

INTRODUCTION

The current economic crisis is having a profound effect on arts and cultural organizations, many of whom rely on donations from public and private sources of funding in order to maintain their operations. Many arts and cultural groups at both a national and local level have taken creative steps to maintain their organizations with less funding. An examination of such groups' strategies may give examples of program models and best practices regarding how arts and cultural organizations may sustain themselves in the current dire economy.

BACKGROUND INFORMATION REGARDING ARTS AND CULTURAL NONPROFITS AND THE CURRENT ECONOMIC CRISIS:

- **Losing Traditional Funding:** Arts and cultural groups at national and local levels are losing funding from their three main sources of financial support:
 - ✓ allocations of government funds
 - ✓ grants from charitable foundations
 - ✓ donations from private individuals
- **Drops in Revenue:** Arts and cultural groups are also experiencing drops in revenue from ticket sales and memberships to their organizations.
- **Shifts in Charitable Giving Priorities:** The current economic crisis is inspiring more government agencies, charitable foundations and private individuals to give money to nonprofits that serve "basic human needs" such as homeless shelters and soup kitchens.
- **Arts Not Viewed as Crucial by Some:** Arts and cultural organizations may not be viewed as crucial institutions in these tough economic times, so donations to such groups are in decline. A recent article appearing in the *Wall Street Journal* titled "Arts Groups Lose Out in Fight for Funds" includes quotes from Lester Salamon, director of the Center for Civil Society Studies at Johns Hopkins University. "Some people 'think of arts as an unnecessary frill,' and discount arts groups' economic and educational contributions to society..." (cited in Spector, 2009, para. 3).
- **Funders Face Their Own Financial Limitations:** Government agencies, charitable foundations and private individuals are each facing their own economic struggles because of the current recession. These entities are facing difficulties maintaining their own operations and/or survival and therefore are more conservative with regard to how money is spent or donated.

- **Federal and State Funding Drying Up:** Federal and state funding sources are also facing dilemmas about allocating funds for arts and cultural groups and/or to the groups that funnel money to such groups. The State of Pennsylvania, for example, has received press about its decision to completely stop allocating funds to arts and cultural organizations. Pennsylvania's State Senate recently "proposed that the state stop providing any money for grants to cultural organizations, a possibility that has local arts organizations scrambling" (Hoye, 2009, para. 3).
- **Closing Their Doors?:** Americans for the Arts estimates that 10,000 of the nation's nonprofit arts and cultural organizations are at risk of closing their doors in 2009, a loss of as many as 260,000 jobs (Robert Lynch, president of Washington advocacy group).
- **What about Federal Stimulus Funding?** The federal stimulus measure passed in February included \$50 million for the NEA. State arts councils will receive 40 percent of that money, with more than 2,400 arts groups so far competing for the rest. However, guidelines as to how the money may be used are somewhat strict. "The federal stimulus money can be used to preserve jobs or fulfill existing contracts with artists, as long as the groups show how losing those workers would damage their mission" (Hoye, 2009, para. 5).

STRATEGIES USED BY ARTS AND CULTURAL GROUPS THAT HAVE EXPERIENCED CUTBACKS IN FUNDING SOURCES:

- The Fieldstone Alliance, a nonprofit research and consulting group, created a list titled "Cutback Strategies for Nonprofits: Responding to Financial Crises and Funding Cuts." The list, which is excerpted from their book *Coping with Cutbacks: The Nonprofit Guide to Success When Times Are Tight*, includes several suggestions for struggling nonprofits including "Financial Strategies," "Structural Strategies," and "Engagement Strategies." Many of Fieldstone Alliance's suggestions are reflected in the actions of arts and cultural nonprofits discussed in this report. The list may be viewed at http://www.fieldstonealliance.org/client/articles/cutback_strategies.cfm (Note that the word strategies is misspelled in the URL.)

Creative Strategies: "Outside the Box" Ideas (From Recession & The Arts: Part II, Chronicle of Philanthropy)

Many arts groups are balancing cost-cutting measures with efforts to increase their visibility and finding creative approaches to continuing their high-quality programs, often by collaborating with other organizations.

- **Using Existing Collections:** Many museums are cutting costs by using their existing collections and avoiding showing outside works. For example, Palm Springs Art Museum, in California, decided not to participate in at least two traveling exhibits and instead will be showing its existing collection.
- **Scaling Performances:** The Utah Shakespearean Festival, in Cedar City, replaced larger plays that would need 15 or more actors with ones requiring only two or three actors and that were especially popular.

- **New Knowledge Sharing:** The John F. Kennedy Center for the Performing Arts, in Washington, started its "Arts in Crisis" program in February, which has attracted approximately 270 groups interested in free consulting services and more than 50 outside experts who have been vetted to act as mentors.
- **Joint Productions:** Opera New Jersey, in Princeton, and the New Jersey Symphony Orchestra, in Newark, are planning three joint productions to be performed in Princeton this July, as well as a production of *Carmen* to be performed in three cities next February.
- **Alternative Functional Spaces:** The collaboration above isn't the only cost-saving idea the opera has put into place. Two years ago the group began rehearsing at a local retirement home, which also provided living space for artists and staff members. Staff says the elderly residents loved the entertainment of watching rehearsals. The opera saves money on rehearsal space — the nursing home provides free what otherwise can run between \$500 and \$1,000 a day. The partnership also gets people talking about the show.
 - In St. Louis, the Regional Arts Commission teamed up with a local mall to fill vacant retail space with art studios, galleries, performances, classes, and offices. The project, called Art Space, increased traffic at the ailing mall, helping merchants. For example, a dance studio now occupies what was a Gap clothing store. The performers use the dressing rooms to change into costumes, and the wooden floors are now used for tap and Irish dancing. More than 60 arts groups have signed contracts for the empty retail space so far. The rent is nominal, averaging \$100 per month, plus utilities.
- **Responding to Economic Crisis with Tickets:** In response to a forced furlough, requiring 67,000 state employees to take unpaid leave, Maryland Citizens for the Arts coordinated with 29 organizations throughout the state, including the Baltimore Museum of Art, Round House Theater, Imagination Stage, and Strathmore, to offer free tickets and special discounts to select performances and events to those state workers.
- **Keeping Ticket Subscribers:** The Rochester Philharmonic Orchestra in NY told its 8,000 regular subscribers that they would hold season tickets until September for any of last year's subscribers who lost their jobs. If subscribers did not find employment by September, the group said it will give them this season's tickets free.
- **Participating in Local Basic Human Needs Initiatives:** The Rochester Orchestra is participating in a national food drive through the League of American Orchestras, to demonstrate that the arts have a role in solving local problems. The national organization has recruited 250 orchestras in all 50 states to participate in Orchestras Feeding America, a food drive coordinated with Feeding America, formerly America's Second Harvest.

Other Strategies Being Utilized:

Various Arts and Cultural Groups have Closed or Folded

- “The Baltimore Opera’s board voted to liquidate the organization [in March of this year]” (Spector, 2009, para. 5). The “Minnesota Museum of American Art in St. Paul, which had existed in various forms since 1927, closed indefinitely. The Milwaukee Shakespeare theater company shuttered in October, after its main funder, a local foundation, dropped support” (para. 5).
- Locally, downtown Buffalo’s Studio Arena Theater closed last year due to high debt and the inability to successfully merge or partner with other theater groups (Buckham, 2008).

- The Fieldstone Alliance, in their list “Cutback Strategies for Nonprofits: Responding to Financial Crises and Funding Cuts”(“Cutback Strategies”) mentions in the “Reduce Services” section that if an organization reaches the point where it must go out of business that it should “Plan to go out of business humanely” (Fieldstone Alliance, n.d., “Reduce Services” section).

Laying Off Staff, Implementing Hiring Freezes as Part of Budget Cuts

- “Many arts organizations are tightening their belts... The [New York] Metropolitan Museum of Art just cut 74 positions and warned it could slash another 10% of its work force by July” (Spector, 2009, para. 6).
- Intermedia Arts in Minneapolis in January of 2009 “laid off all but one of its seven employees and began using contract workers” (para. 5).
- The Atlanta History Center in Atlanta, Georgia reduced its staff by 15 positions” (Smith, 2009, para. 7).
- The Walker Art Center in Minneapolis announced in March of this year that it would be freezing employee salaries and eliminating vacant jobs (Hoye, 2009b, para. 1).
- Locally, the Albright-Knox Art Gallery closed for a week in May of this year and had to “furlough its staff without pay, while the Buffalo Philharmonic Orchestra will take stringent steps, including layoffs and salary cuts for administrators, to contain financial losses and ensure long-term sustainability” (Sommer & Buckham, 2009, para. 3).
- The Fieldstone Alliance’s “Cutback Strategies” list mentions “financial strategies” that include: “Reduce hours or work week. Cut, freeze, or delay wages. Lay off staff... Freeze hiring. Share jobs, consolidate staff... Use volunteers or graduate interns” and other staff modification measures (Fieldstone Alliance, n.d., “Modify Staffing and Related Costs” section).

Merging or Partnering with Other Groups, Through Either Administrative Functions or Performance Collaboratives

- Steve Runk, Executive Director of the New Jersey State Council on the Arts says, “In NJ our major symphony, the New Jersey Symphony Orchestra, recently [announced] a new collaboration with Opera NJ where the Orchestra will play for the Opera productions allowing both groups to cross-fertilize audiences and extending performance venues for both which will help reach new geographic audiences” (cited in Chronicle of Philanthropy: Live Discussions, 2009, “Steve Runk” section).
- “Some smaller [New York] nonprofit theaters have begun looking into mounting more co-productions with other nonprofit organizations based in New York. The Vineyard Theater... is preparing to announce one co-production for the 2009-10 season, as well as other ‘unique collaborations’ to spread out costs” said the theater’s executive director (Healy, 2009, para. 26).
- Holly Sidford of the Helicon Collaborative, a New York consulting company for cultural institutions, says, “arts groups ought to look for opportunities to economize on shared services with non-arts organizations as well as arts groups. And that goes for mergers too. Given the egos involved in any arts organization, it

may be more difficult for two arts groups in a given discipline to combine forces than for arts groups to collaborate across discipline lines (dance and theater, for example, or music and dance), or to combine with educational, social service or even health organizations” (cited in Chronicle of Philanthropy: Live Discussions, 2009, “Holly Sidford” section).

- “Some groups have been actively sharing services. About three years ago, the [Milwaukee Symphony Orchestra](#), the Florentine Opera Company, [First Stage Children’s Theater](#) and the [Milwaukee Repertory Theater](#) banded together to form [Milwaukee Arts Partners](#), which established and manages the local use of an arts ticketing system developed in 1998 by The Metropolitan Opera of New York City” (Schuyler, 2009, para. “Shared Services” section, para. 4).

Increasing Awareness of the Social and Economic Importance of Their Organizations

- An article appearing in the February 16, 2009 issue of the *New York Times* is titled “Saving Federal Arts Funds: Selling Culture as an Economic Force.” The article describes how members of the House and Senate discussed preserving \$50 million for the National Endowment for the Arts in the economic recovery package. The idea of supporting the arts at a time when more basic human needs may take precedence was one met with controversy. The article reads that some felt the arts had “no place in an emergency stimulus bill” (Pogrebin, 2009, para. 3). Yet “culture boosters in Congress” had to “convince a House Senate conference committee that the arts provide jobs as other industries do, while also encouraging tourism and spending in general” (para. 4).
- Holly Sidford, president of the Helicon Collaborative, a New York consulting company for cultural institutions offers the following suggestions to arts and cultural groups in financial crisis: “Join with others to make the case, not just for one institution, but for the way the whole arts sector serves the community. And get leaders from other sectors—education, health, community development—to speak on your behalf..” (cited in Chronicle of Philanthropy: Live Discussions, “Holly Sidford” section, 2009).
- Steve Runk, Executive Director of the New Jersey State Council on the Arts, says, “Arts groups need to be able to talk about all the ways their programs and activities produce public value, whether that is impact on the local economy, in education, addressing at-risk youth, contributing to tourism, healthcare, aging, etc. The arts play a role in advancing all of these community issues and priorities, as well as having an impact on individual and community quality of life” (cited in Chronicle of Philanthropy: Live Discussions, 2009, “Steve Runk” section).

Imploring Private Funding Sources to Not Cut Donations or Support

- Some nonprofit arts and cultural groups have openly and urgently told their patrons about their lack of funding and have implored their patrons to offer financial support to prevent the arts and cultural groups from closing or dissolving. “Shakespeare Santa Cruz, a nonprofit theater company, discovered in December that the university, facing its own funding cuts, would no longer cover the group’s deficits. The theater company announced that if it didn’t raise \$300,000 in 10 days, it would have to shut down” (Gopal, 2009, “Strategies for Survival” section). Shakespeare Santa Cruz “managed to raise \$416, 417 from more than 2,050 individual donors” and was able to go forward with its 2009 season (“Strategies for Survival” section).

- Intermedia Arts in Minneapolis “drew hundreds to two community forums in late December [2008] to outline the severity of its problems, brainstorm innovate survival strategies for nonprofit groups and launch an emergency fundraiser” (Gopal, “Strategies for Survival” section, para. 5).

“Stepping Up” Marketing and Outreach Campaigns to Better Reach their Patrons, Including Use of Online Social Media

- Clara Miller, President and Chief Executive Officer of Nonprofit Finance Fund in New York, says, “I have seen a variety of creative approaches to wringing more net revenue out of the current business platform: ‘meet the artist’ salons and other forms of patron engagement, deployment of artists into the community in various venues (hospitals, schools, etc.) and partnerships with business, universities and others” (cited in Chronicle of Philanthropy: Live Discussions, 2009, “Clara Miller” section).
- Using the internet and social networking sites such as Facebook to distribute updates and surveys about arts and cultural groups is cost-efficient and effective. Web-based surveys may be especially valuable to determine crucial aspects about a nonprofit’s community that is served, such as: their motivation to experience arts and culture; social interests; how the community is included in interactions with the arts and cultural groups; and how much of an influence the community at large wants with groups which they support. Some nonprofit groups, including arts and cultural organizations, are taking advantage of the popularity of the internet to raise funds and promote awareness for their causes. “Instead of organizing glitzy fundraisers, groups are going online, holding virtual black-tie events on Facebook and other social networking sites” (Gopal, 2009, para. 2).

Offering Reduced Cost Admission or Performance Fees to Attract Patrons Who May Otherwise Avoid Attending Such Activities Because of the Patron’s Own Financial Struggles

- Holly Sidford of the Helicon Collaborative says, “Regarding questions about strategies arts groups are using to boost revenue, we’ve seen the following: 2-for-1 tickets, pay-as-you-can admissions, free outdoor events with a pass-the-hat-request for donations, special deals for members and subscribers (perks like free parking, better seats, meet the artists opportunities, free admission to other events), to draw the loyal audience close and pump up revenue” (cited in Chronicle of Philanthropy: Live Discussions, 2009, “Holly Sidford” section).
- Offering discounted admission prices may initially attract more frugal patrons, but it might not be an ultimately prudent move for some organizations. Andrew Leynse, artistic director of Primary Stages theater group in New York says, “We’re also selling more tickets at a discounted rate than at full price, but that’s not sustainable in the long term,” and adds that his group is planning for a 20 percent reduction in the coming year’s budget (Healy, 2009, para. 8).

Holding Meetings and Forums with Other Nonprofit Professionals to Find Ingenious Ways to Raise Funds During the Current Difficult Economic Times

- *The Chronicle of Philanthropy* recently hosted a live discussion titled “**New Ways for Arts Organizations to Finance Their Operations.**” The transcript of the discussion, which was held on Thursday, May 28th, 2009 at 12 noon, U.S. Eastern time, is available online. Several guest speakers from various sectors of the arts and cultural world as well as the world of nonprofit management were available to “discuss topics as

diverse as financing options, marketing and social-media strategy, organization issues, and recession-related trends” (Chronicle of Philanthropy: Live Discussions, 2009, “Peter Panepento (Moderator)” section.) Some of the highlights of the discussion include suggestions of how arts and cultural groups may raise awareness and increase funding for their organizations, including:

- ✓ **Sharing Resources;** Combining administrative functions, office space, etc. with other nonprofit arts and cultural organizations may be a way to save money, however there are often organizational challenges involved in doing such.
- ✓ **Boards Step Up:** More active board involvement, with members taking a more active and dynamic role in supporting their respective arts and cultural groups.
- ✓ **Don’t Let Donors Forget about the Organization:** Arts and cultural groups should stay actively in touch with patrons and donors during these times of economic struggle, either through mailings or other outreach campaigns.

Art Galleries and Museums: Cutting Back on Hours of Operation and/or Offering Limited Programming

- Intermedia Arts in Minneapolis eliminated programs that weren’t fully funded (Gopal, 2009).
- Manhattan Theater Club this year announced that it will cut the total number of shows next season from seven to six (Healy, 2009).
- Locally, the Albright Knox Art Gallery recently announced that “it will close for one week and scale back hours and programming to help close a roughly half million dollar gap projected this year” (Kryszak, 2009, para. 1).

“Making Do” with Current Supplies and/or Re-Evaluating Use of Current Operating Spaces

- Intermedia Arts in Minneapolis recently “began exploring whether to rent parts of its building, a 20,000 square foot converted auto repair shop” (Gopal, 2009, “Strategies for Survival” section, para. 6).
- Some theater organizations have attempted to share performance space and technical equipment with other organizations, although this may lead to time and scheduling conflicts as (Chronicle of Philanthropy: Live Discussions, 2009). Renting rather than buying performance space is another cost cutting option for theater companies. (Chronicle of Philanthropy: Live Discussions, 2009).
- Primary Stages, a theater group in New York, “has asked designers to work with its stock inventory, rather than request special rentals” (Healy, 2009, para. 7).

Art Galleries and Museums: Selling Off Items from Their Collections to Earn Money for Operating Costs or to Fill Budget Gaps

- Some art galleries and museums have been forced to sell off items from their collections to earn money to fill budget gaps or to sustain operations. These moves have often been met with controversy, especially by those who view selling of a museum’s or gallery’s items as a travesty and/or a move that will ultimately hurt such establishments in the long run.

- The April 2008 issue of *Art in America* includes an article titled “Selling Art to Fund Operations.” The article describes how two art galleries, one operated by Fisk University and another by Randolph College, had pieces of famous artwork sold to earn money to support their respective institutions’ operations. Both sales were contested legally, especially because in many cases the pieces of art were given as gifts to the galleries and were donated with the understanding that the art would never be sold. “Fisk was seeking court permission to sell [Georgia] O’Keefe’s Radiator Building—Night, New York [1927] and Marsden Hartley’s Painting No. 3 to fund operating expenses as well as to help pay for renovations to the Van Vechten Gallery where the collection is usually housed” (Cash, 2008, para. 3). Randolph College in Lynchburg, VA proceeded with “plans to sell four works from its Maier Museum of Art to help pay for operating costs and restore its endowment” (Cash, 2008, para. 7).
- In New York State, Assemblyman Richard Brodsky D, NY, from Westchester County is looking to promote new legislation that will curtail the ability of art galleries and museums to sell their collections to fill budget gaps. A summary released by the Western New York Library Resources Council states, “[Brodsky] has been very concerned by recent new articles regarding museums deaccessioning items, selling them, and using the proceeds to pay bills or offset debt” (Western New York Library Resources Council, 2009, para. 5).

THE ECONOMY AND THE ARTS IN THE U.S. -- BY THE NUMBERS

10,000	Number of nonprofit arts and cultural organizations at risk of closing their doors in 2009.
260,000	Number of jobs lost if that many institutions close this year.
\$166.2 billion	Economic activity generated annually by American nonprofit arts groups.
5.7 million	Number of full-time jobs supported by the arts.
\$29.6 billion	Amount of tax revenue generated by arts organizations (including federal, state, and local taxes).
6%	Unemployment rate for artists at the end of 2008.
129,000	Number of artists unemployed in the fourth quarter of 2008, an increase of 63 percent from 2007.

SOURCES: Americans for the Arts and the National Endowment for the Arts

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