Public Funding for the Arts 2022

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Grantmakers in the Arts
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In the US, public funding for the arts derives from federal, state, and local government sources. The National Endowment for the Arts (NEA) receives congressional allocations. State Arts Agencies (SAAs) receive legislative appropriations from states and the federal government. Local Arts Agencies (LAAs) receive funds from local, state, and federal sources. Together, the NEA, SAAs, and LAAs represent the public funding network of agencies that distribute grants and services to artists and cultural organizations across the nation.

Public arts funding suffered a decline during fiscal year 2021 due to constrained resources during the pandemic. Federal, state, and local policymakers responded to this challenge through relief funding (e.g., American Rescue Plan (ARP) Act). The combination of federal and state relief and improving economies as they reopened, led to an all-time high for public arts funding in FY2022. Federal, state, and local arts appropriations increased at an unprecedented rate: 7%, 107%, and 24% respectively.

FY2022 has been a watershed moment for public arts funding. The strength of funding is likely to continue into FY2023 as state and local economies remain strong and federal relief funding continues to be spent.

### 2022 Funding Levels

In FY2022, federal, state, and local funding for the arts totaled $1.85 billion for an aggregate per capita investment of $5.49. The FY2022 breakdowns are as follows:

- The NEA received $180 million in appropriations representing an increase of 7.5% from FY2021.
- SAAs received $833 million in legislative appropriations representing an increase of 106.8% from FY2021.
- LAAs received $837 million in funds in 2022 representing an increase of 23.5% from FY2021.  

### Trends over Time

From a downturn in FY2021, aggregate public funding for the arts rebounded in FY2022. State appropriations saw a 107% increase in state appropriations — an all-time high. The NEA has seen a 7% increase, and LAA revenues have increased by 23.5%.

Prior to the pandemic, aggregate public funding had been steadily increasing. FY2020 reached a high not seen since the early 2000s. From 2000 to 2020, public funding increased by nearly 34% in nominal dollars (not adjusted for inflation). Appropriations for state arts agencies reached a new pinnacle in 2020, marking a funding milestone; however, the pandemic altered this course. During 2020, general fund revenue declined by nearly 18%, a decline not seen since the Great Recession in the late 2000s. This decline resulted in drastic mid-year budget cuts that lasted throughout 2021.

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**FIGURE 1. Federal, state, and local government arts funding, nominal and inflation-adjusted dollars, 2003–2022**

Inflation-adjusted figures are represented by corresponding lines below each source. Inflation adjustments are calculated using Bureau of Labor Statistics Consumer Price Index (CPI) figures with a base year of 2001.
All levels of government responded to this decline by enacting relief funding and legislation to support parts of the affected economy. This support combined with a revenue rebound once economies reopened to their normal levels, bolstered public arts funding in FY2022, creating a new all-time high surpassing any prior period.

The NEA did not see a dip in funding during the pandemic. Allocations to the NEA have increased steadily due to the consistency of federal funding. In 2022, the NEA was funded at $180 million, around a 7% increase from the previous year. Although this figure was less than the Administration’s and House’s requested $201 million, it was nonetheless a sizeable increase from the prior year. The federal budget for the arts constitutes a small percentage of the government’s overall budget, totaling 0.003%.

While public funding saw a watershed moment in 2022 and increased for all levels of government, inflation has muddied this picture. For 2022, average annual inflation increased over 8% and fluctuated widely month to month.2 Inflation weakens the purchasing power of a dollar. When considering inflation-adjusted dollars, total public funding decreased by around 10.4% in 2022 relative to 2001 levels. This decrease is mainly due to the current data showing that LAA funds have not seen an increase relative to inflation. Using inflation adjusted dollars, for 2022, LAAs show a decrease of around 27% in funding relative to 2001. SAAs and the NEA have both seen increases, but much smaller than increases when considered absolute (nominal) dollars. In inflation-adjusted dollars, SAAs have only received around a 12% increase in funding relative to 2001 dollars and the NEA a 4% increase.

### Serving a Growing Population

Measuring per capita public funding (funding divided by population) reveals if funding has proportionately increased to meet growing populations. Given that funds originate from all taxpayers, this is an essential benchmark. Combined federal, state, and local arts funding yielded a per capita investment of $5.49 per person in 2022, an increase of 47.7% from 2021. This per capita figure disaggregates to a federal investment of $0.53, a state investment of $2.47, and a local investment of $2.48. When taking inflation into consideration, total per capita appropriation falls even lower to $3.32 in 2022. This analysis shows that the decreasing value of the dollar, coupled with an increasing population, strains public arts funding.

### Looking Forward and the Implications of Pandemic Recovery Support

Just like FY2021, FY2022 is an anomaly on a variety of levels. Prior to the COVID-19 pandemic, most states were seeing positive revenue increases and forecasting the increase to continue. The COVID-19 pandemic drastically changed this course. As most of the US went into lockdown, many states and local governments saw revenue decreases resulting in budget cuts and reduced spending for the arts. Because much of the arts are in-person experiences, the arts were uniquely affected.

Policymakers responded to this need and FY2022 saw a rebound in public arts funding due to federal
support packages and the reopening of economies. The CARES Act, passed in March 2020, included $75 million in funds distributed through the National Endowment for the Arts. Passed in March of 2021, the ARP Act included $135 million in funding to be distributed through the NEA. By law, 40% of these dollars were allocated to state arts agencies and regional arts organizations, which are regranting them through state level arts relief programs.

Apart from these Arts Endowment funds, the ARP Act included an additional $350 billion in aid to states and localities. Many state and local governments elected to use a portion of these dollars as relief funding for art organizations and artists. At the time of this publication, 21 states and 2 jurisdictions are in the process of tapping into this aid for the cultural sector. In FY2021, 29 states and 13 jurisdictions allocated ARP funds for arts and culture.

Favorable fiscal circumstances, including the influx of cash from the federal CARES and ARP Acts and growing state economies due to increases in business and employment, have led to increased state arts agency revenues into FY2023. Data collected for state arts agencies through NASAA revenue surveys shows that, on average, SAAs will see a 19.5% increase in appropriations in FY2023, even when not including line-item funding or other state ARP allocations to arts and culture. For example, the New York State Council on the Arts has set a record grantmaking budget of $140 million for FY2023, with an additional $100 million in multi-year capital funding. Although not included in their revenue budget, Massachusetts Cultural Council received $60.1 million from the state’s Covid Recovery Needs Act, which will be spent over multiple years to cover their FY2022–2024 program budgets. Arizona, Connecticut, Florida, Mississippi, and other states also received increased general appropriations and/or one-time additional funding, bringing their total appropriations to an all-time high.

At the end of December 2022, Congress cleared a $1.7 trillion government funding package for the remainder of FY2023, which includes a significant increase to the arts and humanities, public libraries and local museums. The measure includes a boost for the NEA, which was budgeted $207 million, an increase of $27 million from 2021.

According to Americans for the Arts (AFTA) surveys, LAAs will see around a 33% increase in total revenue for 2023. In 2022, 44% of LAAs that participated in AFTA’s survey mentioned that their local government has used pandemic relief funds to provide direct funding to the arts. More than half of the LAAs were responsible for distributing the federal COVID-19 relief funds to arts communities. Relief funding and the reopening of the economy have helped state and local budgets in the near term, placing most states in strong fiscal positions with high cash balances. However, sustained growth for public funding for the arts will depend on multiple factors, including, and perhaps most importantly, how states manage a national economic risk of a potential recession while the federal pandemic relief aid winds down. Over the past two years, states have used one-time allocations for one-time purposes, paid down debt, and raised rainy day savings to prepare for tax collection slowdowns. These actions should continue in FY2023 and later years to invest in the future considering the predicted low revenue growth.

**Equity in Grantmaking**

Historically across the nation, arts philanthropy has invested more resources in larger and less diverse organizations in wealthier urban areas. Grantmakers across the nation are currently taking stock of grantmaking practices to see where opportunities exist to balance funding and reach underserved communities. The following analysis shows that at a national scale the bulk of funding is going to the largest organizations (organizations with budgets over $1 million), rural organizations are receiving their fair share of funding, and poorer neighborhoods receive more funding, on average, than their counterparts. Caution should be taken in interpreting the results as what occurs on a national scale does not necessarily translate to the local.

**Organization Size**

Because many groups representing historically underserved constituencies fall on the smaller end of the budget spectrum, organization budget size can shed light on equity concerns. For 2020, SAAs granted 7,965 operating support grants throughout the US, totaling $145,579,879 funds. According to these data, 46% of operating support grants went to organizations with budgets under $50,000 while 45% of grant dollars went to organizations with budgets over $1 million. These data show that the largest percentage of State Arts Agency operating support grants are going to organizations with revenues less than $50K with a median award size of $3,000. On one hand, these data underline the success of public agencies in providing a large number of vital operating support dollars to many organizations across a state.
On the other hand, the small median grant represents relatively small contributions to many organizations’ overall operations. Additionally, while small organizations are receiving many grants, the bulk of operating support dollars are going to larger organizations.

Operating support grants are critical for all nonprofit cultural organizations to subsist. State arts agency operating support grants typically comprise a larger percentage of small organization budget’s when compared to large organizations. Balancing the distribution of funds by organization size is an important facet when considering more equitable grantmaking. Public funders are reconsidering long-standing operating support procedures that may have advantaged larger institutions and making changes that lean toward great equity in their funding distribution. However, factors that induce equitable outcomes are highly complex. For example, larger institutions often reach more people over larger service areas and smaller organizations can struggle to meet program goals with limited capacity. Additionally, the fiscal footprint of any organization doesn’t offer insights into other equity considerations such as who benefits or organizational missions and services.

### Rural Status

State arts agencies have a legislative mandate to serve the entire state and historically, more resources and infrastructure for the arts exist in urban areas. Ensuring funds reach rural areas is important for facilitating access to arts and culture for all Americans. This is an especially important role for public funders with service areas outside of major metropolitan areas.

According to state art agency FY2019 data, organizations in rural areas receive 13% of all grant funds and 21% of grants. Based on national geographic concentration, this amount is relatively equal to population demographics given that the rural population comprises 14% of the US population. As can be seen in the map below, most rural grants are given to localities on the east coast, east of the Midwest, both in the North and South.

![National SAA grant by rural status mapped, 2019](image)

#### TABLE 1. National SAA operating support grants by organization budget size, 2020

<table>
<thead>
<tr>
<th>All SAAs FY2020</th>
<th>No. of GOS grants</th>
<th>Percent of GOS grants</th>
<th>GOS grant dollars</th>
<th>Percent of GOS grant dollars</th>
<th>Median GOS grant dollars</th>
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<tbody>
<tr>
<td>Less than $50K</td>
<td>3,657</td>
<td>46%</td>
<td>$22,237,926</td>
<td>15%</td>
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<td>$50K - $100K</td>
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<td>7%</td>
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<td>973</td>
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<td>$16,184,662</td>
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<tr>
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<td>763</td>
<td>10%</td>
<td>$13,129,575</td>
<td>9%</td>
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<tr>
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<td>More than $1M</td>
<td>1,230</td>
<td>15%</td>
<td>$66,010,244</td>
<td>45%</td>
<td>$25,550</td>
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</tbody>
</table>

* General operating support
Income

Another lens for viewing equity in grantmaking is understanding the geographic and demographic trends associated with grant locations and activities. While geographic analyses don’t describe who benefits from programs or services, underlying demographics can provide insights into who has access to funded arts programs and activities. From a national perspective, geographic analysis is one of the only ways to understand access to the arts within national data sets. Large scale data collection or standardization across multiple types of funders that adequately describes who benefits from arts grantmaking simply does not exist.

One method for assessing the equitable distribution of public funding for the arts relative to underlying demographics is analyzing the locations of funded arts activities. For example, if lower income census tracts comprise larger percentages of population, then they should be receiving larger percentages of grant funds. In looking at the following charts, US trends show that lower income and poor neighborhoods receive a greater relative share of state arts agency public funding than their counterparts.

The graph above shows the percentage of funds received by the lowest household median income group (bottom 25% of household income census tracts). As can be seen, this group received a higher allotment of both dollars and grants than their population share across the US from 2016–2019. This group represents 21% of the population (68,337,673 residents) and receives 30% of national grant dollars ($345,983,004).

The percent of all households living in poverty within the census tract is another useful equity data point because it demonstrates how the highest-poverty census tracts across the US are doing with respects to receiving funds for the arts. Poverty levels are measured by the US census for households that fall under incomes to meet basic needs. If a census tract has a 20% poverty rate, this means that 20% of the households within the census tract are below poverty thresholds and do not make sufficient income to meet basic needs.

The graph below mimics the results of the median household income graph. As can be seen, the highest poverty group has seen a higher allotment of both dollars and grants than their population share across the US from 2010–2019. This group’s share of the population is 22% (72,344,423 residents) and the total funds received is 37% ($432,868,812).

This equity analysis examines trends across the US. While on a national level, public arts funding trends look equitable and even favorable from a rural and low-income perspective, it is important to take scale into consideration. When analyses drill down to local levels, even statewide, the equity picture becomes more complicated, and results vary from neighborhood to neighborhood. This is why grantmakers interested in analyzing equity should take scale into consideration.

Equitable grantmaking is important for delivering access to arts and culture across a nation with diverse communities spread throughout 3.8 million square miles of land. Challenges exist for Grantmakers in terms of access to suitable data at all scales and resources to conduct analyses.
Equity also needs to be assessed through qualitative measures – hearing the voices and stories of all community members. While these challenges exist, the picture at the national level speaks favorably to agencies making investments in historically underserved communities.

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NOTES

   Note: Americans for the Arts substantially changed the methodology for collecting local arts agency investments through the local arts agency census in 2016. Annual estimates are used prior to 2011 and after 2016.


7. https://www.census.gov/topics/income-poverty/poverty.html
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