# State Legislative Appropriations to the Arts

# CHAPTER ONE

Legislative appropriations to the arts remain the primary source of funding for state arts agencies. As indicated by the National Assembly of State Arts Agencies, these legislative appropriations serve to enhance public participation in the arts, foster civic engagement through the arts and promote public and private investment in the work of artists and organizations.[1] Furthermore, funding that state arts agency partners (such as artists and organizations) receive through legislative appropriations helps improve the quality of life in communities and expand cultural participation opportunities for all residents and visitors.

As a result of the severe fiscal downturn that swept over states for almost four years (fiscal years 2001 through 2005), a majority of state arts agencies saw their legislative appropriations decline forcing them to implement a range of innovative measures to stay afloat and continue to support artists and arts organizations in their states. Despite these legislative cutbacks, the contribution of the arts industry to the overall economic health and fiscal bottom line of the different states continued in an impressive manner, a trend that should cause policymakers to pause before reducing their arts appropriations during future downturns. Conversely, it might be argued that the arts industry demonstrated, during these lean years, that it could prosper and continue to flourish; however, the strength of the arts industry along with the support of rising state appropriations has the potential to add substantially more revenue to state coffers.

Notwithstanding the legislative cutbacks during the past few lean fiscal years, public participation in the arts has hovered around the 40 percent mark in the past two decades or so. In fact, a National Endowment for the Arts (NEA) survey of public participation in the arts documented that for the 12 months ending August 2002, 81.2 million Americans, or 39.4 percent of U.S. adults, attended at least one of the following arts activities: jazz, classical music, opera, musicals, plays, ballet or art museums.[2] This was a very slight increase from the 39 percent (or 66.5 million U.S. adults) in 1982, and a marginal decline from the 41 percent (76.2 million U.S. adults) that attended at least one of the above benchmark arts activities in the preceding 12 months.

Any analysis of state legislative appropriations to arts agencies has to include reference to the overall health of state finances. In this vein, a comparison of state finances in the latter half of the 1990s with the first few years of this decade represents the starkest of possible contrasts: an extraordinary boom in state finances followed by a fiscal crisis that has been termed the worst confronting states since the Second World War. The 1990s opened with a recession that was relatively mild even though it affected certain parts of the country (the West Coast—California in particular—and the Northeast, for instance) more severely. By the mid 1990s, state tax revenues began coming in above expectations, repeatedly, and states embarked on a series of actions that previously would have been considered impossible under any circumstances: slashing tax rates year after year; boosting spending in such areas as education, healthcare, corrections and infrastructure; and replenishing reserve funds, i.e., rainy day funds, to unparalleled levels. States were able to implement these seemingly disparate actions while ensuring their constitutionally-mandated objective of a balanced budget.

Until about late 2000, state revenues roared in at record levels, gross state product growth generally was above estimates and unemployment rates were at record low levels. By early 2001, however, manufacturing levels began to decline, the stock markets had slipped from their heady levels and the economy began sliding into recession, a trend only worsened by the September 11, 2001, terrorist attacks. While the recession that ensued was relatively shallow, the cumulative impact on state economies and finances has been extremely severe. The tremendous negative pressures created by the downturn in the economy was reflected in such trends as dwindling revenue flows, rising unemployment numbers and exploding Medicaid costs at the state level. Each of these negative trends pummeled state finances in a vicious, self-perpetuating cycle. While the steep drop in tax revenues, due to severely reduced individual and corporate income taxes–given the high unemployment rate, almost nonexistent capital gains revenue and lower corporate profits–affected the revenue side of the balance sheet, the increasing number of Americans seeking assistance from their state governments, whether in the form of unemployment insurance or Medicaid health coverage, pressured the expenditure side of the balance sheet. Consequently, these bleak financial times sweeping over state and local governments filtered down to negatively impact practically every expenditure category in state budgets. Alas, arts agency appropriations were far from inoculated from the cutbacks, as demonstrated in the following analysis.

Table 1 indicates the precipitous decline in legislative appropriations to SLC state arts agencies between fiscal year 2001 and 2005. By the end of fiscal year 2005, the state fiscal outlook improved practically in every state in the country and most SLC states were seeing either an increase in their appropriation levels or no change from the prior fiscal year. Yet, appropriation levels remain far from the amounts disbursed as recently as fiscal year 2001, when states were flush with revenues and appropriators could afford to allocate impressive amounts to their arts agencies. As a quick comparison, in fiscal year 2001, legislative appropriations to the SLC states totaled a striking $117.6 million; by fiscal year 2005, this total had declined to $71.3 million, a 39 percent reduction from the lofty levels reached just four years previously. In the interim, cumulative SLC state legislative appropriations kept declining to $106.7 million in fiscal year 2002, $95.3 million in fiscal year 2003 and the lowest level, a scant $65 million, in fiscal year 2004.

As indicated in Table 1, between fiscal years 2001 and 2005, the SLC state that experienced the most severe reduction in legislative appropriations was Missouri, a 96 percent reduction from nearly $12 million to $500,000. In fact, in fiscal year 2004, Missouri did not appropriate any funds to its state arts agency. Among the other SLC states that experienced steep declines during this four-year period, Florida (-57 percent), Mississippi (-49 percent) and Alabama (-48 percent) ranked as the three states with the most declines. In fact, 13 of the 16 SLC states saw their legislative appropriations reduced during the review period.

While all other SLC states were slashing their arts appropriations, three SLC states increased their arts agency appropriations during the review period: West Virginia (2 percent), Louisiana (7 percent) and Arkansas (11 percent). Arkansas saw the sharpest increase between fiscal year 2001 and 2005, 11 percent. Trends in Florida, traditionally the SLC state with the largest arts appropriation, should be highlighted here because after appropriating $36.9 million in fiscal year 2001, the state's arts allocation fell to as low as $6.7 million in fiscal year 2004 before climbing up to $15.8 million in the following fiscal year. The extent to which state budgets were progressively crimped during the review period is more than apparent when arts agency appropriations are reviewed: in fiscal year 2002, eight SLC states reduced their arts appropriations, in fiscal year 2003, 14 states reduced their arts appropriations and in fiscal year 2004, 12 states saw reductions and one state saw a marginal increase (less than 1 percent).

Even in other areas of analysis, the appropriation setbacks experienced by the region's state arts agencies are quickly apparent. The following analysis presents trends for a review of legislative appropriations by per capita (total amount divided by the state's population) and a ranking of

## Table 1
## SLC Legislative Appropriations to State Arts Agencies FY 2001 to 2005

| State | Fiscal Year 2001 | Fiscal Year 2002 | Percent '01-'02 | Fiscal Year 2003 | Percent '02-'03 | Fiscal Year 2004 | Percent '03-'04 | Fiscal Year 2005 | Percent '04-'05 | Percent '01-'05 |
|---|---|---|---|---|---|---|---|---|---|---|
| Missouri | $11,971,858 | $6,180,244 | -48% | $3,641,776 | -41% | $0 | -100% | $500,000 | N/A | -96% |
| Florida | $36,935,278 | $32,833,356 | -11% | $30,042,433 | -9% | $6,706,621 | -78% | $15,809,390 | 136% | -57% |
| Mississippi | $3,283,961 | $2,122,086 | -35% | $1,660,536 | -22% | $3,758,473 | 126% | $1,661,551 | -56% | -49% |
| Alabama | $6,121,164 | $5,704,653 | -7% | $4,828,285 | -15% | $4,544,407 | -6% | $3,169,195 | -30% | -48% |
| South Carolina | $5,421,706 | $4,493,485 | -17% | $3,820,987 | -15% | $3,384,937 | -11% | $3,076,621 | -9% | -43% |
| Virginia | $4,682,112 | $4,880,239 | 4% | $4,224,028 | -13% | $2,922,342 | -31% | $3,001,535 | 3% | -36% |
| North Carolina | $7,832,771 | $6,025,242 | -23% | $5,661,737 | -6% | $5,673,868 | 0% | $5,920,552 | 4% | -24% |
| Georgia | $4,835,331 | $5,179,841 | 7% | $4,478,490 | -14% | $4,238,445 | -5% | $4,054,234 | -4% | -16% |
| Maryland | $12,646,294 | $13,554,113 | 7% | $12,106,546 | -11% | $11,072,298 | -9% | $11,001,522 | -1% | -13% |
| Tennessee | $2,306,600 | $1,892,700 | -18% | $2,332,100 | 23% | $1,990,700 | -15% | $2,014,900 | 1% | -13% |
| Kentucky | $4,072,800 | $3,971,900 | -2% | $3,880,400 | -2% | $3,609,900 | -7% | $3,593,700 | 0 | -12% |
| Oklahoma | $4,235,497 | $4,475,313 | 6% | $3,979,482 | -11% | $3,864,077 | -3% | $3,878,871 | 0 | -8% |
| Texas | $4,739,335 | $5,743,976 | 21% | $5,624,829 | -2% | $4,752,253 | -16% | $4,510,252 | -5% | -5% |
| West Virginia | $2,342,597 | $2,527,017 | 8% | $2,701,895 | 7% | $2,038,218 | -25% | $2,378,218 | 17% | 2% |
| Louisiana | $4,898,143 | $5,196,440 | 6% | $4,921,013 | -5% | $4,967,418 | 1% | $5,231,961 | 5% | 7% |
| Arkansas | $1,311,070 | $1,966,843 | 50% | $1,420,364 | -28% | $1,481,148 | 4% | $1,460,643 | -1% | 11% |
| SLC Total | $117,636,517 | $106,747,448 | -9% | $95,324,901 | -19% | $65,005,105 | -45% | $71,263,145 | -10% | –39% |

Source: National Assembly of State Arts Agencies (NASAA)

Table 2

## SLC State Per Capita Appropriation to State Arts Agencies and Rankings (US and SLC) Fiscal Years 2001 through 2005

| | FY2001 | | | FY2002 | | | FY2003 | | | FY2004 | | | FY2005 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Per Capita | US | SLC | Per Capita | US | SLC | Per Capita | US | SLC | Per Capita | US | SLC | Per Capita | US | SLC |
| Alabama | $1.38 | 16 | 4 | $1.28 | 17 | 5 | $1.08 | 18 | 6 | $1.01 | 20 | 6 | $0.70 | 29 | 9 |
| Arkansas | $0.49 | 42 | 14 | $0.73 | 33 | 12 | $0.52 | 40 | 14 | $0.54 | 36 | 10 | $0.54 | 38 | 11 |
| Florida | $2.31 | 9 | 2 | $2.00 | 11 | 2 | $1.80 | 10 | 2 | $0.39 | 42 | 13 | $0.93 | 19 | 5 |
| Georgia | $0.59 | 40 | 13 | $0.62 | 39 | 14 | $0.52 | 41 | 13 | $0.49 | 38 | 11 | $0.47 | 39 | 12 |
| Kentucky | $1.01 | 25 | 10 | $0.98 | 24 | 9 | $0.95 | 20 | 7 | $0.88 | 22 | 7 | $0.87 | 20 | 6 |
| Louisiana | $1.10 | 23 | 9 | $1.16 | 19 | 6 | $1.10 | 17 | 5 | $1.10 | 15 | 5 | $1.16 | 14 | 3 |
| Maryland | $2.39 | 8 | 1 | $2.52 | 8 | 1 | $2.22 | 8 | 1 | $2.01 | 6 | 1 | $2.00 | 7 | 1 |
| Mississippi | $1.15 | 21 | 8 | $0.74 | 31 | 11 | $0.58 | 37 | 12 | $1.30 | 10 | 2 | $0.58 | 35 | 10 |
| Missouri | $2.14 | 10 | 3 | $1.10 | 22 | 8 | $0.64 | 32 | 10 | $0.00 | 50 | 16 | $0.09 | 49 | 16 |
| North Carolina | $0.97 | 26 | 11 | $0.74 | 32 | 10 | $0.68 | 30 | 9 | $0.67 | 28 | 9 | $0.70 | 28 | 8 |
| Oklahoma | $1.23 | 20 | 7 | $1.29 | 15 | 4 | $1.14 | 13 | 4 | $1.10 | 16 | 4 | $1.10 | 15 | 4 |
| South Carolina | $1.35 | 17 | 5 | $1.11 | 21 | 7 | $0.93 | 22 | 8 | $0.82 | 24 | 8 | $0.74 | 26 | 7 |
| Tennessee | $0.41 | 48 | 15 | $0.33 | 48 | 15 | $0.40 | 46 | 15 | $0.34 | 44 | 14 | $0.34 | 44 | 14 |
| Texas | $0.23 | 50 | 16 | $0.27 | 50 | 16 | $0.26 | 49 | 16 | $0.21 | 46 | 15 | $0.20 | 46 | 15 |
| Virginia | $0.66 | 35 | 12 | $0.68 | 36 | 13 | $0.58 | 34 | 11 | $0.40 | 40 | 12 | $0.41 | 41 | 13 |
| West Virginia | $1.30 | 18 | 6 | $1.40 | 13 | 3 | $1.50 | 11 | 3 | $1.13 | 14 | 3 | $1.31 | 10 | 2 |
| SLC | $1.17 | | | $1.06 | | | $0.93 | | | $0.77 | | | $0.76 | | |

Source: National Assembly of State Arts Agencies

this amount nationally and within the SLC. Table 2 and Figure 1 present this information.

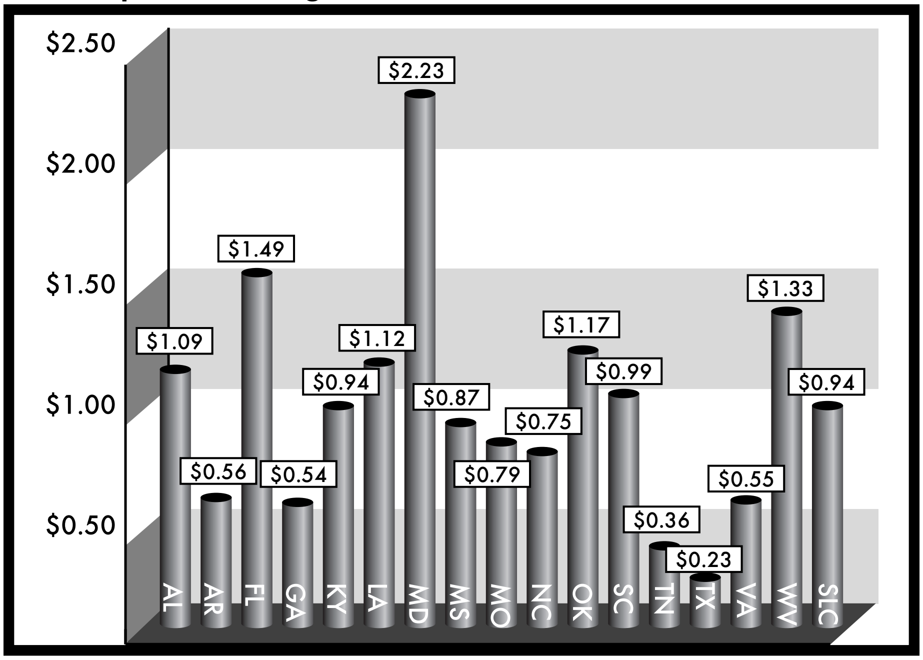
Between fiscal years 2001 and 2005, per capita legislative appropriations to state arts agencies declined precipitously from $1.17 in 2001, to $1.06 in 2002, to $0.93 in 2003, to $0.77 in 2004, and to $0.76 in 2005. As evident, despite the improvements in the state fiscal position and a dollar increase in appropriations in fiscal year 2005, per capita appropriations continue to erode. Some of the specifics that may be gleaned from Table 2 include the fact that in three of the five years, Texas was the SLC state with the lowest per capita appropriation; Missouri was the lowest in the two most recent fiscal years with Texas ranking second. Interestingly, Missouri had the third highest per capita appropriation level in fiscal year 2001 before gradually ceding that ranking in the ensuing four fiscal years.

At the other end of the spectrum, Maryland continued appropriating the highest per capita amount toward its arts agency during the entire review period. Yet, even in Maryland, the per capita level dropped from $2.39 in fiscal year 2001 to $2.00 in fiscal year 2005. West Virginia's per capita appropriation level improved from being ranked sixth in 2001 to second in 2005; similarly, Louisiana jumped from being ranked ninth in 2001 to third in 2005. On the flip side, Alabama, after being ranked fourth in per capita appropriations in 2001, dropped to ninth in 2005.

Another trend apparent from a review of per capita appropriations during the review period involves the fact that in fiscal year 2001, only six of the 16 SLC states had per capita appropriation levels less than a dollar; in contrast, by fiscal year 2005, 12 of the 16 SLC states' per capita appropriation levels were less than a dollar. Similarly, in fiscal year 2001, of the 10 SLC states with per capita appropriation levels greater than one dollar, three (Missouri at $2.14; Florida at $2.31 and Maryland at $2.39) even exceeded the two dollar range. In contrast, in fis-

Figure 1

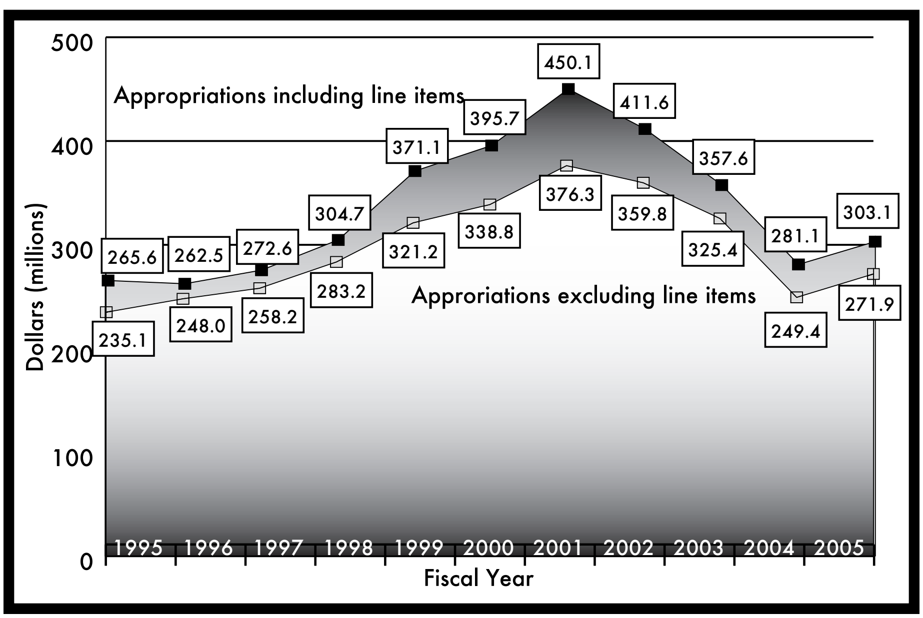
## SLC Legislative Appropriations to State Arts Agencies, Per Capita Averages, Fiscal Years 2001 to 2005




Source: Calculated from National Assembly of State Arts Agency (NASAA) Information

Figure 2

## Legislative Appropriations to State Arts Agencies Fiscal Years 1995-2005




Source: National Assembly of State Arts Agencies, *Legislative Appropriations Annual Survey: Fiscal Year 2005, June 2005 Appendix*

cal year 2005, of the four states that exceeded the dollar threshold, only one reached two dollars (Maryland at $2.00). These trends further reinforce the tremendous budgetary pressures faced by states in the last four fiscal years, a development that reflected in steep reductions of legislative appropriations to their arts agencies.

## NATIONAL PERSPECTIVE

At the national level, while legislative appropriations to the arts improved in fiscal year 2005 compared to the prior year ($303.1 million cumulatively compared to $281.1 million), it is far below the lofty levels reached five and six years ago. For instance, in fiscal year 2001, cumulative state arts agency appropriations totaled a staggering $450.1 million, an amount more than reflective of the salubrious fiscal environment states found themselves in during that year. Data for the last 10 fiscal years is presented in Figure 2.

As indicated in Figure 2, after three consecutive years of cuts, state arts agencies saw an increase in their legislative appropriations in fiscal year 2005, currently at about $1.02 per American. Interestingly, despite the 8 percent increase from the fiscal year 2004 level, the majority of the growth occurred in just two states, one outside the Southern region, New Jersey, increasing from $18.9 million to $28.7 million and Florida, increasing from $6.7 million to $15.8 million. Figure 2 graphically represents the sharp drop in aggregate appropriations state arts agencies experienced when funding went from $450.1 million in 2001 to $281.1 million in 2004. A number of state art agencies, both within the Southern region and outside, reported the largest percent declines during the state fiscal downturn, continue to operate under severe stress and their budgets have not rebounded. Some of these states include California, Colorado, Missouri, Michigan, Massachusetts, Minnesota, Oregon and Virginia.

A sampling of the features that stand out at the national level includes the over 135 percent increase in Florida’s appropriation level from $6.7 million in fiscal year 2004 to $15.8 million in fiscal year 2005. Illinois’ $18.9 million, New Jersey’s $28.7 million, and New York’s $44.5 million (the largest appropriation of any state in the country) stand out as the three largest appropriations to the arts. In contrast, California, the nation’s most populous state and the state with the largest economy and budget, appropriated $2 million toward its arts agency in fiscal year 2005. This amount stands in stark contrast to the $51 million appropriated in fiscal year 2000 and the gargantuan $68.1 million appropriated in fiscal year 2001.

In terms of the SLC states and their national rankings, in fiscal year 2001, three-states (Maryland, Florida, and Missouri) ranked in the top 10 in terms of per capita appropriations. With the severe cutbacks initiated in Florida during the state fiscal downturn, Maryland and West Virginia were the only SLC states on this top 10 list in fiscal year 2005.

## FEDERAL APPROPRIATIONS TO THE ARTS

In contrast to other developed countries, especially European ones, funding for the arts in the United States is extremely decentralized. Arts funding in the United States encompasses a blend of federal, state and local government funds alongside financial support from private individuals, corporations and foundations. Another crucial source of funding for arts in the United States involves box office receipts or sales revenue. In fact, in the past few years, as much as 50 percent of all income garnered from American arts organizations flowed from “earned income” such as box office receipts and ticket sales.[3]

Given the level of decentralization and what some would consider extremely volatile funding sources for the arts, American artists, arts organizations and institutions face complex challenges in reacting to this dynamic environment. Not only is it likely that federal or state appropriation levels may be widely divergent from one year to the next, sources of funding from the corporate sector could be equally volatile. For instance, even though government funding for the arts continues to remain a small portion of the full arts funding picture, federal appropriations to the National Endowment for the Arts (NEA), the official arts organization of the United States government, dropped from $162.3 million in federal fiscal year 1995 to $99.5 million the next federal fiscal year. Similarly, at the private, corporate level, a corporate contributor might suffer severe financial losses, sometimes irreversible, that would result in eroding funding for the arts in a community from that particular source. A good example here is the setbacks suffered by the arts community in Houston, Texas, with the spectacular collapse of the energy and trading giant Enron. Many cultural institutions in the city, including the Museum of Fine Arts, Houston Ballet, Alley Theater and the Houston Symphony, continue to feel the negative repercussions of the disintegration of the energy company because Enron made significant contributions totaling millions of dollars to all of them.[4]

Even though none of the key players, particularly the artists and organizations involved, savor the choppy and extremely unpredictable growth path of the American arts scene, observers note that it also has “the healthy effect of keeping artists and institutions realistically focused on their goals and communities.”[5] As examples of the amazing end results of the culturally dynamic American arts scene, the NEA cites the fact that 30 years ago, Chicago’s Steppenwolf Theater did not exist; today, it is one of the nation’s leading theater companies. Then, in less than 10 years, Jazz at Lincoln Center, headed by the famed trumpeter Wynton Marsalis, has become the world’s largest non-profit jazz organization. Finally, the NEA lauds Rimrock Opera of Billings, Montana, the only opera company in an 800-mile stretch of vast expanse bringing Verdi, Puccini and Donizetti to the sparsely populated high plains and mountain territories in a little over five years now.

In addition to its remarkable complexity and dynamism, the NEA concludes that the American arts system is “uniquely effective.” Notwithstanding the highly decentralized and mercurial funding sources, the NEA indicates that this system has produced “a cultural landscape of enormous size and unmatched diversity.” The rapidly changing arts landscape ebbs and flows with an astonishing range of cultural institutions, and current estimates indicate that there are more than 1,500 professional theaters, 1,200 symphony orchestras, 120 opera companies and 5,000 writers’ conferences alongside the tens of thousands of individual artists. While the NEA is the official federal instrument that channels financial assistance to support all of the arts and arts education in the 50 states and territories, the actual level of federal funding remains miniscule, slightly less than 1 percent of total arts funding. Yet, NEA grants are powerful multiplying forces and experts conclude that NEA grants typically generate seven to eight times more money in terms of matching grants, donations and earned revenue. These NEA grants serve to

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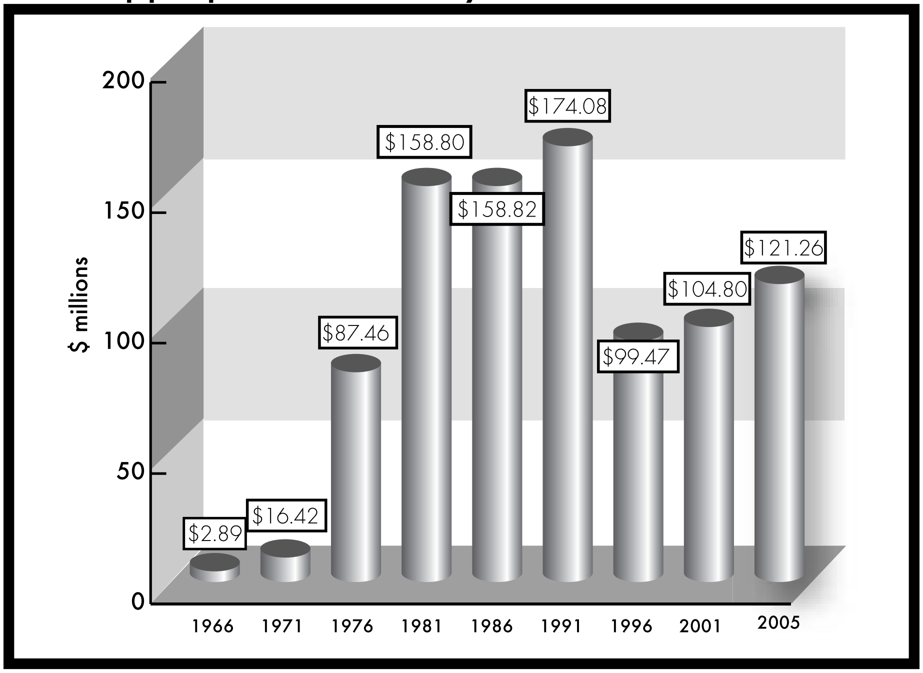
Figure 3

## NEA Appropriations History 1966 to 2005




Source: National Endowment for the Arts

legitimize new arts organizations and validate existing ones in generating the positive economic ripple effects noted above.

Figure 3 demonstrates U.S. government appropriations to the NEA—in five year intervals—since its inception in 1966.

As evident, federal appropriations for the arts have dropped off in the last 15 years or so after reaching its high point in 1992 when the U.S. government allocated $175.95 million. After undergoing a decline in the mid 1990s, the appropriation level picked up again in fiscal year 2001 when $104.8 million was allocated. For fiscal year 2005, the appropriation amount was $121.3 million.

The NEA reports that government support for Italy's major opera houses is nearly 10 times larger than the annual NEA working budget, a level of financial support that allows major Italian opera companies to offer fare at the highest artistic standards. In spite of this lavish financial sustenance, the NEA notes, a number of these opera houses failed to stage even a single production for years because of organizational problems, labor issues or reconstruction. Hence, from the European perspective, a federal arts budget of a little over $121 million might have entailed a national arts scenario that was marginal or middling at best; yet, the complete opposite is true as the arts in America continue to innovate and nimbly react to constantly shifting financial tides and decentralized command structure to rank among the most vibrant in the global context. In fact, certain European assessments of the American arts scene contend that "the absence of state intervention, combined with a helpful tax regime, is what has made the arts in America so self-reliant."[6]

Interestingly, the American model of funding the arts and culture is gaining ground in a number of European settings and, even though accurate figures on the scale and growth of non-state funding for the arts in Europe are still hard to acquire, anecdotal evidence suggests that fundraising is expanding. In fact, cutbacks in state subsidies have been replaced by corporate sponsorship and private funding. As far back as 2001, information indicated that state funding for the arts in many parts of Europe (Austria, Germany, Italy and Russia) was shrinking. For instance, *The Economist* noted that the state subsidy of the Berlin Philharmonic Orchestra had been reduced from 57 percent of its budget in 1997 to 48 percent in 2000. Then, the state subsidy of the Teatro alla Scala in Milan had been cut from well over 50 percent to 44 percent in 2001.[7]