

INTRODUCTION

The multilayered contributions of the arts and arts-related activities rank among the lesser known and unheralded aspects of contemporary American society. Beyond the intrinsic benefits of the arts—i.e. benefits that serve to enrich an individual's life experiences, standard of living and learning—advocates recently have demonstrated the crucial role played by the arts in generating a significant level of economic growth. In fact, highlighting the substantial private and public economic benefits from a thriving arts environment continues to be a theme often stressed by arts advocates of every stripe across the country.

Consequently, the objective of this report* is to capture elements of this theme by focusing on the 16 states that belong to The Council of State Governments' Southern office, the Southern Legislative Conference (SLC).¹ This is not the first time that the SLC has featured this topic among its publications, with the most recent effort in November 2000,² and the SLC's ongoing review of this topic is a reflection of the recognition of its importance to SLC economies and public officials in the South.

The last five years saw the American economy face a series of unprecedented challenges that rippled across all levels of society. The arts community was certainly not impervious to these challenges, and artists and arts advocates in every part of the country faced their own set of obstacles in responding to these economic shocks. In fact, during these past few years, both public and private sector funding for the arts experienced severe stress as all levels

of government, corporations and individuals struggled to deal with the lingering effects of the 2001 economic recession, the terrorist attacks of September 2001, the teetering of the stock market (2000-2002), the worst fiscal downturn to plague state governments in decades and a number of other negative economic developments. In such a fiscally challenging environment, the ability of the arts community, a community that relies largely on funding from the public and private sectors for survival, to adequately raise funds proved to be extremely onerous. As a result, arts practitioners were forced to devise a range of alternate funding mechanisms in order to continue providing the crucial assistance necessary for the support of artists and others in the arts community.

The major difference that rapidly surfaced in gathering information for the current 2006 SLC report and the previously mentioned 2000 SLC report was the radical change in economic

climates. During the preparation of the 2000 report, the U.S. economy was enjoying an unparalleled level of prosperity that allowed it to expand every month between March 1991 and March 2001, the longest economic expansion in the history of our nation. In stark contrast, the last few years saw the U.S. economy rocked by a number of both internal and external shocks that resulted in sluggish growth rates, anemic job creation, significant spikes in energy costs, plunging revenue inflows and ballooning deficits at the federal, state and local levels, among other negative developments.

These negative developments had an immediate impact on state legislative appropriations to art agencies; specifically, all but three SLC states experienced negative growth in appropriations between fiscal years 2001 and 2005. In fact, 11 of the 13 SLC states that saw appropriation reductions actually experienced double-digit reductions during this period.³ The state with the steepest drop was Missouri (-96 percent), while Arkansas' 11 percent growth was the highest during this time period. The other two states experiencing increases were Louisiana (7 percent) and West Virginia (2 percent).

Even for the nation as a whole, the scenario was not that much more promising. In fiscal year 2005, the 50 state legislatures appropriated a total of \$264.8 million to their state arts agencies, less than one-half percent (about 0.05 percent) of the \$547.3 billion expended from state general funds. Given the severity of the state fiscal downturn in these past four years, appropriations as a percentage of state general fund expenditures plunged

* In August 2005, the Southern Legislative Conference (SLC), with the assistance of the Southern Arts Federation (SAF), released a summarized version of this report at the 2005 Southern Governors' Association meeting in Greensboro, Georgia.

precipitously from a high of 0.09 percent in fiscal year 2001, to 0.06 percent in 2003, to the previously mentioned 0.05 percent in fiscal year 2004⁴

Notwithstanding these marked reductions in state appropriations, the economic impact of the arts, both nationally and on a state-by-state basis, continues to notch remarkable numbers. According to the latest *Americans for the Arts* report, released in June 2002, touted as the most comprehensive economic impact study of the non-profit arts industry ever conducted, America's non-profit arts industry generated \$134 billion in economic activity, including \$24.4 billion in federal, state, and local tax revenues.⁵ This mammoth \$134 billion in economic impact comprised \$53.2 billion in spending by arts organizations and \$80.8 billion in event-related spending by arts audiences. Not only did the \$53.2 billion represent a 45 percent increase (up from \$36.8 billion) over the period of a decade (the previous *Americans for the Arts* study was conducted in 1992), this report also estimated that the overall economic impact resulted in 4.9 million full-time equivalent jobs; \$89.4 billion in household income; \$6.6 billion in local government tax revenues; \$7.3 billion in state government tax revenues; and \$10.5 billion in federal income tax revenues.

Recent data from several SLC states illustrates the impressive economic impact of the arts too. According to a January 2004 Florida Atlantic University report, a total of \$1.2 billion was spent by the not-for-profit organizations, universities and colleges that make up the arts and cultural industry in Florida; when ripple or multiplier effects were included, this figure catapulted to \$2.9 billion in gross state product that resulted in \$877.8 million in income (primarily payroll) and 28,302 full-time equivalent jobs.⁶ In Maryland, the total economic impact of the arts industry amounted to an estimated \$911 million in gross sales, \$312 million in total employee income and 12,792 full-time equivalent jobs according to a study released by the state's Arts Council in 2004.⁷ Then, in North Carolina, a study released in 2003 by

Appalachian State University estimated that the total economic impact of the non-profit arts industry amounted to \$723 million alongside the fact that just under 2 percent of all jobs in the state were in the creative industry.⁸

Despite the lean fiscal environment that ensued, a number of SLC states have experienced a surge in arts-related activities since the completion of the 2000 SLC report. The arts community has forged ahead under tremendous odds in continuing to promote arts-related activities and events so that more and more Americans have the advantage of reaping the multi-faceted benefits of these activities. A sampling of these events and activities in the SLC states includes the following:

- » The Atlanta Symphony Orchestra's (ASO) \$300 million goal for a dramatic new concert hall designed by the world famous architect Santiago Calatrava. Approximately one-third of the funds already have been raised by private donors for this project.⁹ A September 2005 study commissioned by the ASO indicates that the project, scheduled to open in 2011, would generate \$2 billion in economic growth through 2020, creating 2,100 jobs in the community after construction and \$116 million in city, county and state tax revenue over the facility's first decade of operation;¹⁰
- » Berea, Kentucky, trumpeted as the arts and crafts capital of the state, where more than 50 galleries and fine crafts studios and the catalyst for this activity, Berea College, continues to keep alive traditions and skills that span centuries;¹¹
- » Louisiana Philharmonic Orchestra, the only symphony orchestra in the United States that is owned and operated by its musicians, after disintegrating in 1990 due to financial pressures, came alive as a cooperative in 2002 with a budget of almost \$4 million, 69 members (expanding to as many as 90 for special

events), 1,200 subscribers and more than 500 active volunteers that plays a 36-week season;¹²

- » Maryland, in 2001, became the first state in the country to develop Arts and Entertainment (A&E) Districts on a statewide basis as a way to stimulate the economy and improve quality of life. This legislation enables local jurisdictions, municipalities, counties or a combination, to apply for state designations for the Arts and Entertainment Districts within their boundaries and offer tax incentives provided by the new law. An A&E district—there currently are 11 in Maryland—has been defined by *Americans for the Arts* as a well-recognized, labeled, mixed-use area of the city in which a high concentration of arts and cultural facilities serves as the anchor attraction;¹³
- » In St. Louis, Missouri, the Pulitzer Foundation for the Arts inaugurated its landmark building designed by the renowned architect Tadao Ando in October 2001. The Foundation's opening was another piece in the public-private partnership to revive the once-neglected 10-block area in midtown St. Louis, referred to as Grand Center, focusing on art, education and entertainment;¹⁴
- » Following the tremendous achievement of bringing such world-class exhibitions as the 1996 Palaces of St. Petersburg, the 1998 Splendors of Versailles and the 2001 Majesty of Spain to Jackson, Mississippi, in 2004, the Mississippi Commission for International Cultural Exchange staged the Glory of Baroque Dresden;¹⁵
- » In Texas, in a shower of philanthropy this year, the Dallas Museum of Art announced a series of cash gifts and art bequests that amounted to \$400 million, while the Houston Museum of Fine Arts increased the estimate of a gift from its largest bene-

factor to about \$450 million;¹⁶ and

- » During the 2005 legislative session of the Virginia General Assembly, two senior members of the state House and Senate sponsored legislation proposing that the state borrow nearly \$86 million for arts and cultural projects.¹⁷ Although the legislation was unsuccessful, the very fact that these two senior members of the General Assembly, representing both political parties, sought to promote the arts by a bond issue that amounted to tens of millions dollars clearly demonstrates the importance of this measure.

While these examples reflect a mere fraction of innumerable artistic ventures and arts-related projects that attract visitors from around the region, country and globe and entice them to visit the SLC states, the arts encompass a broad array of disciplines, a factor that further enhances the ripple effect of its economic impact. Some of the disciplines under this broad umbrella include folk arts (methods of building, storytelling); dance (folk, ballet, modern); music (folk, blues, Zydeco, jazz, bluegrass, country, classical, ethnic, contemporary); theater performance art (plays, mimes, puppetry); visual arts (drawing, painting, photography, sculpture); crafts (pottery, weaving, basketry, furniture making, quilting); literature; and media (film, video, community radio and television). These disciplines, together with several others, combine to foster artistic expression, preserve certain historic and cultural traditions, significantly expand the number of people enjoying different artistic endeavors and act as a catalyst for economic growth in neighborhoods and communities across the country.¹⁸

The major objective of this Special Series Report is to review how the not-for-profit arts sector in the SLC states fared during the recent fiscal downturn. As indicated, the severity of the fiscal crisis that states were plunged into resulted in state appropriations for the arts being slashed quite significantly. Consequently, state

arts agencies were forced to develop innovative strategies to ensure the survival of essential arts-related activities, events and projects. As in the 2000 report, an important component of this report also includes the state-specific sections, which describe some of the more significant arts projects undertaken in the SLC states and, where possible, economic impact data such as employment figures, personal income (salary, wages, proprietary income), and government revenue created by the dollars spent in the state economy in the last five years or so.

The 2006 report analyzes state appropriations to the arts in fiscal years 2001 through 2005 (emphasizing the SLC states); details the role of the federal government in supporting the arts during this same period; highlights the different economic impacts of the arts and arts-related activities at a broad national level; delineates how arts-related businesses provide significant employment in every state; documents alternate funding mechanisms explored by states and local governments in the light of dwindling public and private support for the arts; and describes how a number of states have embarked on an effort to systematically promote cultural heritage tourism and leverage the cultural economy as a catalyst for economic prosperity.

METHODOLOGY

In order to obtain information to publish this report, the SLC, with the assistance of the Southern Arts Federation, forwarded a detailed survey questionnaire to the directors of the state arts agencies/councils in the 16 SLC states on March 31, 2005. (See Appendix A for a copy of the survey questionnaire). The directors were requested to forward their detailed responses and any accompanying material to the SLC by May 2, 2005. In response to this letter and after subsequent appeals by the Southern Arts Federation, by May 16, 2005, the SLC received detailed survey responses from Florida, Georgia and North Carolina. By June 27, 2005, the SLC received Tennessee's response. The remaining 12 state arts directors

were again sent a request on July 26, 2005, and responses were received from Arkansas, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma and Virginia. On March 17, 2006, the SLC received a detailed response from Alabama, portions of which were included in the state section. The SLC did not receive a completed survey response from Missouri, South Carolina, Texas and West Virginia. The information in this report also was based on an ongoing review of media outlets and media documents in the SLC states during the past few years, feedback from staff in the state legislatures and additional research.

It should also be noted that the economic impact information reported, mostly in the state specific pages, will most often be three to four years old. Conducting comprehensive economic impact studies on a statewide basis remains an extremely expensive proposition and, in an era when their funding positions are extremely precarious, arts agencies often have been unable to devote resources to conduct such studies more regularly. However, the important point is that even though these study results may be dated, they contain valuable information, and it is entirely likely that more recent studies would indicate that the economic impact of the arts currently is even more impressive than reported in the three- and four-year old reports.