to transition into a Public Development Authority (PDA), a change that is expected to be complete by 2003. As an independent PDA, the cultural office will have an independent board and be able to raise private funds as any nonprofit while continuing to receive and allocate a share of the hotel-motel tax.

In addition, the Seattle region features two other nonprofit fundraising agencies: the Corporate Council for the Arts (CCA) and Patrons of Northwest Civic Cultural and Charitable Organizations (PONCHO). CCA is a workplace-giving program that in 2002 raised funds from nearly 500 corporate partners to provide roughly \$4 million in grants to about 60 arts organizations and, in turn, serves as an informational resource for the business community and an advocate for the cultural community. PONCHO holds three charity auctions a year to raise funds from individual donors and, in 2002, made \$1.5 million in program grants to 46 organizations, with 12 groups receiving 80% of the funds. In 2001, PONCHO established a permanent endowment to accept bequests and other gifts.

Local Strategies

This review of the size, strategy and structure of local arts agencies in ten different communities makes one point very clear—**communities that adopt a clearly articulated strategy that is embraced by cultural, civic, philanthropic and corporate leaders will see results.**

Local arts agencies, whether within city or county government or an independent nonprofit, can be crucial to the health of their local cultural sector. But success comes only through partnerships with other parts of the support system.

The choice of funding strategy followed by each local arts agency does not seem to be necessarily linked to market size. Cities seem to have settled on a particular funding strategy regardless of the number of arts and cultural organizations or even the size of their available funding. For example, Dallas chose to concentrate \$4.1 million, a relatively small amount of money, among 41 arts organizations while Charlotte, with a funding pot of more than double at \$11.5 million, targeted funds much more narrowly among 28 key arts organizations.

This lack of correlation between strategy, size of the market, and funding pool reinforces the impression that the choice between spreading small grants broadly and targeting larger grants narrowly is a conscious, thoughtful decision rather than a matter of less considered community culture. The rationale for a particular strategy may range from a desire to make equitable grants to groups of all sizes to an interest in supporting the growth of major cultural institutions.

However, even those **cities that make major investments in a few organizations also typically have another grant program to support smaller organizations.** New York, for example, invests heavily in its top tier, yet also makes \$5 million available to 156 organizations for an average grant of \$32,000 and San Francisco's Cultural Equity Grants program specifically targets organizations with budget sizes of less than \$1 million. Again, it is a strategic choice to offer different funding programs and levels based on different agency size.

Alternatively, **highly democratic funding does not necessarily preclude major grants to major city institutions.** This survey of local arts agencies has

focused primarily on one funding stream within each city. But, San Francisco, for example, generates sufficient hotel-motel tax revenue to provide significant support to key cultural institutions including the War Memorial and Performing Arts Center, Fine Arts Museums, and Asian Art Museum.

This leads to one of the clearest conclusions: **local arts agencies with a large-scale dedicated tax for the arts—a hotel-motel tax or sales tax—tend to have higher average grant sizes.** San Francisco, Saint Paul, Seattle's King County and Pittsburgh's Allegheny County all have some type of dedicated cultural revenue tax and relatively high average grant sizes. In contrast, cities without a dedicated tax, including Boston, Chicago and Minneapolis, had lower average grant sizes.

In this vein, it is important to note that **none of the cities with a dedicated revenue source created that tax solely for the benefit of their arts and cultural sector.** Instead, the taxes were based on larger community priorities, such as stadiums or economic development, with a portion devoted to cultural funding. While the percentages allocated to the arts may seem small, the underlying revenues can yield millions of dollars and with those funds, significant impact.

Impact, particularly in a large market like Boston, would likely require major investments. **New York and San Francisco's city investments are roughly equivalent to 10% or more of the total contributed funds for the entire metro area.** Given the size these cities' markets, this translates into an investment of many, many millions of dollars. **An equivalent Boston investment would be in the range of \$45 to \$50 million.**

The Boston Office of Cultural Affairs appears to have a smaller than average budget size relative to other cities across the nation. Within the sample, Boston had the lowest city budget. Only Cleveland and Minneapolis, which had no such agencies, were lower. While this comparison does not include other city investments outside of the Office of Cultural Affairs, it does indicate priorities.

According to the Americans for the Arts, the average budget size in 2000 for a local arts agency with a population of one million or more was \$4.3 million¹⁴. In contrast, Boston's OCA 2001 budget was \$1.6

¹⁴Americans for the Arts, "Local Art Agency Facts | Fiscal Year 2000," August 2001.

million. Other city-level agencies had substantially higher budget levels, including Chicago Department of Cultural Affairs and Dallas Office of Cultural Affairs at about \$12 million each, New York Department of Cultural Affairs at \$105 million, San Francisco Arts Commission at \$8 million, and Seattle Arts Commission at \$5.3 million.

Finally, **public-private partnerships have a significant impact on increasing both support and visibility for the local cultural community.** The Pittsburgh Cultural Trust, Seattle's Corporate Council for the Arts, and the Charlotte Arts & Sciences Council all leverage private sector support for the benefit of their communities. The benefits of these partnerships come not only from collaborative fundraising, but also include the abilities of these kind of organizations to provide highly visible leadership, political advocacy, marketing, research, and networking.

Individual Giving

After considering city, state, foundation and corporate support for the cultural sector, the question of individual giving arises. But just as quickly, the inquirer encounters a lack of available data on individual giving to arts and culture across various metro regions. Only two indicator studies attempt to explore individual giving and its patterns, Giving USA and the Catalogue of Philanthropy's Generosity Index.

Giving US¹⁵ compiles national level samples to provide trend giving levels for individuals, foundations, and corporations as well as giving by sector. It shows that nationally in 2001, over 75% of all charitable contributions were individual gifts, and that contributions to arts and culture made up 5.7% of all gifts. In 2001, this reached \$12.14 billion. The Generosity Index¹⁶ looks at total giving in each state and measures it against the potential of its residents to give, but does not look at sector-based giving. Surprisingly, it shows that Massachusetts's residents doubled their giving between 1997 and 2000.

Because those two studies focus on a broader analysis, rather than specific giving data, any conclusions about individual giving is anecdotal rather than factual. But the conclusion is clear: **individual giving plays a highly significant role in supporting metro Boston's cultural sector.** As the reader has seen, at the end of the 1990s Boston's cultural organizations were second only to New York in total contributions, but didn't benefit from a local dedicated revenue tax and attracted relatively little foundation income. While the Massachusetts Cultural Council funding was relatively high, it didn't represent a significant portion of the cultural sector's overall resources. This leaves the conclusion that **Boston may be second only to New York in individual giving.**

This is important for several reasons. First, while the Generosity Index points squarely to their ability to give more,¹⁷ metro Boston residents are in the habit of giving. Tapping that ability will be key to the ongoing vitality of the sector. Second, Giving USA trend information points to the beginning of a slow down in the growth of giving to the arts. While long-term evidence points to the counter-cyclical nature of arts giving and general giving—in an economic downturn, arts giving does not decrease at the same rate as general giving—the long-term expansion of arts and cultural giving may not be maintained over the coming years.

If individual giving is so crucial to Boston's cultural sector, and if that giving is decreasing, albeit at a slower rate than other giving, how much more is out there? Can the individual donor carry the load?

¹⁵Giving USA 2002: *The Annual Report on Philanthropy for the Year 2001* Each year, the American Association of Fundraising Counsel/AAFRC Trust for Philanthropy gathers data from its own annual surveys, surveys by other organizations, and data provided by other sources such as tax returns and Independent Sector's biannual household survey to compile the Giving USA report.

¹⁶Published by the Catalogue for Philanthropy, the Generosity Index uses a state's IRS average adjusted gross income data to compare with its average itemized charitable contributions; this ratio is that state's "Generosity Index."

¹⁷Massachusetts is third in the "having" rankings according to the Generosity Index, which uses this term to describe the potential to give.

CHAPTER FOUR

What are the Implications of These Findings?

This study speaks to the pressing need to address the inherent weaknesses in Boston's current funding structure. Further, it points to the urgent need for visible leadership to develop a consensus about necessary action strategies—strategies that may include advocating for a dedicated revenue stream or tax, encouraging new foundations to support the cultural sector, promoting increased corporate philanthropy, developing additional mechanisms to build and renovate cultural facilities, assisting smaller groups to access individual giving through united fundraising, and helping all agencies optimize their earned income potential.

The report began by asking about available financial support and its impact on the sector. The exploration of those questions prompts further queries:

If the economy and stock market remain in the doldrums, what will happen to the arts and cultural organizations that were created during the 1990s boom?

This study has documented the increase in cultural nonprofits across the country during 1990s. Now, as the economy contracts and the stock market cools, these nonprofits are impacted by lower contributed and earned income. If the economy does not spring quickly back to previous levels, will some of these agencies go out of business, or will they linger on in an under-funded state?

Support from the Massachusetts Cultural Council is accessible to small- to mid-size agencies with limited or no dedicated fundraising staffs. Given the magnitude of MCC's 2003 budget cut, what will happen to these organizations?

Is there a single stable and sustainable revenue source for arts and culture? Or, like a well-balanced stock portfolio, are multiple funding mechanisms necessary to create a stable funding environment? In reviewing the 2002-2003 funding issues faced by each of the cities in the sample, it is clear that no matter how many different kinds of funding were available, all sampled cities are experiencing some level of distress. Organizations in San

Francisco and Pittsburgh, for example, today face severe funding cuts because of decreases in tax revenues and local foundations' assets. Only time will tell if art groups in cities with more diverse funding sources fare better than Boston over the long run.

Even if the economy regains strength in the near term, are the organizations and funding mechanisms in Boston strong enough to maintain and sustain the cultural sector's past growth? The amazing growth of metro Boston arts and cultural nonprofits over the past few years, coupled with the financial strains felt by smaller arts organizations, raise many questions about how well-positioned the city is to support growth. Can a smaller nonprofit acquire the skills necessary to move up to compete at the next level? Given the limited number of Boston foundations, are there enough dollars available to assist in this process of growth and development? Is there any way to determine if individual philanthropy is ready to expand sufficiently to move quality organizations to the next level?

Given the size of the Boston arts market, is the best strategy to grow resources to reach all the dimensions of the market, or is it more effective to target new resources to a greater impact? Boston is one of the largest arts markets in country. While cities such as Seattle and Charlotte have dramatically changed their markets, they are much smaller marketplaces. Does the ability of these cities to achieve impact come from a targeted funding strategy or is it simply due to smaller market size?

How can Boston raise its leadership profile? Over the course of this study, advisors and key informants in all metro areas were clear that **a city's perception and leadership of its arts community was directly related to how that city felt about itself.** In many cases, the activities of a prime set of community movers were able to define how their cultural sector viewed itself and this, in turn, influenced that city's national reputation.

World-class cities give their cultural sector its due respect. Many of the cities surveyed have visible market makers—key foundation, cultural, civic and corporate leaders—who work together to define an agenda. In Pittsburgh, for example, the combination of major foundations including the Mellon, Heinz, and Carnegie, coupled with the Pittsburgh Cultural Trust, has created a thriving downtown and a national reputation for arts revival.

Boston’s growing and highly visible arts community is seen as a model by other cities. Yet Boston seems to have no market makers comparable to Pittsburgh. What is needed for such leadership to emerge? **What is needed to bring the Boston cultural community together to set an agenda?**

At many points during the course of this study, the authors were reminded of the creativity of Boston’s cultural organizations and the dedication of their supporters. City leaders, foundation executives, and cultural leaders hold strong and compelling individual visions of the role of arts and culture in their community’s life. The Boston Foundation, for one, is clear in its vision that a healthy community is built on a cultural sector that is strong and viable throughout, from its major, world-class institutions to its smallest, community-based agencies. These visions are played out in the Boston Lyric Opera’s fully staged presentation of “Carmen” on the Boston Common to an audience of over 140,000 people and in the

development of two new theaters on city-owned property at the Boston Center for the Arts. Building projects led by institutions as diverse as the Museum of Fine Arts, the Institute of Contemporary Art, and the Fort Point Cultural Coalition speak to strong institutional visions and new chapters in long histories. New, innovative organizations such as the Boston Modern Orchestra Project, Commonwealth Shakespeare Company, and Boston Cyberarts prove that this market attracts some of the most dynamic arts leaders in the world.

Metro Boston’s cultural community, ranging from the New England Aquarium and the Boston Symphony Orchestra to the Cantata Singers and First Night, exhibits much strength. But at the same time, this wonderful asset—one that provides not only great art and cultural opportunities for all residents, but also makes significant economic contributions to the city as a whole—is very fragile. In spite of its artistic and programmatic excellence, the sector has a tenuous quality. Cultural leadership struggles every year to raise the funds necessary to sustain operations, contracting or expanding in response to external pressures. The cultural sector is one of the great assets of our region, yet it does not exist in an environment that encourages or supports long term planning or growth. The people of our region are the poorer for it. This cultural community and its wide and varied audience deserves a leadership strategy that can support Boston’s current and future strengths.

To celebrate its 25th anniversary season in September 2002, the Boston Lyric Opera presented two free performances of Bizet’s *Carmen* on the Boston Common. Sung in English by a multi-ethnic cast, with images and text projected onto highly visible screens, the first fully-staged outdoor opera performances in the city’s history drew a diverse audience of 140,000 people that far exceeded expectations.



PHOTO: RICHARD HOWARD

Endpaper

Solid research into the nonprofit arts and culture sector, once rare and anecdotal, is now accumulating. While this has historically been a somewhat difficult area to study—what statistics are available are not necessarily tracked consistently nor in sufficient detail—the research environment is changing. And, while we do not yet have all the data we might wish, what is available provides us with an accurate picture of the scale of success and strain experienced by metro Boston arts and cultural organizations.

This report adds further depth to the conversation that has already been enriched by other locally focused research, including the New England Council's Creative Economy Initiative, the Artspace survey on artists' live/work space needs commissioned by the Boston Redevelopment Authority, an unpublished facility study and needs assessment by TDC, and a forthcoming report on support systems for individual artists compiled by the Urban Institute for the Ford Foundation and others. Together, this work tells us that prevailing assumptions are fundamentally true: our region is home to a vibrant and growing cultural sector operated by skilled administrators and enriched by talented artists. On the other hand, existing facilities don't meet current needs, financial resources do not adequately meet program needs, and artists struggle for the resources to create new work. What this accumulating research has surfaced is the fact that the economic, social, educational and intrinsic benefits of our rich, productive cultural environment are not widely understood and embraced.

How should we respond? The research has identified the missing pieces. As the economy continues to shrink, is this the time to look for more resources?

The leaders of Boston's cultural organizations certainly agree that yes, now is the time to move forward. The sector is coalescing around shared concerns. An understanding that any given arts institution will thrive only to the extent that the environment in which it operates works for all well managed cultural organizations is more commonly held. The cultural community's supporters—foundations, individual donors, and corporate and civic representatives—agree. Yes, now is the time to come together to set a common agenda and begin the long process of change.

The Boston Foundation will continue to take a lead role in this work. Understanding Boston, and building on that understanding to invest in the community's assets and improve our quality of life, is basic to its work. So too is bringing people together to discuss common concerns and to develop a common understanding of how to address those issues. Over the coming months and years, the Foundation will be doing just that: working with others to improve the operating conditions for the cultural institutions that create so much economic, social and educational value for our communities.

Many people have been, and will continue to be involved in this work. We thank those who participated in early briefings and provided valuable advice, information, and insights to this report: Jon Abbott, Maure Aronson, Janet Atkins, Robert Beal, Beate Becker, Milton Benjamin, Paul Bessire, Lisa Bevilaqua, Peter Brooke, Alice Bruce, Paul Bittenweiser, Lou Casagrande, Judi Casey, Carole Charnow, David Ellis, Anne Emerson, George Fifield, Ryan Fleur, Barry Gaither, Julie Galeota, Barbara Grossman, Geri Guardino, Susan Hartnett, Anne Hawley, Dan Hunter, Isaiah Jackson, Lynne Johnson, Marty Jones, Hubie Jones, Marion Kane, Esther Kaplan, Mary Kelley, Teri Kilduff, Glenn KnickKrehm, Lyda Kuth, Paul LaCamera, Todd Lee, Steven Maler, Janice Mancini del Sesto, Michael Maso, José Mateo, Charlie McDermott, Jill Medvedow, Sam Miller, Beverly Morgan-Welch, Meg Morton, Peter Nessen, Robert Orchard, Shoshana Pakciarz, Catherine Peterson, John Plukas, Jeffrey Poulos, Sue Rodburg, Malcolm Rogers, Gil Rose, Bruce Rossley, David Scudder, Klare Shaw, Libbie Shufro, Candelaria Silva, David Slatery, Kay Sloan, Beth Smith, Stanley Smith, Susan Solomont, Josiah Spaulding, Don Stanton, David Tebaldi, Ed Toomey, Mark Volpe, Catherine Weiskel, Celeste Wilson, and, of course, Susan Nelson and the staff of TDC. Thank you all for working with us to produce this report. We look forward to joining with you and others to increase the resources invested in our valuable cultural sector.

Ann McQueen, Program Officer, The Boston Foundation

APPENDIX ONE

Data Sources

In order to fully understand the funding environment for cultural nonprofit organizations in Boston, Charlotte, Chicago, Cleveland, Dallas, Minneapolis-Saint Paul, New York, Pittsburgh, San Francisco, and Seattle, the following key data sets were used:

- Census 2000 Supplementary Survey provided demographic statistics.
- The Urban Institute National Center for Charitable Statistics produced study-specific data, as well as providing information from their website.
- National Assembly of State Arts Agencies reports on state legislative appropriations annually.
- The Foundation Center produced all study-specific data about foundations funding.
- Contacts at city local arts agencies offered insight into local funding streams to arts nonprofits.

A complete list of data sources is included in the bibliography. TDC will make original data sets available upon request.

Demographic Statistics

Census 2000 Supplementary Survey (C2SS), the most complete data available when the research began, produces estimates for areas with population of 250,000 or more using common political divisions such as states, counties, places and metropolitan statistical areas (MSA)¹⁸.

MSAs have been designated by the federal government to ensure accurate and consistent data collection and analysis. In addition to MSAs, the Census tabulates data for Primary Metropolitan Statistical Areas (PMSAs) and Consolidated Metropolitan Statistical Areas (CMSAs). Each category is defined as follows:

- An MSA has a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. An MSA must have a city with 50,000 inhabitants and a total population of 100,000 including surrounding areas.
- A PMSA includes one or more large, urbanized counties or MSAs, and has a population of 1 million or more.
- A CMSA is the larger area in which one or more PMSA's are located. A CMSA qualifies as an MSA, has a population of 1 million or more, and includes PMSA components.

MSA, PMSA, and CMSA designations were used to ensure that collected data included both the core cities and the surrounding towns. This also served to reflect the larger audiences drawn by cultural institutions in the urban core. In certain cases, the Census 2000 Supplementary Survey didn't use MSA, PMSA, and CMSA data, so comparable area designations were used instead.

The following geographic designations were used for each city:

- Boston-NH PMSA
- Chicago PMSA
- Cleveland-Akron CMSA
- Dallas PMSA
- Charlotte, Mecklenburg County (No MSA information is available.)
- Pittsburgh MSA
- New York, including Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, Westchester Counties
- San Francisco-Oakland-San Jose CMSA
- Seattle-Bellevue-Everett PMSA (CMSA is not published.)
- Minneapolis-Saint Paul, including Anoka, Dakota, Hennepin, Ramsey, Scott, and Washington Counties (Because MSA information is not available for this area, individual county information was used. The most recent available data for Scott and Washington Counties comes from 1990 Census.)

¹⁸Census 2000 Supplementary Survey Geography Notes. All definitions are from the Geography Notes.

Arts Nonprofit Organizations

The primary source of information regarding arts nonprofit organizations comes from the Urban Institute National Center for Charitable Statistics. The Urban Institute extracted requested financial information on all nonprofit organizations in the U.S. filing an IRS Form 990, from their GuideStar-NCCS National Nonprofit Organizations Database.¹⁹

The Urban Institute defines reporting public charities as public 501(c)(3) organizations that receive significant public support or fall into another category that entitles them to automatic public charity status. Public charities are the focus of NCCS databases and account for over 90% of all 501(c)(3) organizations. (The other ten percent are foundations.)

Financial characteristics of reporting public charities include public support, total assets, and total expenses, all three of which were examined in this study. The Urban Institute has created the following definitions for these characteristics:²⁰

- **Public support** is collected on IRS Form 990, line 1d, and includes private gifts and contributions (both cash and in-kind) and government grants.
- **Total assets** include real estate, accounts receivable, pledges receivable, grants receivable, inventories, and other assets. This variable is collected from the IRS Form 990, line 59 and represents the total assets at the end of the organization's fiscal year. The instructions for the Form 990 allow organizations to choose whether they report investment assets according to cost or end-of-year market value. Total assets should not be confused with net assets, which equal total assets minus total liabilities.
- **Total expenses** are collected from Form 990, line 17, and equal the sum of program, fundraising, management, and general expenses, as well as payments to affiliates.

Though the Urban Institute data is the most comprehensive of its kind, there are still caveats to keep in mind while using this data:

- Concerning public support, the Urban Institute states, "There is evidence, however, that some organizations may be treating revenue from government programs inconsistently. The rules that determine whether government revenue should be called a government grant, another type of public support, or program service revenue (line 2 on the Form 990) can be difficult to interpret. The magnitude of this problem has not yet been determined."
- Also, "When making year-to-year comparisons, especially financial comparisons, it is important to keep in mind that the Return Transaction Files include organizations that filed within given IRS processing (i.e., calendar) years. Analyzing files based on processing year can result in error. One reason for this is that an organization that files a return for each of its fiscal years may fail to file a return in an individual processing year."

State Arts Funding

The National Assembly of State Arts Agencies (NASAA) Legislative Appropriations Annual Survey for fiscal years 2000 and 1999 was used in the analysis of state arts funding. According to the report, NASAA reports twice yearly "on the status of funding for state arts agencies (SAAs)," and this particular report "focuses on legislative appropriations, which are funds from the state budget designated to support the programs, services, and operations of SAAs."²¹

Fiscal Year 2000 includes information that was reported from SAAs during September and November 1999 such as total budget and itemized FY00 income in the following categories: legislative appropriations and their sources, line items, other state funding, NEA funds, foundation support, corporate support, individual donations and gifts, regional arts organization funds, other federal funds, interest from endowment, stabilization and trust funds, and any other funds.

Foundation Giving

The Foundation Center in New York provided all information pertaining to foundations, both corporate and private. Specifically, The Foundation Center produced lists of top foundation giving to arts nonprofits within each of the ten study areas for 1999. For this data request, "the search set was based on the Foundation Center's grants sample, which includes grants of \$10,000 or more awarded to organizations by a sample of 1,015 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file."²²

¹⁹ "Excluded are the approximately 80,000 organizations that filed Form 990 with less than \$25,000 in gross receipts. The IRS enters no financial data for these organizations." National Center for Charitable Statistics website (www/nccs.urban.org).
²⁰ National Center for Charitable Statistics website (www/nccs.urban.org).
²¹ National Assembly of State Arts Agencies, "Legislative Appropriations Annual Survey for Fiscal Year 2000" published in March 2000.
²² The Foundation Center, 2002

The Foundation Center also produced aggregate financial data for foundations over time, a search for which the database “includes all independent, corporate, community, and operating foundations making grants of at least one dollar during the relevant fiscal reporting period. Sources of data include IRS information returns (Form 990-PF), foundation reports, and information reported to the Foundation Center on annual surveys of foundations with assets of at least \$100,000 or giving of \$50,000 or more. Assets are stated at market value. Total giving amount includes grants, scholarships, and employee matching gifts; it does not include all qualifying distributions, e.g., loans, PRIs, set-asides, and program or other administrative expenses.”²³

Corporations

American Business Information produced lists based on request for the top 100 corporations within each MSA for 1992, 1999, and 2000 based on their database of over 14 million U.S. businesses.

Local Arts Agencies

Information on local cultural agencies was collected, first, through Internet research and then through phone conversations with appropriate contacts at the agency within each city. While not all city agencies were willing or able to provide verifiable data on income and grants from 1999 to 2001, in general the following topics were explored with each group:

- Budget figures
- Size of total operating budget
 - Source of local organization’s grant money
 - Impact of legislature/local government on funding
- Grant characteristics
 - Total dollar value of grants given
 - Number of grants given
 - Names of organizations receiving grants
 - Breakdown of grants by:
 - Organizations versus individuals
 - Budget size of grant recipients
 - Subject areas
 - Facilities, operating, or project
- Other features/factors of funding
- Recent trend data
- Other local arts agencies

Literature

An extensive literature search was conducted to identify all known existing studies on levels and types of funding available to support the arts from public, foundation, corporate and individual sources in the ten metro areas included in this study, as well as other studies that were uncovered and recommended along the way. A complete list of these studies is included in the bibliography of this report.

ZIP Code

All information provided by NCCS is based on a zip code search completed by the researchers using the Census listing of towns included in each MSA. Once MSAs were identified, U.S. Postal Zip Codes were referenced and provided to NCCS as a basis on which communities to include in their searches.

²³ The Foundation Center, 2002

APPENDIX TWO

Local Arts Agencies

American for the Arts defines a Local Arts Agency (LAA) as “a private community organization or local government agency that support cultural organizations, provides services to artists or arts organizations, and/or presents arts programming to the public.” It also notes that LAAs are typically involved in one or more of the following: cultural programming, grantmaking, facility management, services to artists and arts organizations, and community cultural planning.²⁴

The research highlighted the uniqueness of each city’s political, economic, cultural context as well as the distinctiveness of each local arts agency. Each agency is truly the product of its particular environment. While this variety of context and response makes direct correlation suspect, the following summaries can nonetheless provide for fruitful comparison.

Boston

Demographics

As the table below indicates, the population of the Boston metro region is 3.3 million. The median income of Boston area residents is \$55,000, with 5% of the population earning more than \$200,000 annually, making Boston residents relatively wealthy. Residents are also well educated, with 18% possessing a graduate degree, the highest rate of all ten cities. The median age of Boston metro residents is 36.

APPENDIX TWO, TABLE 1

Population	3,300,00
Median Income	\$55,000
Income above \$200,000	5%
Percent of Population with Graduate Degree	18%
Median Age	36

Arts Nonprofits Statistics

Within the metro region of Boston, there are 640 nonprofit arts organizations and 1,972 arts nonprofits in the state of Massachusetts. In Boston, there are 5,186 residents per one arts organization. The majority of arts organizations (76%) have a budget less than \$500,000.

APPENDIX TWO, TABLE 2

Metro Cultural Nonprofit Organizations (CNPO)	640
People per Metro CNPO	5,186
Arts Organizations with Budget under \$500,000	76%
State Arts Organizations	1,972

²⁴ Davidson, Benjamin. “Local Art Agency Facts—Fiscal Year 2000.” Americans for the Arts. 2001

Local Arts Agency Profile

The Mayor's Office of Cultural Affairs (OCA) is the City of Boston's lead source of support for cultural nonprofits and individual artists and humanists. Because the city is legally prohibited from providing operating funds to nonprofits, grant agreements or contracts describe the service the city is purchasing from the nonprofit. With an FY2001 budget of \$1,024,878, the OCA operated the following granting programs:

- **Boston Cultural Agenda Fund** provided funding to nonprofits for projects in support of the city's Cultural Plan, which emphasizes cultural economic development, youth arts education, arts access, capital infrastructure, cultural information, and technical assistance for arts groups.
- **Boston Cultural Council** provided funding in four areas: arts programming, technical assistance, price reductions for students attending arts performances, and individual artist grants.
- **Mayor's Youth ArtCorps**
- Other grants included an annual grant to the Strand Theatre, a city-owned cultural facility, and grants for the Cultural Heritage Festival (an undisclosed amount in FY01).

Other key OCA programs included Boston Now, a publication promoting cultural activities in Boston; Boston Film Bureau, which provides assistance to filmmakers shooting on location in Boston; Temporary Public Art Program that runs exhibitions in the Mayor's Art Gallery and the Scollay Square Gallery in City Hall; Arts at the Arcade, which manages performances and exhibitions at the Community Arcade at City Hall; and Central Artery Open Space, which provides available information on arts-related opportunities as part of the Central Artery project.

Mayor's Office of Cultural Affairs Financials

The table below details the total operating budget, total grant dollars per program and number of grants for fiscal years 1999, 2000, and 2001.

APPENDIX TWO, TABLE 3

	FY99 Budget	No. of Grants	FY00 Budget	No. of Grants	FY01 Budget	No. of Grants
TOTAL BUDGET	\$ 889,666		\$ 1,068,255		\$ 1,635,684	
Local Cultural Council grants						
1. Programming	\$ 271,822	230	\$ 247,365	198	\$ 251,046	158
2. Technical Assistance					\$ 10,000	3
3. Pass Grants	\$ 40,000	129	\$ 43,980	125	\$ 25,559	80
4. Humanity Fellowships					\$ 28,000	14
LCC GRANTS TOTAL	\$ 311,822	359	\$ 291,345	323	\$ 314,605	255
Other grant programs:						
Boston Cultural Agenda	\$ 0		\$ 20,000	33	\$ 400,000	59
Mayor's Youth ArtsCorps	\$ 0		\$ 0		\$ 60,000	5
Strand Theater	\$ 0		\$ 97,000	1	\$ 97,000	1
Cultural Heritage	\$ 0		\$ 0		?	?
TOTAL GRANTS	\$ 311,822	359	\$ 408,345	357	\$ 871,605	320

As the table indicates, OCA's budget and grant making grew from 1999 to 2001. In 2001, OCA's budget increased by 53% while the number of grants decreased by 21% over the previous year. The Boston Cultural Agenda Fund increased substantially, and the OCA implemented two new programs, Youth ArtsCorps and Cultural Heritage Festival Grants, in FY01.

As Appendix Two, Table 4 shows, OCA’s funding increased in 2001 with new grants from the Boston Youth Fund and Massachusetts Travel and Tourism. Corporations made contributions in FY99 and FY00; in FY01, Harvard University and the Millennium Celebration made private contributions. In January 2003, the Mayor announced the formation of the Boston NOW Cultural Fund to raise and re-grant funds through the OCA.

APPENDIX TWO, TABLE 4

	FY99	FY00	FY01
Municipal OCA allocations	\$ 555,315	\$ 750,196	\$ 1,024,878
Private contributions	\$ 5,000	\$ 5,000	\$ 104,904
Fundraising Activities	\$ 0	\$ 0	\$ 0
MCC	\$ 329,351	\$ 313,059	\$ 318,308
Other Public Funds	\$ 0	\$ 0	\$ 187,594
TOTAL	\$ 889,666	\$1,068,255	\$ 1,635,684

Additional Information

Cultural Facilities: The Strand Theatre in Uphams Corner is the only city-owned cultural facility receiving significant city support each year (\$97,000). According to OCA, the city doesn’t “have the finances to do what other cities do with bonds and facilities. We have a more privately driven building process. The city identifies needs of facilities for the pursuit of private developers.”

Massachusetts Cultural Council (MCC) is a key component of the OCA’s grant making budget through MCC’s Local Cultural Council program. Looking forward to 2003, MCC’s 62% budget cut will bring the OCA’s LCC money down to \$110,330. According to OCA, the funding cuts are now coming from multiple directions at once; the MCC cut, the elimination of the culture and tourism marketing grant, and mergers and acquisitions of local banks have in all affected OCA’s available funding.

Charlotte

Demographics

Charlotte’s metro population is 680,000. The median income of Charlotte residents is \$46,000, with 3.6 percent of the population earning over \$200,000 annually. Nine percent of the population has graduate degrees. The median age of Charlotte residents is 33.

APPENDIX TWO, TABLE 5

Population	680,000
Median Income	\$46,000
Income above \$200,000	3.6%
Percent of Population with Graduate Degree	9%
Median Age	33

Arts Nonprofit Organization Statistics

Charlotte had only 50 nonprofit arts organizations in the metro region, and 13,600 people per metro arts organization. Ninety-four percent of Charlotte's metro arts organizations have a budget under \$500,000. There are 1,355 state arts organizations.

APPENDIX TWO, TABLE 6

Metro Cultural Nonprofit Organizations	50
People per Metro CNPO	13,600
CNPOs with Budget under \$500,000	94%
Total State Cultural Organizations	1,355

Local Arts Agency Profile

Charlotte's Arts and Science Council (ASC), an independent nonprofit serving as the local arts agency, redistributes dollars from the city, county, corporations, workplace giving, and individual contributions. With a 2002 budget of \$17.2 million, ASC awarded \$14.6 million in grants to 28 arts, science, and history organizations as well as to artists and collaborative programs through the following programs:

- **Basic Operating Grants** are unrestricted funds for administration, operations, and programs. Eligibility is restricted to 28 ASC cultural partners (19 arts, 7 history, and 2 science organizations) that meet specific program requirements, which include but aren't limited to, paid professional staff and year-round programming. Though the budget size of these 28 recipients ranges from \$73,000 to \$15.3 million, the majority of recipients have operating budgets a bit over \$1 million. Only one organization has a budget under \$100,000 and only one organization has a \$15 million budget.
- **Community Cultural Connections** is a two-tiered grants program for neighborhood projects:
 - The Access category provides grants up to \$2,500 to individuals and community based groups for first time neighborhood activities.
 - The Grassroots grants category provides nonprofits with up to \$20,000 for large-scale projects with countywide impact. This program is funded, in part, by the state arts agency, the North Carolina Arts Council.
- **Regional Artist Project** grants support professional development projects of individuals and small groups of collaborating artists in 11 counties. It is funded in parts by the North Carolina Arts Council, the local arts councils of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Rowan, Rutherford, Stanly and Union counties in North Carolina and York counties in South Carolina, the Blumenthal Emerging Artist Endowment and the ASC Annual Fund Drive.
- **Creative Fellowships** of \$5,000 are awarded annually to artists, scientists, and historians for professional development.
- **Cultural Education Collaborative**, established in 1997, is an ASC Funded Partner that received \$1.6 million in FY02 to provide arts education opportunities throughout the Charlotte-Mecklenburg School System.

Other key ASC programs include the Endowment for the Arts and Sciences at \$26.7 million; the Endowment for the Visual Arts, at \$53.6 million to date; and facilities subsidies.

Charlotte Arts & Science Council Financials

The table below illustrates the total operating budget, grant breakdowns by total amount of grant dollars per program and type as well as number of grants for fiscal year 2002.

APPENDIX TWO, TABLE 7

	FY02 Budget	No. of Grants
TOTALS	\$ 16.5 million	80*
Grants Programs	\$ 14.8 million	
Basic Operating Grants	\$ 11.5 million	28
Community Cultural Conn.	\$ 600,000	26
Regional Artist Project	\$ 40,000	22
Creative Fellowships	?	?
Facility Subsidies	\$ 280,000	?
CEC Partnership	\$ 1.6 million	?

*This number is an approximation and is less than the actual figure.

As is shown, the majority of ASC grants (\$11.5 million) are awarded to 28 affiliates through the Basic Operating Grants program. The CEC Partnership receives the second largest pool of money, \$1.6 million dollars, to provide arts education in Mecklenburg County schools. Together, grants of the Community Cultural Connection, Regional Artist Projects, Creative Fellowships, and Facility Subsidies total approximately \$1 million.

The table below shows that the major source of the ASC budget is the Annual Fund Drive, which collected donations from 35,000 individuals, half of whom gave of \$50 or less, as well as workplace giving from 350 local companies, accounting for 70 percent of ASC donations. Together the city of Charlotte and Mecklenburg County contribute nearly \$6 million dollars, and the voluntary 1% ordinance from city construction projects earns \$500,000.

APPENDIX TWO, TABLE 8

Funding Sources	
Annual Fund Drive	\$ 10 million
City of Charlotte & Meck. Cty	\$ 6 million
Voluntary 1% Ordinance	\$ 500,000
TOTAL	\$ 16.5 million

Additional Information

Close relations with elected officials: ASC makes numerous attempts to bridge any gaps between itself and government officials by holding an annual recognition event for elected officials and school boards, an orientation for new officials acclimating them to the cultural community, and an informational newsletter.

Economic shift: According to ASC, Charlotte is the second largest banking center outside of New York. However, with the recent merger of two of the banks, there have been some changes in the philanthropic landscape: although most money remains in Charlotte, it is being distributed differently, with an increased focus on housing, education, and community development. ASC is trying to make certain that arts and culture remain a corporate priority, though it remains to be seen what will happen if there is another merger.

Chicago

Demographics

The population of the Chicago metro area is 8.1 million. The median income of Chicago residents is \$51,000, and 3.5 percent of residents earn more than \$200,000 annually. Eleven percent of metro area residents have a graduate degree. The median age of metro area residents is 34.

APPENDIX TWO, TABLE 9

Population	8,100,000
Median Income	\$51,000
Income above \$200,000	3.5%
Percent of Population with Graduate Degrees	11%
Median Age	34

Arts Nonprofit Organization Statistics

In 1999, there were 609 arts organizations in the metro Chicago area, and 13,328 metro residents per metro arts organization. Seventy-six percent of Chicago's arts organizations have a budget less than \$500,000. There are 2,211 arts organizations throughout Illinois.

APPENDIX TWO, TABLE 10

Metro CNPOs	609
People per Metro CNPO	13,328
CNPOs with Budget under \$500,000	76%
Total State CNPOs	2,211

Local Arts Agency Profile

Chicago's Department of Cultural Affairs (DCA) provides more than \$1 million to city cultural nonprofits, with grants ranging in size from \$1,200 to \$8,500.

Department of Cultural Affairs Grants Programs

- **CityArts Program** provides four levels of funding based on the organization's adjusted income (total income minus government contributions). At least 51% of the organization's programming must take place in Chicago. CityArts applicants awarded grants in year one are eligible to receive grants for two more consecutive years pending availability of funds.
- **Community Arts Assistance Program** (CAAP) was created in 1987 with funds from the Illinois Arts Council Access Program. Priority is given to applicants that have not been previously funded through the CAAP Program or other traditional funding programs such as grants, fellowships and art commissions from the National Endowment for the Arts, Illinois Arts Council, corporations, or foundations. CAAP grants provide financial assistance for professional development of individual artists and nonprofit arts organizations with incomes under \$100,000. The maximum grant request is \$1,000.
- **Neighborhood Arts Program** (NAP) is a re-granting program created in 1981 and funded by Community Development Block Grant that supports instructional arts programming for youth-at-risk, seniors, or persons with disabilities in Chicago's low to moderate income neighborhoods. Individual artists with teaching and/or performing experience in these communities may request up to \$4,000 for workshops or touring performances suitable for Chicago Housing Authority, Chicago Park District, community centers, schools, or facilities serving senior citizens or persons with disabilities.
- **Cultural Outreach Program** (COP) supports nonprofit delegate agencies that offer culture programming to low-to-moderate income communities, funded by federal Community Development Block Grant (CDBG).

- **Other key programs** include initiatives of the Planning/Special Projects Division such as Artist Live/Work Housing with the Department of Housing, the Cultural Landscape Survey with the Cultural Programming Division, and Culinary Arts and Events with the Gallery 37 Center for the Arts, among others. The Chicago Public Art Program implemented the Percent-for-Art Ordinance which stipulates that 1.33% of the cost of construction and renovation of municipal building be deposited into the Public Art Program Fund for the acquisition of artworks for these buildings and that at least half of the commissions be awarded to Chicago-area artists.

Department of Cultural Affairs Financials

Appendix Two, Table 11 illustrates the total budget and distribution of grants for fiscal years 1999 and 2000. The data shows that although the DCA budget increased 10.1 percent from FY99 to FY00, the Cultural Grants Division budget only increased 0.1 percent in FY99 to 8.5 percent in FY00, and the number of grants awarded also decreased 1.4 percent from 442 in FY99 to 436 in FY00. The Cultural Grants Division awards the most grants in its CityArts I program, a maximum of \$5,000 to emerging groups with budgets less than \$100,000, while it awards the most dollars to the CityArts III grantees, mid-size organizations with budgets between \$250,000 and \$2 million. The Cultural Grants Division stated that their funding sources include city, state, and federal governments, without specifying amounts.

APPENDIX TWO, TABLE 11

	FY99 Budget	No. of Grants	FY00 Budget	No. of Grants
Total Operating Budget	\$11,240,042		\$12,379,619	
Grants Budget	\$ 1,061,433	442	\$ 1,062,453	436
CAAP				
Individuals	\$ 65,450	136	\$ 93,788	147
Organizations	\$ 34,600	45	\$ 30,500	43
City Arts I	\$ 157,200	93	\$ 153,400	90
City Arts II	\$ 168,500	45	\$ 165,550	44
City Arts III	\$ 221,500	53	\$ 219,500	52
City Arts IV	\$ 145,000	21	\$ 145,000	21
COP	\$ 186,500	14	\$ 181,800	14
NAP	\$ 82,683	35	\$ 72,965	25

Cleveland

Demographics

The population of the Cleveland metro area is 2.8 million. Cleveland has the second lowest financial statistics of the ten cities in the study, with a median income of \$39,000, and only 1.6 percent of residents earning more than \$200,000 annually. With only seven percent of metro area residents holding a graduate degree, Cleveland ranks last among the ten cities in educational attainment. The median age of metro area residents is 37.

APPENDIX TWO, TABLE 12

Population	2.8 million
Median Income	\$39,000
Income above \$200,000	1.6%
Percent of Population with Graduate Degree	7%
Median Age	37

Cultural Nonprofit Organization Statistics

In 1999, there were 250 arts organizations in the metro Cleveland area, and 11,532 metro residents per metro arts organization. Seventy-three percent of Cleveland’s arts organizations have a budget less than \$500,000. There are 1,966 arts organizations throughout Ohio.

APPENDIX TWO, TABLE 13

Metro Cultural Nonprofit Organization	250
People per Metro CNPO	11,532
CNPOs with Budget under \$500,000	73%
State CNPOs	1,966

Local Arts Agency Profile

Cleveland is in the process of creating a local cultural agency. Without a centralized agency, arts and culture are handled by various nonprofit organizations and few or no public funding sources exist.

One organization, the Community Partnership for Arts and Culture, is working towards creating a unified cultural community in Cleveland. The Partnership was formed in response to the Cleveland Foundation’s Civic Study Commission on the Performing Arts, which called for a community-wide cultural planning process for Greater Cleveland. The resulting Northeast Ohio’s Arts and Culture Plan issued in May 2000 involved over two years of quantitative and qualitative research. Some of its action steps have been implemented, including a website of arts and culture information (www.culture4me.org). Work on a live/work ordinance, and the development of a public funding source is also underway.

Cleveland Financials

Cleveland has no centralized local arts agency and virtually no public funding for arts and culture. Some community-based programming is handled through the city’s Division of Recreation and the city budget includes line items for a performance center and to a film commission.

Dallas

Demographics

The population of the Dallas metro area is 3.4 million. The median income of Dallas residents is \$47,000. About 3% of Dallas metro residents earning more than \$200,000 and 9% hold a graduate degree. The median age of Dallas metro area residents is 32, the youngest median age of all ten cities in the study.

APPENDIX TWO, TABLE 14

Population	3,400,000
Median Income	\$47,000
Income above \$200,000	3%
Percent of Population with Graduate Degree	9%
Median Age	32

Arts Nonprofit Organization Statistics

There were 226 arts organizations in the metro Dallas area, and 15,248 metro residents per metro arts organization. Sixty-six percent of Dallas arts organizations have a budget less than \$500,000. There are 3,111 nonprofit arts organizations in Texas.

APPENDIX TWO, TABLE 14

Metro Cultural Nonprofit Organization	226
People per Metro CNPO	15,248
CNPOs with Budgets under \$500,000	66%
State Cultural Organizations	3,111

Local Arts Agency Profile

The Dallas Office of Cultural Affairs (OCA) represents the local arts agency of the greater Dallas region. In fiscal year 2002, OCA granted approximately \$5 million through its various grant programs.

OCA Grant Programs vary each year based on available funds from bond budgets. For instance, in 1998 the bond budget was \$6.5 million, and in 1995 it was a little over \$1 million. Organizations must have a budget size of at least \$75,000 to receive funding. Nearly all programs must have educational, youth, and production support components.

- Cultural Organization Program provides direct annual operating support to organizations that provide cultural services, and indirect support in the form of utility and facility maintenance payments to support operations at city-owned facilities.
- Cultural Projects Program provides funding for up to 50% of expenses for cultural projects presented by cultural groups, educational institutions, social service organizations, and other non-profit organizations dedicated to community service.
- Neighborhood Touring supports ethnic artists' organizations (not individuals) to provide free artistic services to citizens of Dallas.
- Leadership Exchange and Advancement Program supports emerging ethnic-specific cultural groups and requires their participation in capacity building and management programs.

Other key programs include ARTSPartners, which provides arts programming to Dallas schools; Cultural Tourism Initiative, a marketing program; and Festival Dallas, which coordinates cultural festivals in outdoor facilities. Recommendations in the areas of facilities development, partnerships and programs to enhance and expand the existing Dallas cultural community from the February 2002 Dallas Community Cultural Plan will be implemented in the near future. Finally, the Dallas is currently considering a bond project to renovate existing cultural facilities and develop new facilities.

Dallas Office of Cultural Affairs Financials

The table below shows that the OCA allocated nearly \$5 million of its \$12.2 million FY02 budget to grants, the majority of that money (\$4.1 million) went to 41 grants for the Cultural Organization Program. Combined, the three other grant programs provided almost \$800,000 to organizations providing cultural services.

APPENDIX TWO, TABLE 16

	FY02 Budget	No. of Grants
TOTALS	\$12,200,000	?
Grants Budget	\$ 4,885,000	
Cultural Organization Program	\$ 4,100,000	41
Cultural Projects Program	\$ 360,000	?
Neighborhood Training	\$ 375,000	?
LEAP	\$ 50,000	?

OCA identified the City’s General Fund Budget as its primary funding source, and also noted that it receives money from the Texas Commission on the Arts and the National Endowment for the Arts.

Additional Information

At the end of 2002, OCA notes that individual and corporate contributions to organizations are down, and that several long-time corporate contributors redirected funds to New York in response to the 9/11/01 World Trade Center bombing. In addition, it notes a general decline in ticket sales, but not for family events. The city office is facing budget reductions next year.

Minneapolis-Saint Paul

Demographics

The population of the Minneapolis-Saint Paul metro area is 2.4 million. The median income of local residents is \$51,000, and 3.5 % of metro residents earn more than \$200,000. Eleven percent of residents hold a graduate degree. The median age of Minneapolis-Saint Paul metro area residents is 34.

APPENDIX TWO, TABLE 17

Population	2,400,000
Median Income	\$51,000
Income above \$200,000	3.5%
Percent of Population with Graduate Degree	11%
Median Age	34

Arts Nonprofit Organization Statistics

There were 312 arts organizations in the Minneapolis-Saint Paul metro area in 1999, and 7,801 residents per metro arts organization. Sixty-seven percent of Minneapolis-Saint Paul nonprofit arts organizations have a budget less than \$500,000. There are 1,238 nonprofit arts organizations in Minnesota.

APPENDIX TWO, TABLE 18

Metro Cultural Nonprofit Organizations	312
People per Metro CNPO	7,801
CNPOs with Budget under \$500,000	67%
State CNPOs	1,238
Appendix Two, Table 18	

Local Arts Agency Profile

The Twin Cities, like Cleveland, are unusual for the absence of a strong city-level arts agency in either Minneapolis or Saint Paul. The Minneapolis Office of Cultural Affairs was recently disbanded, and Saint Paul has no corresponding city-level agency to manage cultural affairs and policies. Before it was disbanded in 2002, the Minneapolis OCA had a total budget of about \$500,000, including about \$30,000 to distribute across the city for an average grant of about \$1,500 per arts organization.

The Minneapolis Arts Commission, an all-volunteer agency without paid staff, is responsible for advocacy and some programming activities, including selecting juries for the Art in Public Places and Art in the Mayor’s Office programs. For the last several years, the commission has not had a formal budget of its own. Programs are funded through a variety of ad-hoc sources, and there are no paid staff members.

In Saint Paul, the major source of funding is the STAR (Sales Tax Revitalization) Program, a 0.5% local options sales tax enacted in 1993 to support Civic Center capital expenses and to fund residential, cultural, commercial and economic development programs. Cultural STAR was established in 1994 to promote economic growth by strengthening the arts and cultural sector. This program distributes 10% of all STAR revenues, or about \$1.2 million in grants in 2001. At least 80% of Cultural STAR funds are used in a defined Cultural District area within Saint Paul, with the balance distributed across the city.

The Metropolitan Regional Arts Council (MRAC) is one of 11 regional arts councils funded by Minnesota as the major local arts grant maker in the seven-county Minneapolis-Saint Paul area. MRAC re-granted about \$1 million annually in fiscal years 1999 and 2000 from funds allocated by the Minnesota State Arts Board. MRAC’s grant-making programs include:

- Arts Activities provides grants of up to \$8,500 for arts projects of all forms as well as projects of artist service organizations, such as workshops, for which groups of artists are the audience.
- Community Arts, intended for community-based and volunteer groups and smaller, established arts groups, provides grants of up to \$4,000 are available for arts activities in all disciplines.
- Organizational Development provides grants of up to \$8,000 to nonprofit arts groups for projects designed to strengthen the group’s management or administration.
- Capital grants of up to \$8,000 are available to nonprofit arts groups to purchase equipment and related supplies and services, or to make capital improvements.
- Management Consulting Fund provides grants of up to \$1,000 for small management consulting projects that strengthen the management or administration of the group.
- Management Training Fund provides up to \$600 a year for staff and volunteers of nonprofit arts groups to attend management workshops, classes, or seminars.
- Arts Access provides up to \$600 a year to non-arts organizations to provide access (tickets and/or transportation) to arts events for people have had limited opportunity to enjoy the arts.
- Emergency Accessibility provides funds of up to \$600 for unforeseen project or program costs to facilitate access for persons with disabilities.

Metropolitan Regional Arts Council Financials

The breakdown of MRAC grants is unavailable; however, the information on their funding sources for fiscal years 1999 and 2000 is presented in the table below.

APPENDIX TWO, TABLE 19

MRAC Funding Sources	FY99	FY00
Total Operating Budget	\$ 1,492,531	\$ 1,503,259
Government Grants	\$ 1,409,113	\$ 1,415,656
Foundations (McKnight)	\$ 13,500	\$ 7,500
Interest Income	\$ 60,683	\$ 58,858
Miscellaneous	\$ 9,235	\$ 21,245

As the table indicates, the primary source of MRAC funds comes from government grants. The secondary source of MRAC funds is from the organization’s interest income. The McKnight Foundation, another significant funder, decreased its funding to MRAC by 44% from FY99 to FY00. Unspecified miscellaneous funds increased by 130 percent.

Additional information

Shifting funding environment: The Twin Cities has an historically strong cadre of private, corporate and individual cultural donors. However, this may be changing. Key informants have noted the following trends:

- The corporate sector has changed radically with the retirement of the old guard of local corporate leadership.
- Takeovers and mergers in the area mean that many companies are no longer locally owned. The sense of geographic commitment is declining.
- Transfer of generational wealth will affect local philanthropy. Key community leaders and philanthropists are aging and in many cases their children no longer live in the area. Whether or how this new generation will embrace philanthropy is an open question.

New York

Demographics

The population of the New York metro area is 9.1 million. The median income of local residents is \$41,000, and four percent of metro residents earn more than \$200,000. Eight percent of residents hold a graduate degree. The median age of New York metro area residents is 35.

APPENDIX TWO, TABLE 20

Population	9,100,000
Median Income	\$41,000
Income above \$200,000	4%
Percent of Population with Graduate Degree	8%
Median Age	35

Arts Nonprofit Organization Statistics

There were 1,631 arts organizations in the New York metro area in 1999, and 5,579 residents per metro arts organization, the lowest figure of all ten cities. Almost 72% of New York nonprofit arts organizations have a budget less than \$500,000. There are 5,720 nonprofit arts organizations in the state of New York.

APPENDIX TWO, TABLE 21

Metro Cultural Nonprofit Organizations	1,631
People per Metro CNPO	5,579
CNPOs with Budget under \$500,000	72%
State CNPOs	5,720

Local Arts Agency Profile

The New York Department of Cultural Affairs (DCA) receives a New York City budget appropriation as well as federal and other funds. The DCA provides cultural nonprofits with operating, capital, and program support through three agency units.

DCA Grants Programs

- **Cultural Institutions** grants help organizations operating in city-owned buildings on city land meet their basic security, maintenance, administration, and energy costs.
- **Capital Projects** support capital improvement at cultural institutions in city-owned buildings on city land and other institutions through funds allocated in the city budget process.

- **Program Services** grants provide funding to community-based and other cultural organizations in all boroughs. Funds support several hundred groups that provide cultural experiences for the city’s residents and visitors. This unit also organizes and administers the competitive grant process in Program Development and for the Cultural Challenge Initiative which funds groups that raise matching private donations, and expand public access and the economic impact of the arts.

Other key programs include Artist Certification, which provides permits to professional artists to occupy live/work space in downtown Manhattan; Community Arts Development Program, which funds small capital projects of community based arts organizations providing cultural services in low and moderate income neighborhoods; Materials for the Arts, a joint program of the DCA and the Department of Sanitation that obtains donations of art, and office supplies and equipment, to more than 1,000 arts organizations; and Percent for Art, which allocates 1% of the capital budget for city-funded construction and renovation projects to the commissioning of permanent public art works.

Department of Cultural Affairs Financials

The New York DCA provided only the broadest information on their annual budget. From a total budget of \$120 million, about 85% is allocated for general operating support for those organizations operating on city-owned property, about 15% is distributed as programmatic grants to about 500 organizations, and less than 3% is allocated for department operations.

Pittsburgh

Demographics

The population of the Pittsburgh metro area is 2.2 million. Pittsburgh has the lowest income figures of all ten-study cities, with the median income of local residents at \$37,000, and only 1.2 percent of metro residents earning more than \$200,000. Nine percent of residents hold a graduate degree. The median age of Pittsburgh metro area residents is 40.

APPENDIX TWO, TABLE 22

Population	2,200,000
Median Income	\$37,000
Income above \$200,000	1.2%
Percent of Population with Graduate Degrees	9%
Median Age	40

Arts Nonprofit Organization Statistics

There were 207 arts organizations in the Pittsburgh metro area in 1999, and 11,064 residents per metro arts organization. Sixty-six percent of nonprofit arts organizations have a budget less than \$500,000. There are 2,328 nonprofit arts organizations in Pennsylvania.

APPENDIX TWO, TABLE 23

Metro Cultural Nonprofit Organizations	207
People per Metro CNPO	11,064
CNPOs with Budget under \$500,000	66%
State CNPOs	2,328

Local Arts Agency Profile

Pittsburgh has no city-based local arts agency. However two other organizations, a private nonprofit and a county agency, contribute significantly to the metro area's cultural support system.

Pittsburgh Cultural Trust, an independent nonprofit, plays a major role in arts-related economic development through its programming and management of a 14-block downtown cultural district. The Trust's 2001 budget of about \$26 million was derived from a mix of public and private funding. About two-thirds of this budget goes towards running its performing and visual arts venues, and the remainder goes towards real estate development and other revitalization projects. The trust does not make grants to local arts organizations.

Allegheny Regional Asset District (ARAD) was created in 1994 by Allegheny County; it levies a special 1% sales tax divided equally between funding county and municipal governments and support for civic, cultural and recreational entities, libraries, parks and sports facilities. ARAD distributed \$24,654,500 in FY99 and \$32,842,500 in FY00 to cultural groups in Allegheny County; about 14% of these grants went to capital expenses and 86% went to operating expenses. Nine of the major arts organizations in Pittsburgh have 10-year grant agreements with ARAD.

Pittsburgh Financials

Appendix Two, Table 24 shows the Pittsburgh Cultural Trust's total operating budget and expense breakdown for fiscal year 2001. Facility operations and presentations comprise the majority of their budget.

APPENDIX TWO, TABLE 24

	FY01
Pittsburgh Cultural Trust Total	\$ 27,434,142
Operating Budget	
Facility Operations	\$ 10,484,307
Presentations	\$ 9,968,391
Programs Related	\$ 2,812,044
Management/ Other	\$ 2,203,279
Real Estate	\$ 1,116,274
Fundraising	\$ 849,847

Appendix Two, Table 25 depicts the Pittsburgh Cultural Trust's funding sources for fiscal year 2001. Thirty-nine percent of its revenue comes from performances and other presentations.

APPENDIX TWO, TABLE 25

Funding Sources	
Performances/presentations	\$ 9,917,895
Other Earned Income	\$ 8,187,585
Government Grants	\$ 4,798,257
Foundations	\$ 1,856,158
Individuals/ Other	\$ 1,432,198
Investment Income	(\$ 478,213)
Total	\$ 25,713,880

The table below depicts ARAD's total operating budgets and grants breakdown for fiscal years 1999 and 2000. The majority of grants (86%) go to operating support.

APPENDIX TWO, TABLE 26

	FY99	FY00
ARAD Total Operating Budget	\$ 66,100,800	\$ 74,578,000
ARAD Grants	\$ 24,654,500	\$ 32,842,500
Capital	\$ 2,786,500	\$ 5,269,000
Operating	\$ 21,868,000	\$ 27,496,500
Special	\$ 0	\$ 77,000

The table below illustrates the funding sources of ARAD, which primarily come from the designated tax.

APPENDIX TWO, TABLE 27

Funding Sources	FY99	FY00
Allegheny Regional Asset District	\$ 66,100,800	\$ 74,578,000
Designated taxes	\$ 62,795,760	\$ 70,849,100
Interest	\$ 3,305,040	\$ 3,728,900

Additional Information

The Pittsburgh market also benefits from such well-established philanthropies as the Heinz Endowments, Mellon Foundation and the Pittsburgh Foundation.

San Francisco

Demographics

The population of the San Francisco metro area is 6.8 million. San Francisco has the highest income figures of all ten-study cities, with the median income of local residents at \$62,000, and six percent of metro residents earning more than \$200,000. Fifteen percent of residents hold a graduate degree. The median age of San Francisco metro area residents is 35.

APPENDIX TWO, TABLE 28

Population	6,800,000
Median Income	\$62,000
Income above \$200,000	6%
Percent of Population with Graduate Degree	15%
Median Age	35

Arts Nonprofit Organization Statistics

There were 973 arts organizations in the San Francisco metro area in 1999, and 7,078 residents per metro arts organization, the lowest figure of all ten cities. Sixty-nine percent of San Francisco nonprofit arts organizations have a budget less than \$500,000. There are 6,479 nonprofit arts organizations in California.

APPENDIX TWO, TABLE 29

Metro Cultural Nonprofit Organization	973
People per Metro CNPO	7,078
CNPOs with Budget under \$500,000	69%
State CNPOs	6,479

Local Arts Agency Profile

San Francisco has two organizations that support local arts and culture, the Grants for the Arts/San Francisco Hotel Tax Fund and the San Francisco Arts Commission. Both receive funds from **San Francisco's Hotel Room Tax**, a 14% levy on hotel room charges, which in fiscal year 2000-01 earned \$195.1 million. Of the \$195.1 million dollars earned through the hotel tax, \$36.7 million is allocated to local arts agencies and institutions as follows:

- Grants for the Arts (\$15.6 million)
- Cultural Equity Endowment (San Francisco Arts Commission, \$2.2 million)
- War Memorial and Performing Arts Center (\$9.5 million)
- Fine Art Museums (\$5 million)
- Cultural Centers (\$2.4 million)
- Asian Art Museum (\$2 million)

Funds allocated to the War Memorial & Performing Arts, Fine Arts Museums, and Asian Arts Museums are primarily for operations and facilities; Grants for the Arts and the Cultural Equity funds are re-granted to a variety of cultural organizations.

Grants for the Arts (GFTA), a city agency with a budget of \$15.6 million, was established in 1961 through City and State legislation to make economic investments in cultural activities that enhance the city's attractiveness to visitors and provide employment and enrichment to local residents. It makes grants to approximately 300 local arts organizations of all budget sizes. Once a local organization has been established after a few years, GFTA offers continuing support. There is a sliding scale percentage of budget funding: smallest organizations get the largest percent (20%) of their budget from the city, and the largest organizations (6 major institutions) get between 2 and 3 percent of their budget from the city.

San Francisco Arts Commission, which operates on an \$8 million budget, distributes hotel tax funds through its Cultural Equity Grants program, which supplies funding to individual artists and to smaller agencies with average annual budgets of less than \$1 million. The commission's strategy is to grow "an inclusive and vibrant arts environment that celebrates San Franciscans' vast ethnic diversity and variety of cultural traditions." San Francisco Arts Commission offers four types of cultural equity grants to organizations whose budgets are less than \$1.2 million:

- **Individual Artist Commissions** are one-year grants that support media, visual, and literary arts activity culminating in public presentation or participation.
- **Organization Project Grants** are one-year grants that support the public activities of small to mid-sized arts organizations. Eligible organizations must have budgets that do not exceed \$1 million when averaged over the organization's three most recent fiscal years.

- Creative Space provides one-year grants for facilities planning, capital improvements or conversion of programming or live-work space. The target applicant is small and mid-sized arts organizations, larger organizations serving minority and underserved artists and audiences and nonprofit housing developers.
- Cultural Equity Initiatives provides grants to small and mid-sized organizations, especially targeting those that are “deeply rooted in and able to express the experiences of historically underserved communities, such as African Americans, Asian Americans, Latinos, Native Americans and Pacific Islanders, as well as the disabled, gays and lesbians, and women.”
- Special Projects grants, under \$900, are available to small, volunteer-run arts organizations.

Additional Information

San Francisco’s hotel tax resulted in significantly increased cultural funding during the 1990s. However, the recent economic downturn and decline in tourism is projected to result in 2003 tax revenues that are 28% below 2000. This will result in decreased funding for arts and cultural institutions and activities.

Seattle

Demographics

The population of the Seattle metro area is 2.3 million. The median income of local residents is \$52,000, and 4.2 percent of metro residents earn more than \$200,000. Thirteen percent of residents hold a graduate degree. The median age of Seattle metro area residents is 35.

APPENDIX TWO, TABLE 30

Population	2,300,000
Median Income	\$52,000
Income above \$200,000	4.2%
Percent of Pop with Grad Deg	13%
Median Age	35

Arts Nonprofit Organization Statistics

There were 282 arts organizations in the Seattle metro area in 1999, and 8,391 residents per metro arts organization. Seventy percent of Seattle nonprofit arts organizations have a budget less than \$500,000. There are 1,139 nonprofit arts organizations in Washington.

APPENDIX TWO, TABLE 31

Metro Cultural Nonprofit Organizations	282
People per Metro CNPO	8,391
CNPOs with Budget under \$500,000	70%
State CNPOs	1,139

Local Arts Agency Profile

The King County Office of Cultural Resources (KCOCR), a county level agency, typically disburses between \$9 and \$10 million each year, making it one of the largest local grant-making arts agencies in the greater Seattle area. KCOCR receives a portion of the county hotel-motel tax that was enacted in 1988; in 2002, KCOCR’s share of these funds was about \$5.8 million. Combined with direct King County allocations, its total grant making was about \$8 million in 2002.

However, King County's population shifts and lower tax revenue are prompting changes at its Office of Cultural Resources. In early 2001 the government agency began to transition to a Public Development Authority (PDA), a change that is expected to be complete by 2003. As an independent PDA, the cultural office will have an independent board and be able to raise private funds as any nonprofit while continuing to receive and allocate a share of the hotel-motel tax.

King County Office of Cultural Resources Grant Programs

- *Cultural facilities/capital projects*: Grant sizes under this program range from \$25,000 to \$2 million.
- *Sustaining support for operating expenses*: All grants under the sustained support program are for two-year terms and are typically renewable. This is the only program that makes grants based on the organization size. About 60 percent of program funds go to Tier 1 organizations with budgets over \$500,000, and 40 percent of funds to Tier 2 organizations with budgets of less than \$500,000. Grant sizes range from \$50,000 for larger organizations to \$1,000 for smaller groups.
- Special projects
- Cultural education

In of 2002, 39% of funding went into facilities grants, 39% to operating grants, 13% to special projects, and 9% to education.

At the city-level, the arts agency is the Seattle Arts Commission (SAC). The Seattle Arts Commission provided grants of about \$1.2 million in FY2000 through the following programs:

- Individual Artists: SAC has three funding programs for individual artists:
 - Seattle Artists: For performing and literary arts related to a project
 - Arts Project: Funding for specific installations or performances
 - ARTS UP: The Artist Residencies Transforming Seattle's Urban Places (ARTS UP) program pairs an artist with a community to create art.
- Arts Organizations: SAC has segmented its grant making for organizations into three types, though all funding is multi-year:
 - Civic Partners are major cultural institutions that form the "bricks and mortar of the arts community" and are actively involved in public education and community-based work. There are currently 15 Civic Partners funded on a 5-year cycle.
 - Established Organizations are cultural organizations with at least two years of offering quality, diverse artistic experiences. In 2002, there were 55 Established Organizations being funded on a 3-year cycle for their work to sustain artistic quality and fiscal health
 - Emerging Organizations are smaller, nontraditional arts organizations. In 2002 and 2003, SAC is supporting 23 Emerging Organizations on a two-year cycle.

Other key programs include the Arts Resource Network, which provides resource information and technical assistance to arts organizations; Public Art, to integrate artwork in to public settings; Community Arts, a program that matches artists with communities to explore issues and ideas; and Advocacy to promote arts in schools.

APPENDIX TWO, TABLE 32

	FY99	FY00	FY01
King County Office of Cultural Resources			
Total Operating Budget	\$ 8,344,000	\$ 9,310,000	\$ 9,600,000
Grants	\$ 6,650,000	\$8,050,000	**
Grants from hotel-motel tax	\$ 4,400,000	\$5,800,000	
Grants from county current expense funds	\$ 950,000	\$950,000	
Grants from percent for art funds	\$ 1,300,000	\$1,300,000	
Seattle Arts Commission			
Total Operating Budget	\$ 4,476,000	\$ 3,496,752	\$ 5,312,071*
Grants	\$ 1,187,000	\$ 1,218,000	\$ 1,500,800

* FY01 ** Unavailable information

Appendix Two, Table 32 shows the total operating budgets and grants allocations in fiscal years 1999, 2000, and 2002 for both the King County Office of Cultural Resources and the Seattle Arts Commission. KCOCR’s budget grew eleven percent from FY99 and FY00, and it’s grant making grew 21 percent during that same time. On the other hand, despite a 22 percent budget decrease for the Arts Commission, it increased grant making by almost three percent.

Appendix Two, Table 33 illustrates funding sources for KCOCR and the Seattle Arts Commission for fiscal years 1999, 2000, and 2002.

APPENDIX TWO, TABLE 33

Funding Sources	FY99	FY00	FY01
King County Office of Cultural Resources	\$ 8,344,000	\$ 9,310,000	\$ 9,600,000
Hotel-motel tax	\$ 4,978,000	\$ 5,850,000	\$ 6,800,000
County current expense appropriation	\$ 1,866,000	\$ 1,960,000	\$ 1,300,000
Percent for art tax	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Seattle Arts Commission			
Public Funds (General Fund + 1% for arts)	\$ 4,476,000	\$ 3,496,752	\$ 5,312,071*

* FY01

More than half of KCOCR funds come from the Seattle Hotel-Motel Tax. Though the organization received an increase in funds from the county from FY99 to FY00, it experienced a significant funds decrease of 33 percent. The Seattle Arts Commission experienced a dip in its funding from FY99 to FY00, however, presently, its budget is eighteen percent greater than it was in FY99.

In addition, the Seattle region features two other nonprofit fundraising agencies: the **Corporate Council for the Arts** (CCA) and **Patrons of Northwest Civic Cultural and Charitable Organizations** (PONCHO). CCA is a workplace-giving program that in 2002 raised funds from nearly 500 corporate partners to provide roughly \$4 million in grants to about 60 arts organizations and, in turn, serves as an informational resource for the business community and an advocate for the cultural community. PONCHO holds three charity auctions a year to raise funds from individual donors and, in 2002, made \$1.5 million in program grants to 46 organizations, with 12 groups receiving 80% of the funds. In 2001, PONCHO established a permanent endowment to accept bequests and other gifts not intended for the auctions.

APPENDIX THREE

Tracking Negative Net Worth

The following table tracks the number of cultural agencies across different budget categories with negative net worth in each metro area. All data is from the Urban Institute, GuideStar-NCCS National Nonprofit Organizations Database, 1999.

APPENDIX THREE, TABLE 1

Cultural nonprofits with negative net worth and budgets under \$500,000

	Total Negative NetWorth	Average Negative NetWorth	Total Nonprofits with Negative Net Worth	% Nonprofits with Negative Net Worth	Per Capita Negative Net Worth
Boston	(5,410,856)	(169,089)	32	7%	(\$1.63)
Dallas	(737,573)	(147,515)	5	3%	(\$0.21)
New York	(8,813,758)	(108,812)	81	7%	(\$0.97)
Charlotte	(42,901)	(42,901)	1	3%	(\$0.06)
Minnesota	(469,055)	(39,088)	12	5%	(\$0.19)
San Francisco	(946,096)	(37,844)	25	4%	(\$0.14)
Chicago	(926,685)	(33,096)	28	6%	(\$0.11)
Cleveland	(93,855)	(13,408)	7	4%	(\$0.03)
Pittsburgh	(79,992)	(13,332)	6	4%	(\$0.03)
Seattle	(27,785)	(9,262)	3	2%	(\$0.01)

APPENDIX THREE, TABLE 2

Cultural nonprofits with negative net worth and budgets between \$500,000 and \$1.5 million

	Total Negative NetWorth	Average Negative NetWorth	Total Nonprofits with Negative Net Worth	% Nonprofits with Negative Net Worth	Per Capita Negative Net Worth
New York	(4,792,273)	(126,112)	38	19%	(\$0.53)
San Francisco	(2,190,291)	(156,449)	14	14%	(\$0.32)
Chicago	(1,045,092)	(87,091)	12	18%	(\$0.13)
Boston	(2,244,338)	(224,434)	10	17%	(\$0.68)
Minnesota	(397,093)	(66,182)	6	15%	(\$0.16)
Cleveland	(500,499)	(125,125)	4	27%	(\$0.17)
Dallas	(642,219)	(160,555)	4	20%	(\$0.19)
Pittsburgh	(460,358)	(230,179)	2	17%	(\$0.20)
Seattle	(254,925)	(127,463)	2	9%	(\$0.11)
Charlotte	(66,631)	(66,631)	1	17%	(\$0.10)

APPENDIX THREE, TABLE 3

Cultural nonprofits with negative net worth and budgets between \$1.5 million and \$5 million

	Total Negative NetWorth	Average Negative NetWorth	Total Nonprofits with Negative Net Worth	% Nonprofits with Negative Net Worth	Per Capita Negative Net Worth
New York	(7,682,771)	(451,928)	17	15%	(\$0.84)
Boston	(2,559,259)	(365,608)	7	23%	(\$0.77)
San Francisco	(592,619)	(118,524)	5	13%	(\$0.09)
Minneapolis-Saint Paul	(1,890,556)	(630,185)	3	23%	(\$0.78)
Dallas	(737,180)	(368,590)	2	25%	(\$0.21)
Charlotte	(89,337)	(89,337)	1	17%	(\$0.13)
Chicago	(60,864)	(60,864)	1	6%	(\$0.01)
Cleveland	(732,244)	(732,244)	1	9%	(\$0.25)
Pittsburgh	(76,107)	(76,107)	1	10%	(\$0.03)
Seattle	0	0	0	0%	\$0.00

APPENDIX THREE, TABLE 4

Cultural nonprofits with negative net worth and budgets between \$5 million and \$20 million

	Total Negative NetWorth	Average Negative NetWorth	Total Nonprofits with Negative Net Worth	% Nonprofits with Negative Net Worth	Per Capita Negative Net Worth
New York	(3,134,878)	(1,567,439)	2	4%	(\$0.34)
Seattle	(128,743)	(64,372)	2	17%	(\$0.05)
Cleveland	(857,850)	(857,850)	1	14%	(\$0.30)
Pittsburgh	(5,551,706)	(5,551,706)	1	17%	(\$2.42)
San Francisco	(430,258)	(430,258)	1	8%	(\$0.06)
Boston	0	0	0	0%	\$0.00
Charlotte	0	0	0	0%	\$0.00
Chicago	0	0	0	0%	\$0.00
Dallas	0	0	0	0%	\$0.00
Minnesota	0	0	0	0%	\$0.00

APPENDIX THREE, TABLE 5

Cultural nonprofits with negative net worth and budgets over \$20 million

	Total Negative NetWorth	Average Negative NetWorth	Total Nonprofits with Negative Net Worth	% Nonprofits with Negative Net Worth	Per Capita Negative Net Worth
Charlotte	N/A	N/A	N/A	N/A	N/A
Seattle	N/A	N/A	N/A	N/A	N/A
Boston	(1,601,829)	(1,601,829)	1	14%	(\$0.48)
Minnesota	(344,909)	(344,909)	1	17%	(\$0.14)
San Francisco	(1,916,753)	(1,916,753)	1	14%	(\$0.28)
Chicago	0	0	0	0%	\$0.00
Cleveland	0	0	0	0%	\$0.00
Dallas	0	0	0	0%	\$0.00
New York	0	0	0	0%	\$0.00
Pittsburgh	0	0	0	0%	\$0.00

APPENDIX FOUR

Additional Information on City of Boston Cultural Funding

While funding by the Boston Office of Cultural Affairs is the lead source of support for Boston's nonprofit arts organizations, the City of Boston employs a number of other tools to provide the resources that foster a healthy cultural environment. These include generating and allocating new funds through tax-exempt financing, linkage funds and community benefits packages; providing leadership and facilitation of public processes; investing in infrastructure improvement; regulating zoning and use-designation; and ensuring public access to cultural programming through the use of public and civic spaces.

Although the City has not historically tracked the dollar value of its aggregate investment in non-profit cultural organizations, the following examples illustrate the range of Boston's support for local cultural organizations.

The Strand Theater:

The M. Harriet. McCormack Center for the Arts at the Strand Theatre in Dorchester is one of two city-owned cultural facilities. The City of Boston obtained the Strand Theatre in the early 1970s by eminent domain and since then has undertaken extensive renovations on the facility. The Strand holds a 99-year lease on the facility at the rate of \$1.00 per year. In 2002, the City recently committed \$2 million investment in capital improvements including a new roof and HVAC system, as well as \$75,000 in accessibility funding. This funding will be announced in the future as part of the Strand's overall capital campaign.

The Boston Center for the Arts:

The BRA played a significant leadership role in this project, beginning by designating the city-owned property for cultural purposes in the late 1960s. In 1997, as part of a private development effort that included the expansion of the BCA complex, the BRA required that the developer invest more than \$10 million in two theaters. At the same time, the BRA itself invested \$2 million in site preparation, environmental cleanup and new infrastructure. This new cultural space, part of the Boston Center for the Arts complex, will house two new theaters, one that will serve as a second stage for the Huntington Theatre Company and the second for use by small theater companies. The project will also create a permanent home for the BCA Teen Program, two new rehearsal spaces and several new artists studios.

The Opera House, the Paramount Theatre and the Modern Theatre:

In 1995, Mayor Menino hosted a charrette focusing on the development of three historic theaters on Washington Street. The largest venue, the Opera House, is slated for a \$30 million renovation and reuse by Clear Channel. The City assigned \$19 million in Empowerment Zone bonds to finance construction, following years of advocacy and planning to bring this house back on line.

As part of the community benefits package for a mixed-use development that includes the Paramount Theatre, the BRA required the private developer to invest \$1.6 million in façade restoration and a new roof and sprinkler system. Upon completion of the interior build out by a coalition of ten nonprofit cultural organizations, including the American Repertory Theater, the group will lease the building from the developer for \$1.00 per year. In addition the BRA has allocated \$50,000 in community benefits generated by a nearby project for use by the cultural coalition for the interior renovation.

The third Washington Street theater, the Modern Theatre, has been designated a landmark by the Boston Landmarks Commission. This theater is high on the BRA's development agenda and as of late 2002, the City is considering the use of various tools for its renovation.

Institute for Contemporary Art:

As a condition for approval of the Fan Pier development, the BRA secured the donation of a prominent waterfront parcel for cultural use and coordinated an extensive public process that determined the best community use of the site. Now designated as the new home for the Institute for Contemporary Art, the City's investment in this project will include millions of dollars of new infrastructure as well as oversight through MGL Chapter 91 of the public rights and access to the waterfront surrounding the Institute.

Fort Point Cultural Coalition:

The Channel (formerly Beacon Midway project) is a major development that includes more than 200,000 SF of arts-related development. In addition to 100+ artist studios, the development proposes 35,000 SF of street-level space designated for exhibition, performance, rehearsal and administrative offices for non-profit arts organizations. The City of Boston's Department of Neighborhood Development has supported this effort with \$50,000 of planning funds. The BRA has advocated for the inclusion of culture in the development and may consider designating linkage funds for the project's artist-housing

component. Such funds would demonstrate the City's significant commitment to the project, thereby leveraging additional private and public capital.

Old South Meeting House:

In December 2001, the developer of a 31-story office building at 33 Arch Street presented Old South Meeting House with \$750,000 for renovations and maintenance of the 1669 downtown landmark building. The project also generated other community benefits including Housing and Jobs Linkage funds and funding for off-site childcare facilities throughout the city.

Article 80 and Chapter 91 regulation:

The City is able to ensure public access and arts-related public accommodation through regulatory tools such as Article 80 of the Boston Zoning Code and Chapter 91 of the Massachusetts General Laws. Built into the development planning and review process, these rules have been used to incorporate a cultural component into the development of a number of waterfront projects in East Boston, Fort Point Channel and South Boston. Projects including Clippership, Russia Wharf, the Children's Museum and the Institute for Contemporary Art incorporate dedicated space for arts-related public use such as artist open studios, artist galleries and outdoor programmable performance spaces.

Public Programming:

In addition to public cultural programming secured through Chapter 91, the City sponsors major programming in the public parks and recreational facilities. The Boston Parks and Recreation Department, which oversees 2,200 acres of parks, is the primary city agency involved in these efforts. The Parks Department presents discrete programs in cooperation with individual cultural organizations such as the Commonwealth Shakespeare Company and also coordinates dozens of visual, performing and participatory arts programs through its own ParkARTS program.

The Parks Department also hosts some of Boston's best-known cultural events such the internationally recognized First Night Boston, Inc. In addition to direct grant support from the Office of Cultural Affairs and the Mayor's Office of Special Events and Tourism, First Night receives assistance from virtually every city department. These include the Department of Neighborhood Development, the Police and Fire Departments, the Department of Public Works, Department of Inspectional Services, Consumer Affairs and Licensing, the Transportation Department and Elder Affairs.

For a second season, the Boston Redevelopment Authority, along with the Office of Cultural Affairs, the Office of Property Management, and the Trust for City Hall Plaza presented "Arts at the Arcade," a summer-long cultural events series hosted at the Community Arcade on Boston's City Hall Plaza. From June through mid September, programming included performing artists, visual artist exhibits, child-focused entertainment, and a local arts and crafts mart. The BRA invested \$25,000 each season to fund First Night Boston to coordinate, manage and oversee day-to-day operations of the series.

The Parks & Recreation Department was an enthusiastic partner in Boston's most recent cultural showcase. In September 2002, the Boston Lyric Opera staged three performances of the opera Carmen that attracted more than 140,000 people to the Boston Common in the course of two days. The event would not have happened without the cooperation of numerous city departments.

Other initiatives:

The City is also committed to supporting the needs of the artists who are at the core of cultural activity. To this end, the City has implemented an Artist Space Initiative that includes understanding artists' need for housing and workspace and developing an effective response to those needs. The BRA has created a new artist-housing staff position and artist database; has made available 29 affordable artists live-work units in 2002 and is now fostering the creation of 300 new units of artist housing.

The City is also examining how it can enhance support not only to non-profit cultural organizations and individual artists but also to other components of the city's creative economy. Development of Boston's creative sector will take into account commercial enterprises, educational and workforce development efforts, and neighborhood-based community development.

For example, through its Backstreets, MainStreets and other business development programs, the City already supports numerous private enterprises that are engaged in creative sector activities. Most recently, the Spire Company opened a 78,000 square-foot facility in Dorchester supported in part by tax benefits provided by the City's Department of Neighborhood Development and the BRA. Spire's 120 employees design, print, market and distribute high-end graphic materials and the company has plans to hire an additional 80 employees from the surrounding neighborhood.

Within the realm of education and workforce development, Jobs and Community Services is piloting a new program modeled after the highly successful ReadBoston initiative. WriteBoston, currently being launched in one middle school and two high schools in Boston, is bringing authors into the schools and sponsoring writing events including poetry slams and publishing parties in an effort to encourage writing among young people, as well as show the career potential of creative professions.

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