

# State of the Arts Impacts of Current Economic Conditions on Puget Sound Region Arts Organizations

January 2009

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**T**he results of ArtsFund's December 2008 survey of arts organizations in King and Pierce Counties reflect acute awareness by arts managers in our region that we face daunting challenges in the months, and perhaps years, ahead. The prevailing economic circumstances call for thoughtful and determined actions by arts organizations to maintain the extraordinary quality of professional nonprofit arts in our community. The leadership of our arts organizations must be collaborative and creative in consolidating operations that can be rationalized and in developing new paradigms of operation without damaging the quality of the exhibitions, performing arts, film and literary events that make life in our community so exciting. We at ArtsFund believe the leadership will rise to the occasion. The conventional wisdom is that one should not waste a good crisis, or as Dr. Samuel Johnson once wrote, 'Nothing focuses the mind like an impending hanging.' We have confidence that the data presented in this report indicate that focusing of the mind is happening."

James F. Tune  
President & CEO, ArtsFund

## I. Introduction

In its role of understanding and improving the health of the arts in this region, ArtsFund recently completed a survey of the effects of the current economic crisis on nonprofit arts organizations. ArtsFund conducted the survey online in late November and December of 2008. In all, 81 groups, from the largest professional groups to small all-volunteer-run organizations substantially completed the survey.

The findings of this survey show that arts groups are focused sharply on protecting core services to the community during this economic turmoil. For ArtsFund, this underscores the even-greater importance of operating-fund grants to support the work and the stability of the region's nonprofit arts organizations.

## II. Key findings

- Contributed income and attendance are falling for a majority of groups
- More than half of responding groups are cutting expenses
- Two in five groups are scaling back or cutting programs altogether
- Most report increasing fundraising efforts, but almost half report cutting expenditures on fundraising and marketing
- A majority have put expansion plans on hold
- A third are considering cost sharing with other organizations
- Open-ended comments reveal a wide range of circumstances among different arts organizations with some saying they are holding a steady course and others reporting significant reductions in service

“A representative response to the question: **What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?**

*We will attempt to keep our services up but reduce the size of our productions somewhat to lower costs.*

### III. Methodology and response rate

ArtsFund invited 164 King and Pierce County arts groups to respond to this online, SurveyMonkey survey. Seventy of these groups received ArtsFund support in 2008. The balance are members of ArtsFund’s TakePartInArt.org website. Most questions were structured so arts managers could quickly report percentage shifts in areas of their operations that are already at the top of their minds.

In all, 125 groups made some response to the survey. Eighty-one of those responses were sufficiently complete to be useful in this analysis. Of those 81 groups, 62 received support from ArtsFund in 2008. The remaining 19 did not receive ArtsFund support last year, but are participants in ArtsFund’s TakePartInArt.org website. Those 19 groups tend to be smaller, all-volunteer organizations.

### IV. Current Fiscal Year Projections

This section details responses from the 62 ArtsFund beneficiaries who completed the survey. The remaining 19 groups that do not now receive ArtsFund support had responses different enough to warrant a separate summary (Section VI).

#### Contributed Income

A majority of groups expect declines in contributions, with some sources of funds suffering more than others. Figure 1, right, shows the relative importance in funding from different sources for arts groups on average. Second to earned income (primarily from sales of tickets), contributions from individuals are the largest source of cash contributions.

In the current survey, more than two-thirds of the groups expect a falloff in annual fund gifts from individuals. Almost a third of those groups see 10 percent-plus drops. Major giving from individuals is not quite so hard hit. But half of groups nonetheless expect declines from that source.

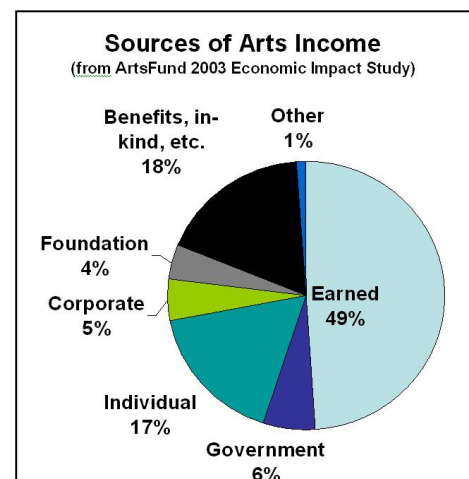


Figure 1

Nearly three-fourths of groups expect declines in corporate giving. Of those, a third expect cuts of 10 percent or more.

Funding from government has not yet fallen so much, reflecting in part that current grants from government are supported by revenues committed many months ago.

4. Income-CURRENT FISCAL YEAR How much--if at all--are you altering your contributed income expectations for the current fiscal year in each of the following categories (i.e. changes from budget established at beginning of fiscal period)?									
	-10% or more	-5% to 9.9%	-1 to 4.9%	0% (no change)	+1 to 4.9%	+5% to 9.9%	+10% or more	Rating Average	Response Count
Corporate	32.3% (20)	21.0% (13)	19.4% (12)	21.0% (13)	4.8% (3)	1.6% (1)	0.0% (0)	2.50	62
Government	12.9% (8)	16.1% (10)	8.1% (5)	51.6% (32)	3.2% (2)	3.2% (2)	4.8% (3)	3.45	62
Individual-Annual Fund	30.6% (19)	19.4% (12)	17.7% (11)	25.8% (16)	4.8% (3)	1.6% (1)	0.0% (0)	2.60	62
Individual-Major Gifts	25.0% (15)	18.3% (11)	11.7% (7)	31.7% (19)	11.7% (7)	1.7% (1)	0.0% (0)	2.92	60
Individual-Special Event Income	18.3% (11)	16.7% (10)	13.3% (8)	36.7% (22)	8.3% (5)	1.7% (1)	5.0% (3)	3.25	60
	<i>answered question</i>								62
	<i>skipped question</i>								0

Figure 2

“ Our organization has always been lean, and there isn’t much leaner it can get. We felt and knew before the collapse of the credit and mortgage markets, the employment and auto industry crises, and the official declaration last week that for the last year the country has been in a recession, and long before the beginning of the fiscal year, that we were in ‘critical times’...

*I think we knew then, that all, but perhaps especially the smaller arts organizations, are canaries in the coalmine... The canaries have been responding for a while. It’s the coalmine that needs to change now. The smart finance people seem to agree that that is going to take a while. So we’ll have to keep hunkering, keep flying under the radar and see how we do. But it’s in our nature – as long as we’re here, we’ll keep singing. And when the air in the coalmine is clearer, we’ll sing louder.*

— Andrea Wagner, Executive Director,  
Seattle International Children’s Festival

## Attendance

Figure 1 shows that earned income (mostly from ticket sales) makes up on average half the revenue for arts organizations. That percentage is higher for performing arts organizations and generally lower for museums, but very important in any case.

Our current study shows that more than half of arts organizations expect a decline in attendance, but not one as severe as the decline in contributed income. Nearly one quarter of groups report declines of 10 percent or more in subscriptions (for performing-arts organizations) and memberships (for museums).

Although more than half of groups also report declines in single-ticket sales, the decline is not so steep. Only about one in seven groups expects declines of 10 percent or more with single tickets.

Roughly one in ten groups actually expects attendance to rise.

6. Attendance-CURRENT FISCAL YEAR How much--if at all--have you revised your attendance expectations for the current fiscal year in each of the following categories (i.e. from the attendance goals you set at the beginning of the fiscal period)?									
	-10% or more	-5% to 9.9%	-.1 to 4.9%	0% (no change)	+.1 to 4.9%	+5% to 9.9%	+10% or more	Rating Average	Response Count
Subscriptions/memberships	23.3% (14)	15.0% (9)	15.0% (9)	<b>33.3% (20)</b>	6.7% (4)	3.3% (2)	3.3% (2)	3.08	60
Single tickets/admissions	14.8% (9)	16.4% (10)	26.2% (16)	<b>31.1% (19)</b>	9.8% (6)	1.6% (1)	0.0% (0)	3.10	61
<i>answered question</i>									62
<i>skipped question</i>									0

Figure 3

“What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?

*We are striving for no reductions*

### Functional areas of expense cuts

More than half of groups report cutting expenses. The areas receiving the sharpest cuts are in administration and artistic programs. As responses to open-ended questions reveal, the cuts to artistic programs range from presenting work with smaller production costs, to trimming back schedules to outright elimination of some programs.

Almost half of groups report cutting expenses for fundraising or marketing but most groups (see Figure 7) also report increasing fundraising and marketing efforts.

Almost two thirds of groups report holding the line on spending for arts education.

5. Expense-CURRENT FISCAL YEAR How much--if at all--are you altering your expenses for the current fiscal year in each of the following categories (i.e. changes from budget established at beginning of fiscal period)?									
	-10% or more	-5% to 9.9%	-.1 to 4.9%	0% (no change)	+.1 to 4.9%	+5% to 9.9%	+10% or more	Rating Average	Response Count
Artistic programs	13.1% (8)	21.3% (13)	19.7% (12)	<b>42.6% (26)</b>	3.3% (2)	0.0% (0)	0.0% (0)	3.02	61
Administration	12.9% (8)	17.7% (11)	29.0% (18)	<b>32.3% (20)</b>	4.8% (3)	1.6% (1)	1.6% (1)	3.10	62
Fundraising	8.1% (5)	19.4% (12)	17.7% (11)	<b>40.3% (25)</b>	9.7% (6)	1.6% (1)	3.2% (2)	3.42	62
Marketing	11.5% (7)	14.8% (9)	23.0% (14)	<b>39.3% (24)</b>	4.9% (3)	4.9% (3)	1.6% (1)	3.33	61
Education	8.2% (5)	11.5% (7)	16.4% (10)	<b>60.7% (37)</b>	1.6% (1)	1.6% (1)	0.0% (0)	3.41	61
<i>answered question</i>									62
<i>skipped question</i>									0

Figure 4

“What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?

*Scale down special events and major donor events. I believe that donors will understand and accept this because it demonstrates we are prudent stewards of their money. We will continue to fund our shows at current levels because most of the costs at this point are contractual. At this point, holiday sales have been reasonably solid. If our sales soften in spring/summer, we will consider discounted ticket sales.*

## Changes in workforce

About three in four groups expect to make no changes in workforce levels. The most significant drop is in administration with one in four groups expecting to cut back by one to four employees. Eight in ten groups expect to maintain their fundraising and marketing staff levels. For those that do plan changes in fundraising, as many groups expect to increase staffing as to decrease it.

3. Workforce-CURRENT FISCAL YEAR What changes in your workforce do you now expect in the following categories during this fiscal year?								
Changes in workforce								
	-10 or more FTEs	-5-9 FTEs	-1-4 FTEs	0-no change	+1-4 FTEs	+5-9 FTEs	+10 or more FTEs	Response Count
Administrative	0.0% (0)	0.0% (0)	24.2% (15)	<b>71.0% (44)</b>	4.8% (3)	0.0% (0)	0.0% (0)	62
Fundraising	0.0% (0)	0.0% (0)	10.3% (6)	<b>79.3% (46)</b>	10.3% (6)	0.0% (0)	0.0% (0)	58
Marketing	0.0% (0)	0.0% (0)	13.8% (8)	<b>79.3% (46)</b>	6.9% (4)	0.0% (0)	0.0% (0)	58
Artistic	1.7% (1)	0.0% (0)	13.6% (8)	<b>83.1% (49)</b>	1.7% (1)	0.0% (0)	0.0% (0)	59
Education	0.0% (0)	0.0% (0)	6.9% (4)	<b>84.5% (49)</b>	5.2% (3)	0.0% (0)	3.4% (2)	58
	<i>answered question</i>							<b>62</b>
	<i>skipped question</i>							<b>0</b>

Figure 5

## Measures to cut expenses

To cut expenses, more than half of groups reported putting the brakes on expansion plans. The study does not show whether other groups are going ahead with plans or whether they simply had no expansion plans in place. Two of every five groups reported that they were stopping or scaling back on programs. Seventeen groups of the 49 answering the question said they are seeking cost sharing with other organizations. Three are considering a merger or consolidation. Reflecting responses to the previous question on staffing, about one quarter of groups plan layoffs of from one to four people.



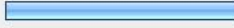
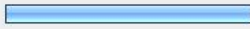

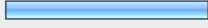
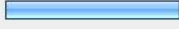
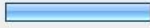

8. In response to the current economic environment, what actions have you already or do you plan to take to decrease expenses in the CURRENT FISCAL YEAR? (Check all that apply)			Response Percent	Response Count
Discontinue or scale back program (s)			40.8%	20
Put expansion plans on hold			55.1%	27
Cut marketing expenses			32.7%	16
Seek cost sharing with other organizations			34.7%	17
Consider a merger or consolidation			6.1%	3
Lay off staff			28.6%	14
Renegotiate contracts			24.5%	12
Freeze retirement matching or merit increase			20.4%	10
Other (please specify) 				22
			<b>answered question</b>	<b>49</b>
			<b>skipped question</b>	<b>13</b>

Figure 6

**“What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?**

*... we will be reducing our season programming from 9 shows to 6 or 7 (still in planning) and cutting our performance weeks from 4.5 to 3.5 for the larger theatre - an overall reduction of (43%) of performance capacity.*

### Measures to increase revenues

More than eight in ten groups are altering their marketing messages or activities to increase earned revenue. Other top measures for boosting revenue are increasing requests for contributions from individuals, major donors, board members and foundations.



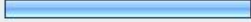
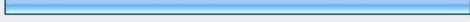
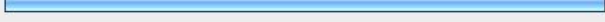






7. In response to the current economic environment, what actions have you taken or do you plan to take to increase revenue in the CURRENT FISCAL YEAR? (Check all that apply)			
		Response Percent	Response Count
Increase marketing spending		24.1%	14
Modify marketing messages or other marketing activities		86.2%	50
Adjust prices		34.5%	20
Increase number of private grant applications		65.5%	38
Additional asks to individuals		84.5%	49
Make additional personal asks with major donors		81.0%	47
Host additional special event fundraiser(s)		36.2%	21
Make additional asks to board members		62.1%	36
Make additional asks to volunteers		29.3%	17
Seek additional line(s) of credit or other sources of short term financing		15.5%	9
Other (please specify) 			17
<b>answered question</b>			<b>58</b>
<b>skipped question</b>			<b>4</b>

Figure 7

“What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?

*None, although we will be implementing changes to our fee structure for admissions and programs.*

### Education

As we saw above, most groups are maintaining the level of expenditures for education programs. The number of students served is reported to be rising even during this economic crisis. The 62 ArtsFund beneficiary organizations reported that they served 697,000 K-12 public school students in the previous fiscal year. The number will grow to 733,000 in this fiscal year. They expect to serve 735,000 next fiscal year.

“What, if any, reductions in your organization's services to the public do you anticipate as a result of the current economic crisis?

*Reduced funding results in decreased access to the arts. That means decreased or eliminated ticket discounts, reduced or eliminated subsidized education programs, reduced performances, altered plans for program content delaying new works in favor of those already produced, and reductions or elimination of activities that bring the audience closer to the artist and the creative process.*

## Variations among arts disciplines

ArtsFund's economic impact studies show different compositions of earned and contributed income among different artistic disciplines. Is the current economic crisis affecting the various disciplines differently?

According to this study, not very much. Following are differences of note. These observations are compared to the aggregated results of all disciplines as described above.

*Music (20 groups)*: a greater percentage of groups are expecting declines in individual contributions and in admissions.

*Theater (13 groups)*: a smaller percentage of groups are expecting declines in individual contributions but more are expecting declines in admissions.

*Visual arts (6 groups)* a significantly smaller percentage of groups are expecting declines in major individual giving.

*Multi-disciplinary arts (21 groups)*: a smaller percentage of groups are expecting declines in contributions and in admissions.

*Dance*: since only two groups reported in this discipline it is too few to draw conclusions.

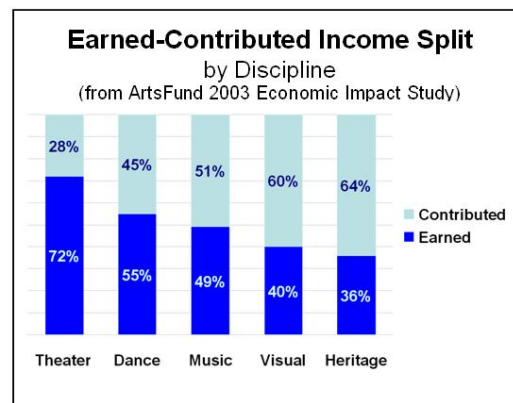


Figure 8

## V. Next Fiscal Year

After completing questions described above for the current fiscal year, arts groups were asked to address the same questions for their next fiscal year, which will, depending on the group, wrap up in December 2009 or June or even September 2010.

Overall, the pattern of responses for next fiscal year was similar to those for this fiscal year. This means another year of significant belt tightening above and beyond the reductions for this year. Arts groups in general expect cuts in corporate and individual support to be somewhat less severe. And by next year, they expect the funding cycle of government to more fully reflect the downturn.

On the expense side, fewer groups expect cuts in fundraising, marketing and education to be quite as sharp as in this fiscal year.

Arts groups overall do not expect a rosy picture for attendance, but fewer anticipate ten-plus percent declines.



## **VI. Other groups**

All of the analysis above is based on responses from ArtsFund beneficiary organizations. ArtsFund also invited other organizations that participate in its TakePartInArt.org website to complete the survey. Nineteen such groups participated. Nearly all reported having just one or two employees or none at all (that is, all-volunteer run), so they are for the most part quite small organizations.

Not surprisingly, they expect few changes in their workforce. Compared with ArtsFund beneficiaries, significantly fewer of the groups expect declines in contributed income, expenditures or attendance.

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## ArtsFund Beneficiaries Completing Survey

By artistic discipline

### Dance

Pacific Northwest Ballet  
Spectrum Dance Theater

Taproot Theatre  
Village Theatre  
Wing-It Productions

### Music

Auburn Symphony Orchestra  
Bellevue Philharmonic Orchestra  
Early Music Guild  
Earshot Jazz  
The Esoterics  
Federal Way Symphony  
Northwest Sinfonietta  
Seattle Chamber Music Society  
Seattle Choral Company  
Seattle Men's Chorus/Seattle Women's Chorus  
Seattle Opera  
Seattle Pro Musica  
Seattle Repertory Jazz Orchestra  
Seattle Symphony  
Seattle Youth Symphony Orchestras  
Tacoma Concert Band  
Tacoma Opera  
Tacoma Philharmonic  
Tacoma Symphony Orchestra  
Tacoma Youth Symphony Association

### Visual Arts

Bellevue Arts Museum  
Henry Art Gallery  
Kirkland Arts Center  
Pratt Fine Arts Center  
Seattle Art Museum  
Tacoma Art Museum

### Multi-Disciplinary

ArtsWest  
Artist Trust  
Broadway Center for the Performing Arts  
Central District Forum for Arts & Ideas  
Circus Contraption  
Grand Cinema  
Experience Music Project | Science Fiction  
Museum and Hall of Fame  
Jack Straw Productions  
Kirkland Performance Center  
Langston Hughes Performing Arts Center  
Nordic Heritage Museum  
Northwest Film Forum  
Northwest Puppet Center  
On the Boards  
Richard Hugo House  
Seattle Arts & Lectures  
SIFF  
Seattle Theatre Group  
Three Dollar Bill Cinema  
Town Hall Association  
UW World Series  
Vashon Allied Arts

### Theater

5th Avenue Theatre  
Book-It Repertory Theatre  
INTIMAN Theatre  
Lakewood Playhouse  
Seattle Children's Theatre  
Seattle Public Theater  
Seattle Repertory Theatre  
Seattle Shakespeare Company  
Tacoma Little Theatre  
Tacoma Musical Playhouse

## **Participants in TakePartInArt.org which did not receive ArtsFund support in 2008**

6th Day Dance

City of Auburn Arts Commission

City of Bellevue Arts Program

City of Enumclaw Arts

City of Kent Arts Commission

City of Tacoma

Creative Dance Center

Kirkland Choral Society

Lake Union Civic Orchestra

Master Chorus Eastside

Northwest Playwrights Alliance

Pacific Ballroom Dance

Philharmonia Northwest

Puget Sound Youth Wind Ensemble

Shoreline-Lake Forest Park Arts Council

Simple Measures

SIS Productions

The Hi-Liners Inc.