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P R E S E R V E

## **Americans for the Arts National Arts Policy Roundtable** **2006 Topic: *The Future of Private Sector Giving to the Arts in America***

2006 marked the inauguration of the Americans for the Arts National Arts Policy Roundtable, held in partnership with, and on location at, the Sundance Preserve in Utah. The Roundtable was established on the premise that the arts are critical to our society—and that every American should have an opportunity to participate in all forms of the arts.

Nonprofit arts organizations—typically our nonprofit cultural centers, museums, visual and performing arts or community arts education organizations—derive 43 percent of their revenue from private contributions (individuals, foundations, and corporations). It is this funding stream that enables them to deliver their cultural product, affordably, to the entire community. However research suggests that we are in the midst of a major shift in how these organizations are supported—one that if not addressed will radically alter America’s cultural landscape. There are unmistakable signs that this facet of our arts sector is at risk:



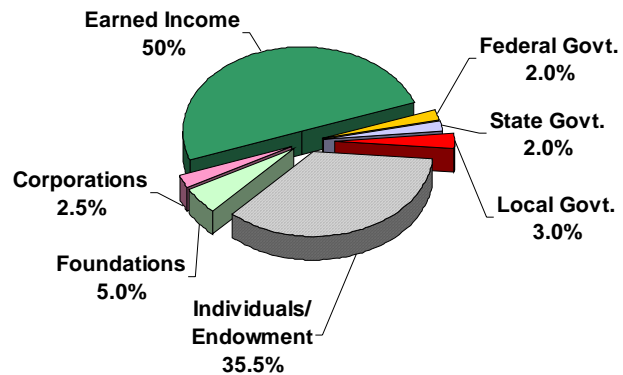
- Since 1992, the arts portion of philanthropic giving has dropped from 8.4 to 5.2 percent—a value of \$8 billion annually.
- Many new foundations, and even some of the most venerable, have eliminated their arts programs in favor of alternative funding strategies.
- Corporations are more strategic in their grantmaking and seek measurable results. Many are reducing their focus to a single funding category, such as health or education—rarely the arts.
- Individuals are favoring more “high touch” giving opportunities, wanting to be personally involved in addressing social, environmental, and education needs.

This is why *The Future of Private Giving to the Arts in America* is the topic of the 2006 National Arts Policy Roundtable. What can be done to balance support for the arts with pressing societal needs? This question was posed to 29 business, foundation, philanthropic, government and cultural sector leaders who considered the issue, and answered with specific, actionable policy recommendations. Prior to the event, Americans for the Arts conducted original scholarly research, gathered existing data, held focus groups of industry professionals, and convened forums of community leaders across the country. The issues addressed are based on solid evidence. We would like to express our gratitude to the **David and Lucile Packard Foundation** and **The Rockefeller Foundation** for their support of the 2006 National Arts Policy Roundtable.

**1. Private contributions represent 43 percent of the typical nonprofit arts organization’s budget**

Nonprofit arts organizations generally earn only half of the money it takes to sustain their operation; the other half must be raised through contributions and grants. Even small fluctuations in contributed revenue can mean deficits for many organizations. Earned income represents half of the pie (ticket sales, sponsorships, and fundraising events, etc.) Private sector philanthropy (corporate, foundation, and individual giving) is the next largest with 43 percent. Government support is 7 percent. The pie chart above provides a snapshot of the revenue picture for an average nonprofit arts organization in the U.S.

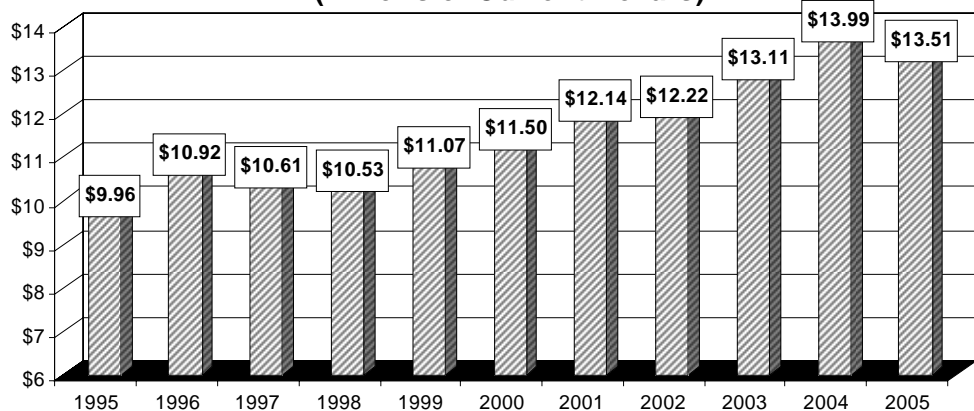
**Average Source of Revenue for Nonprofit Arts Organizations (Estimated)**



**2. Private sector giving to the nonprofit arts was \$13.5 billion in 2005**

In 2005, private sector giving to the nonprofit arts was \$13.51 billion—a 3.4 percent decrease from \$13.99 billion in 2004. This was the first decrease in

**Private Giving to Arts, Culture and Humanities: 1995-2005 (Billions of Current Dollars)**



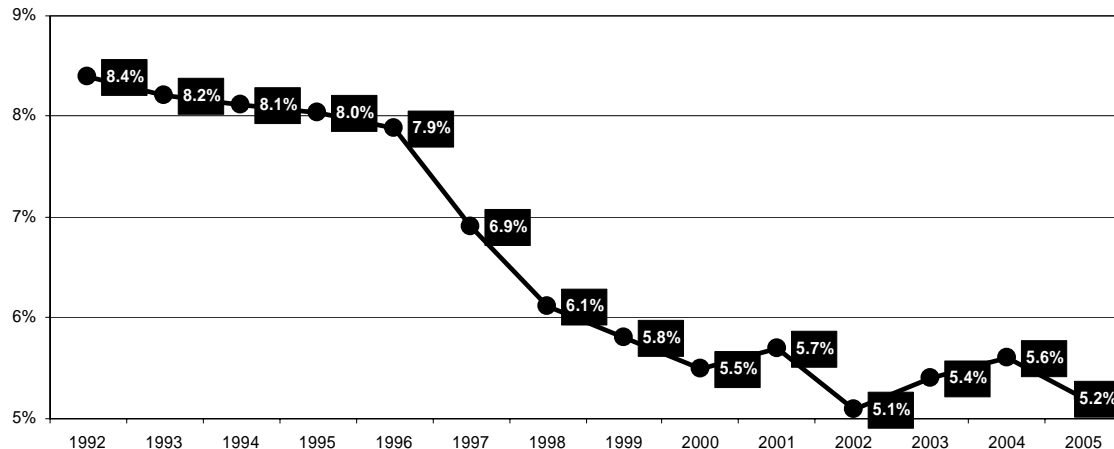
actual dollars since 1998. Private contributions to all charities in 2005 was \$260.28 billion—a 6.1 percent increase from \$245.22 billion in 2004.

### 3. The nonprofit arts have lost a significant share of private giving since 1992

In 1992, the nonprofit arts received 8.4 percent of all

charitable contributions. In 2005, that rate is just 5.2 percent. If the arts had simply maintained an 8.4 percent share of total giving in 2005, they would have received \$21.9 billion instead of \$13.51 billion—an \$8.4 billion difference.

Private Giving to Arts & Culture as Percent of Total Philanthropy (1992-2005)



**The Changing Paradigm of Private Sector Arts Funding** To better understand the change occurring in all segments of private philanthropy to the arts—individuals, foundations, and corporations—Americans for the Arts commissioned scholarly investigations and gathered data from such leading knowledge institutions as The Conference Board, the Foundation Center, and The Center on Philanthropy at Indiana University. Overall, these findings concluded that individuals and foundations showed little change in giving between 2000 and 2005, when adjusted for inflation, though Corporate giving to the arts dropped significantly during this same time period. All three donor groups are trending toward favoring education, health, and human services over the arts.

### Perspectives from the Field

In preparation for the National Arts Policy Roundtable, three resource seminars were held with experts and leaders from nonprofit research, arts philanthropy, and national arts service organizations to contextualize the data, as well as to learn how arts organizations are affected by changes in private sector support for the arts. Though they involved very different participants, there was consensus in several key areas: Affirmation that the arts' loss of market share in private philanthropy is real and it is placing financial stress on many nonprofit organizations; Emphasis on the public value of the arts and improving the capacity of arts organizations to deliver it; Concern over the "disconnect" in the minds of the public about the arts in their daily lives, who fail to see themselves involved in the "arts", even if they create or participate; Articulation of the inter-relationship between the arts and creative economies, and; Essentialness of a K-12 arts education to participating and appreciating the arts as an adult. In 2005-2006, the MetLife Foundation National Arts Forum series of the Arts & Business Council of Americans for the Arts supported 40 forums in 20 cities, involving over 3,000 citizens in discussion on the changing landscape of private sector support for the arts. Several common themes emerged including the need to more effectively articulate the societal value of the arts to potential donors; develop new strategies to engage *Generation X* as both consumers and donors, and to establish more mutually beneficial partnerships between business and the arts.

The Business, Foundation, Individual Philanthropy, Government, and Nonprofit Arts Sectors each have a vested interest in advancing our American culture, building strong communities, and developing the creative life of every child and citizen. The recommendations proposed by the 2006 Roundtable reflect the participants' aspirations for private sector achievement in three critical areas: (1) Culture—Championing the public value of the arts to society; (2) Community—Advancing a cultural climate in which civic life may thrive, and; (3) Children—Declaring arts literacy a key educational goal for the 21<sup>st</sup> century.

In order to have real impact, Roundtable participants recognized that any shift proposed in private sector behavior must also be accompanied by supportive actions by government as well as the arts sector itself, in order to help reverse the current trends. Therefore, the participants recommended a series of policy actions for the private sector; specific actions that could be taken by Americans for the Arts and its partners; as well as additional areas of research needed to fully understand these evolving trends.

### **Private Sector Recommendations—Business, Foundation and Individual Philanthropists**

- *All businesses, foundations and individual philanthropists recognize the arts as complementary to their civic agendas, and include the arts within their giving strategies.*
- *Businesses empower their local workplaces to implement arts-based giving mechanisms that serve the needs of those communities—whether global, national, regional or local.*
- *Foundations invest in partnerships that enhance communities' ability to strengthen local civic and cultural vitality, and adopt giving and other policies that advance arts entrepreneurship, innovation and civic engagement, and help nurture and develop new creative voices for the benefit of the broader community.*
- *Entrepreneurs and venture philanthropists create new and dynamic funding relationships and mechanisms that support the cultural identity of our individual communities and the nation as a whole.*
- *All businesses, foundations and individual philanthropists declare literacy in the arts as a key educational goal for the 21<sup>st</sup> century—as central to an educated citizenry as reading, math and science.*

### **Government Sector Recommendations**

- *Federal, state, and local government provides adequate support to the arts and arts education, which encourages private sector matching funding; enacts or adopts charitable tax legislation, regulations, and policies that support the arts, and; includes private development in existing percent-for-art programs, or in the creation of new ordinances.*
- *Federal, state, and local government adopts policies and enacts legislation that ensures that the arts are implemented as part of the core curriculum in our nation's schools, and an integral part of every child's preparation for work and life. Such comprehensive strategies for achieving arts literacy include: Rigorous, sequential arts instruction in the classroom; Participation and learning in high quality community based arts programs with artists and arts organizations, and; The use of the arts in developing 21<sup>st</sup> century workplace skills.*

## Nonprofit Arts Sector Recommendations

- *Arts and cultural organizations communicate more effectively how the arts contribute to community goals, as well as be interactive collaborators with funders—businesses, foundations and individual philanthropists—to achieve them.*

## Recommendations for Americans for the Arts

- *Develop a private sector messaging campaign that communicates the public value of the arts and culture to businesses, foundations and individual philanthropists.*
- *Strengthen and/or establish strategic partnerships with national organizations that have stature and influence in the private sector, such as Business Roundtable, Conference Board, Committee Encouraging Corporate Philanthropy, Council on Foundations, Independent Sector, Philanthropy Roundtable and the International Association of Advisors in Philanthropy.*
- *Communicate the importance of the arts to building healthy communities to the private sector by investigating national strategies by which arts-focused workplace giving campaigns could be implemented in businesses and communities throughout the country.*
- *Conduct additional research—alone or in partnership with other research-based entities—that demonstrates the value of the arts and culture to the private sector, in three key areas:*
  - *Measuring the impact of arts' and artists' contributions to our economic competitiveness and social well-being.*
  - *Tracking regularly the full breadth of private arts giving to nonprofit arts organization as well as examining individual arts giving in depth—with analyses by sources of giving, artistic disciplines, and geographic distribution, and designed to resolve current discrepancies in the methodology by which corporate support is gauged.*
  - *Exploring the role and impact of the arts in developing 21<sup>st</sup> century workplace skills.*

## About the Americans for the Arts National Arts Policy Roundtable

The Americans for the Arts National Arts Policy Roundtable is an annual forum of national leaders who share a commitment to the arts and a willingness to meet and recommend policies critical to the advancement of American culture. The Roundtable is composed of distinguished individuals who serve at the highest levels of business, government, philanthropy, education, and the arts. The Roundtable was established on the premise that issues important to the arts are also important to society—addressing social and educational needs, quality of life, promoting economic prosperity, enhancing innovation, growing the creative workforce, and fostering diplomacy and cultural exchange. It is the distinctive mission of the Roundtable to elevate these issues by giving them national prominence in a forum of informed discussion—one that will yield public policy options, private sector practices, and identify key research needs. The National Arts Policy Roundtable is the pinnacle convening of more than 100 meetings sponsored annually by Americans for the Arts—conferences that enable government and business leaders, scholars, funders, arts agency directors, and others to network, share knowledge, and proffer policies for consideration by the Roundtable. Policies recommended by the Roundtable are, in turn, circulated back to these networks for implementation.

**Co-Conveners**

**Robert L. Lynch**, President & CEO, Americans for the Arts    **Robert Redford**, Chairman, Sundance Preserve

**Chair**

**Marian Godfrey**, Managing Director, Culture and Civic Initiatives, The Pew Charitable Trusts

**Margaret Bodde**: Executive Director, The Film Foundation

**John Bohlinger**: Lieutenant Governor of Montana

**Ken Fergeson**: CEO, National Bank of Commerce; Americans for the Arts Board of Directors

**James Fitzpatrick**: Arnold & Porter LLP; Past Chairman, Center for Arts & Culture

**Stephanie French**: Senior Vice President, US Trust Company of New York

**David Grant**: President & CEO, Geraldine R. Dodge Foundation

**Donald Greene**: Co-Founder, Tandem Consulting; Program Advisor, Past President, The Coca-Cola Foundation

**Sharon Greene**: Co-Founder, Tandem Consulting

**Joan Harris**: Chairman, The Irving Harris Foundation

**Frank Hodsoll**: Past Chairman, Center for Arts & Culture; Past Chairman, National Endowment for the Arts

**Glen Howard**: Past Senior VP/General Counsel, Fannie Mae Foundation; Americans for the Arts Board of Directors

**William Ivey**: Director, Curb Center for Arts, Enterprise & Public Policy, Vanderbilt University; Former Chairman, National Endowment for the Arts

**Sheila Johnson**: CEO, Salamander Hospitality, LLC; Co-founder, Black Entertainment Television

**John Kreidler**: Executive Director, Cultural Initiatives of Silicon Valley

**Joe Lamond**: President & CEO, NAMM—The International Music Products Association

**Terry Lewis**: Senior Vice President, Yamaha Corporation of America

**Tim McClimon**: President, American Express Foundation

**Julie Muraco**: Senior Managing Director, NASDAQ; Americans for the Arts Board of Directors

**Todd Simon**: Co-Owner, Omaha Steaks; Board Member, United State Artists

**Arthur Sussman**: Vice President, John D. & Catherine T. MacArthur Foundation

**Brian Stokes Mitchell**: Actor; President, Actor's Fund

**Richard J. Walsh**: Senior Vice President, Corporate Affairs, Darden Restaurants, Inc. and Trustee, Darden Restaurants Foundation

**Charmaine Warmenhoven**: Philanthropist and arts patron; Americans for the Arts Board of Directors

**Neil Williams**: Alston & Bird LLP/Atlanta; Chairman, Woodruff Center for the Arts