



The Current State of the Arts ... and Culture

By Mandy Rafool

Culture includes arts, folk life, historic preservation and humanities.

Culture is big business.

State support for the arts and culture is down for the second year in a row.

Endowments can supplement cultural funding.

When it comes to bang for the buck, a relatively modest public investment in arts and culture can reap big dividends since it can help states meet other policy goals. But severe budget gaps in most states have ravaged discretionary spending, which affects cultural programs. Arts policy is familiar to most lawmakers because every state has a state-level arts agency, but culture is much broader. Culture also includes folk life, historic preservation and humanities, among other fields. These are not always represented with their own state agency, but still play a big role in cultural policy.

Culture in itself is big business, and one of the healthiest industries in this country. Commercial creative industries, which include publishing, movies, television, music, recording and entertainment businesses, are among the nation's leading exports. Studies show that a thriving cultural scene also offers a competitive advantage because quality of life factors are extremely important to the highly sought-after, and very mobile, knowledge-based worker. Economists have found that a high quality of life in the community increases the attractiveness of a job by 33 percent for young educated workers. This is a significant shift from conventional economic theory that asserts that workers will settle in places that offer them the highest paying jobs.

Cultural agencies can help states:

- Provide access to cultural programs for all citizens, regardless of income or geographic location.
- Invite citizen participation, regardless of artistic talent.
- Promote diversity and understanding of different heritages.
- Improve overall educational performance.
- Promote economic development.
- Provide employment and new revenue.
- Revitalize rural areas.
- Promote tourism.
- Contribute to urban revitalization.

State Action

Support Is Down. But state support for the arts and culture is down. After steadily rising for eight years, legislative appropriations for arts agencies decreased for the second year in a row. By March 2003, aggregate arts appropriations had dropped from \$408.6 million in FY 2002 to \$353.9 million for FY 2003, representing a 13.4 percent decrease. Most state support for cultural organizations comes from general fund appropriations to state funding agencies and through direct line item appropriations to cultural institutions. However, cultural agencies face formidable competition for limited state funds. As a result, some states have found creative ways to fund culture through a mix of sources.

Endowments and Trust Funds. Endowments or trust funds are a common way to supplement cultural funding. Cultural trusts exist in 17 states, and were designed to help organizations endure economic downturns by creating ways to use public funds to leverage private donations. However, the stress of current economic conditions threatens to undo much of the progress many states have

made to diversify funding.

This point is illustrated by the fate of the newest state endowment fund, the Oregon Cultural Trust. This was created by the legislature in 2001 to boost cultural funding for a state that ranked near the bottom for such investments. It was immediately applauded for its unique funding mechanism designed to generate new revenues in three ways:

- 1.) Tax credits for corporations and individuals who donate to nonprofit cultural organizations and to the cultural trust.
- 2.) Proceeds from the conversion of surplus state-owned assets.
- 3.) Revenue from the sale of special cultural license plates.

The trust's goal was to raise \$218 million and disseminate as much as \$91.7 million over a 10-year period. Now, only two years later, however, it faces an uncertain future as policymakers look for ways to balance the state budget.

Proposals to eliminate or drastically reduce state cultural funding also have surfaced in Arizona, Colorado, Florida, Missouri and New Jersey. Massachusetts cut its budget by half. Of the 42 state arts agencies reporting a budget decrease for FY 2003, 10 reported cuts of more than 15 percent. But many legislatures are working hard to preserve cultural funding in spite of budget woes, noting that these programs enjoy popular support and contribute to a high quality of life.

Times Are Tough. The picture is clear. State support for culture is unlikely to recover any time soon. For most state cultural agencies, budget cuts are nothing new. Many have seen their funding rise and fall in accordance with state fiscal health. In fact, many cultural agencies used the general fund shortfalls of 1991 and 1992 as an opportunity to build state support and diversify funding sources.

But what concerns many supporters of culture this year is that unlike past years when appropriations have fallen, other traditional funding sources (earned income from ticket sales, interest, foundation support and private contributions) have also declined. Earned income is suffering from wary consumers. A bearish stock market and slow economy have shrunk endowment funds and squeezed private foundations. In addition, corporate and individual donations are down.

Cultural Collaboration. Still, there may be unique opportunities to advance cultural policy during these lean times. One of the best ways for cultural organizations to broaden support is through collaboration—with each other or with other state agencies. The New Century Community Program in Maine presents a good example. Seven independent cultural agencies developed mutually beneficial goals, which then served as the basis for a collaborative resource development plan. The result is more funding for rural cultural projects administered by all seven agencies. The program is quickly becoming a national model for successful collaboration. As a result of such partnerships, cultural programs may be preserved as states continue to grapple with budget shortfalls. In the end, they may wind up stronger than ever.

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