

A Report on a National Survey of Performing Arts During the Economic Downturn of 2008-2009

March 2009

To understand how performing arts organizations in North America are responding during these challenging economic times, a survey created by Theatre Communications Group in collaboration with the Association of Performing Arts Services Organizations was distributed in February 2009 nationally, and responses were received from 667 arts organizations.

PROFILE OF SURVEY RESPONDENTS

There were a total of 667 responses.

- 287 (43%) of the organizations are members of TCG.
- 73% of the total responses were received as a result of distribution through APASO Organizations.
- 13 cities and states including Austin, Boston, Charleston, Los Angeles, New Jersey, New York City, North Carolina, Pittsburgh, Philadelphia, Portland (OR), San Diego, San Francisco, and Washington DC comprised of 98% of the APASO results.

The discipline breakdown of the 667 total responses includes:

- 458 Theatres
- 47 Multi-Disciplines
- 45 Music
- 24 Dance
- 20 Visual Arts
- 11 Media Arts
- 8 Arts Services
- 6 Literary
- 48 Other

1. Budget Group (annual expenses):		
Under \$50,000	117	18%
\$50,000 - \$249,999	162	24%
\$250,000 - \$499,999	108	16%
\$500,000 - \$999,999	101	15%
\$1 million - \$2,999,999	85	13%
\$3 million - \$4,999,999	37	6%
\$5 million - \$9,999,999	31	5%
\$10 million or more	26	4%
Total	667	100%

CURRENT YEAR BUDGET PROJECTIONS

EXPENSES

- 18% of organizations are projecting higher expenses as compared to original budgets this year
- 41% are projecting expenses to be similar or stay the same as original budgets
- 41% are projecting expenses to be somewhat or substantially lower than original budgets

Budget Increases/Decreases

- 385 companies, or 58%, stated they are re-projecting expenses for the current fiscal year.
- Of these, only 36 were projecting increases in budgets, while 335 projected decreasing budgeted expenses (14 did not supply an estimated decrease or increase).
- Overall, Budget decreases among the 335 companies total \$52,443,274 and Budget increases total \$2,509,607.

2. Estimated Budget Cuts from original budgets		
Organization Budget Size	# of respondents	Average Amount of Budget Cuts
Under \$249,999	85	\$23,651
\$250,000 - \$499,999	54	\$48,437
\$500,000 - \$999,999	63	\$82,898
\$1 million - \$4,999,999	88	\$189,022
\$5 million - \$9,999,999	22	\$424,987
\$10 million and over	23	\$720,565
Total	335	\$156,428

3. Projections for year-end budget (as compared to original budget):		
	# of Respondents	% of Respondents
Deficit of 25% or more of total expenses	26	4%
Deficit of 11-25% of total expenses	81	12%
Deficit of 1-10% of total expenses	216	32%
Break-even	246	37%
Surplus of 1-10% of total expenses	87	13%
Surplus of 11-25% of total expenses	10	1%
Surplus of 25% or more of total expenses	1	0%
Total	667	100%

The majority (69%) of responses regarding projected year-end budget results clustered around **break even** or **with a slight surplus or deficit** (see table 3). This may be one indicator that economic hardships have not yet affected the surveyed organizations.

4. Relationship of projected year-end budget results (table 3) to the organization's original budget		
	# of Respondents	% of Respondents
Worse than budget	344	52%
Better than budget	38	6%
Similar to or same as budget	285	43%
Total	667	100%

Of the organizations that answered “worse than budget”, 98% attribute the change to the economic downturn either “somewhat” (44%) or “entirely” (54%).

INCOME

5. Projected change in amounts from income sources compared to original budgets this year					
	Substantially lower	Somewhat lower	Similar to /same as	Somewhat higher	Substantially higher
Corporate contributions	431 organizations		181 orgs	55 organizations	
	32%	32%	27%	4%	4%
Foundation contributions	383 organizations		215 orgs	69 organizations	
	22%	36%	32%	7%	4%
Non-trustee individual contributions	375 organizations		220 orgs	72 organizations	
	18%	38%	33%	8%	3%
Overall ticket sales/admissions	330 organizations		242 orgs	95 organizations	
	13%	36%	36%	11%	3%
Government contributions	320 organizations		284 orgs	63 organizations	
	18%	30%	43%	6%	9%
Trustee contributions	245 organizations		307 orgs	115 organizations	
	12%	24%	46%	9%	8%

Government contributions and Overall Ticket Sales were better positioned to stay the same or come in slightly higher. Whereas, Corporate, Foundation and Non-Trustee contributions are projected in general to be lower than originally budgeted. Of all the income areas reported, the majority of organizations cite Trustees as more supportive given the economic challenges in the current fiscal year.

Contributed Income

- Of all the income areas reported, the majority of organizations cite Trustees as more responsive to the economic challenges in the current fiscal year, with 63% making the same or higher contributions this year. However, across all budget groups, Trustee giving is reported as primarily **similar to, same as or somewhat lower** than originally projected, at 64%-79% of organizations.
 - Smallest of organizations report the highest percentage of “substantially lower” Trustee giving (under \$249K, at 18-19% of organizations).
- Corporate, Foundations and Non-Trustee individual contribution income sources are reported at a higher percentage as **somewhat lower** or **substantially lower** from original budgets, at 56%-64%.
 - 10% of organizations under \$1m (48 of 488) report a **somewhat higher** or **substantially higher** change in income from Corporate sources, as compared to only 4% of organizations over \$1m (7 of 179). [Note however that the smallest organizations (under \$250K) primarily report **similar to or same as** originally projected income. With no option for “not applicable”, this may or may not be an indicator that, for a segment of theatres that might not normally receive Corporate contributions, no change means not applicable as well.]
 - From the larger organizations, of \$1m and over, none of the 179 organizations reports Non-Trustees contributing **substantially higher** than originally projected (although only 4%, or 19 of the 488 organizations under \$1m report as such).
 - Although just over 10% of all organizations (69 of 667) report Foundation income projections as **somewhat higher** or **substantially higher**, there is no clear trend across budget groups. For example, the highest percentages are in orgs under \$50K (21% of orgs), \$3m-\$4.9m (16%), and \$500K-\$999K (11%), and the lowest percentages are at \$250K-\$499 (4%), \$10m+ (4%), and \$5m-\$9.9m (6%).
- Government contributions
 - Of the 23 organizations reporting **substantially higher** projected income in Government contributions, California, Massachusetts, and Pennsylvania comprised of 17 of the orgs.

Overall Ticket Sales

- Mid-sized and large organizations, such as those in the budget groups of \$500K and over are more affected by “**substantially lower**” or “**somewhat lower**” ticket sales.
 - \$500K-\$999K = 55%, or 55 of 101 orgs
 - \$1m-\$4.9m = 54%, or 66 of 122 orgs
 - \$5m and over = 65%, or 37 of 57 orgs
- Smaller organizations such as those under \$500K cluster more around “**somewhat lower**” and “**similar to or same as**” original budget. (under \$50K = 72%, or 85 of 117 orgs; \$50K-\$249K = 77%, or 125 of 162 orgs; \$250-\$499K = 68%, or 73 of 108 orgs).

CASH FLOW and ENDOWMENTS

354 organizations (53%) expect to experience cash flow problems this year.

- 55 of Under \$50K, or 47%
- 80 of \$50K-\$249K, or 49%
- **63 of \$250-\$499K, or 58%**
- **56 of \$500K-\$999K, or 55%**
- **58 of \$1m-\$2.9m, or 68%**
- 17 of \$3m-\$4.9m, or 46%
- 15 of \$5m-\$9.9m, or 48%
- 10 of \$10m and over, or 38%

10% of all organizations reported having difficulty securing a line of credit. 147 organizations (22%) report having an endowment, and as probably would be expected, 80% of these are represented by larger organizations (over \$500K).

ACTIONS IN RESPONSE TO ECONOMIC CRISIS

When asked, companies indicated they are implementing or plan to implement strategies to counter effects of the economic crisis as detailed below. Some have indicated that although they plan to implement new strategies, they are still assessing which strategies to implement.

6. Have you taken or do you plan to take any of the following budgetary actions in response to the economic crisis? (Respondents were asked to check all that applied.)		
	# of Respondents	% of Respondents
More use of technology and social networking	470	70%
Revised internal planning process	390	58%
More communication with stakeholders	374	56%
Shared services with other organizations	334	50%
Reduction or freeze of salaries	315	47%
New ticket discounting	286	43%
Additional income-generating programming (non-ticket sales)	256	38%
Reduction in traveling/conferences	238	36%
Narrowing of focus to programs within the core of artistic mission	198	30%
Alternative uses of facilities	191	29%
Reduction in the number of administrative staff	191	29%
Reduction in number of productions/exhibits	169	25%
Reduction or cancellation of other programming or events	163	24%
Reduction in the number of technical/production staff	150	22%
Reduction in number of performances/exhibit hours	145	22%
Substitution of a larger cast show in your season with a smaller cast show	137	21%
Other, please specify	131	20%
Reduction in the number of artistic staff	126	19%
Broadening of focus to programs outside the core of artistic mission	95	14%
Imposition of staff furloughs	57	9%
Halt/reassessment of Capital Campaign	57	9%
Other, please specify	59	9%
Requirement of greater employee contributions to company health plan	54	8%
Substitution of a produced show in your season with a booked-in show	43	6%
Reduction in other fringe benefits	32	5%
Suspension of retirement plan matches	29	4%
Reduction in spouse/family benefits	13	2%

FUTURE YEAR BUDGET PROJECTIONS

Looking forward beyond the current fiscal year, respondents were asked about budget projections for the next fiscal year.

Most organizations (88%) reported plans to keep budget levels the same as or decrease their budgets from the current year.

7. Budget Plans for next season:		
	# of Respondents	% of Respondents
Increasing budget from this season	77	12%
Decreasing budget from this season	260	39%
Keeping budget the same as or similar to this season	330	49%
Total	667	100%

When asked what other useful fiscal information could be collected, some notable responses included:

- What solutions were implemented that had proven successful/unsuccessful to date
- How many [organizations] have already closed and what, if any, characteristics are common?
- An understanding of how theaters are sharing resources.
- Gather data on the depth of reductions anticipated
- Change in ratio of earned vs unearned
- Actual numbers across foundations and individual donors in terms of how their contributions have changed
- Fundraising event outcomes
- Available loans for nonprofits
- Debt service burden as a percentage of expense
- Are people updating or changing subscription models?
- Projected ticket pricing for next year: higher, lower or the same?
- Question regarding price point of activities that saw increase or decrease. It would be interesting to see if the public is limiting their cultural outings overall or just high-priced events.

Additional General Comments:

A noticeable number of companies cited that their Fiscal Year runs January to December and indicated that it was too soon to predict results for several questions. Yet others that cited years ending in June or September noted it would be helpful to capture information at the end of the fiscal year.

A common refrain from a large number of organizations was similar to this comment: "We expect to experience the impact of the economic downturn more fully in the upcoming fiscal year than we have in the current fiscal year."

"We have the tools to navigate this economic terrain, we just need an infusion of bridge funds. In short, we have done all the right things: continued awards, good financial tracking and forecast, best practices

regarding board relations/responsibility, etc. We just need some serious gas in the car (\$\$\$) because we are set and ready to go.”

“Fortunately, we are not suffering yet at the box office. Only fundraising. We cancelled a fundraising event because it became apparent that donors would prefer that their support went totally into our productions-- and not to pay hotel, catering, etc.”

“We have several events that are billed as "sliding scale suggested donation". Our attendance (and revenue) from the last two events (Jan & Feb) were among the highest in our history. It seems that visitors are looking for low-cost alternatives for entertainment/cultural experiences and are still willing to contribute on a small scale.”

“We are striving to add Board Members as quickly as we can to counter a probable huge drop in foundation income next season and also hope to collaborate or co-produce more with other theatres.”

“Thank you for your continued communication through these snapshot surveys. They not only provide valuable data, but the questions themselves also help reinforce that we are asking all of the right questions internally.”

This report was written by Jeff Poulos, Executive Director at StageSource, in advance of the Association of Performing Arts Services Organization conference in Boston, March 25-28, 2009. Special thanks to Christopher Shuff and Ilana B. Rose at TCG for the design and implementation of the survey, to the APASO organizations that also distributed the surveys, to Tiffany Wilhelm, Director of Development and Membership at the Greater Pittsburgh Arts Council, for the original format for portions of this report, and to the 667 arts organizations that took the time to complete the survey.