

Executive Summary

Background

Like all nonprofits, arts and culture organizations are not immune to the inevitable shifts in fiscal health due to trends in the region's economy and in charitable giving. In recent years, however, the shifts have turned sharply downward due to budget crises for one of the industry's most important supporters – local government. With cherished arts and cultural assets in Erie and Niagara Counties struggling to make ends meet, the region is suddenly forced to confront a series of provocative questions.

With increasingly limited resources, how can the region sustain an industry integral to Buffalo Niagara's economy and quality of life? Can the region fill this gap while providing a higher degree of funding predictability? If not, how will it be determined which organizations are left to falter? If so, whose responsibility is it to bridge the fiscal chasm – the public sector, the private sector, the cultural institutions themselves, or all of the above?

Scope

The Institute for Local Governance and Regional Growth, a public service and research unit of the University at Buffalo, has been asked to address these questions for Erie and Niagara County through *Sustaining Arts and Culture in Buffalo Niagara*. Sponsored by a consortium of board chairs from 10 major arts and cultural groups in Erie County, the report provides a five-part analysis of:

- **Funding trends** in arts and culture philanthropy
- **Economic impacts** of the industry upon the region
- **Alternative approaches** to cultural support undertaken by other regions
- **Potential funding models** for Buffalo Niagara
- **Recommendations and actions steps** for restructuring the region's funding system to provide more reliable, sustainable support

The study took place from June through November 2006 and is based on: 1) surveys of 22 Erie and Niagara County cultural organizations and their visitors; 2) analysis of data and trends in arts and culture support; 3) research of arts and culture funding in other regions; 4) a review of local cultural and fiscal policies; and 5) interviews of more than 50 arts and culture stakeholders in the region.

Findings

Arts and Culture Funding – Current and Historical Perspectives

- Both locally and nationally, government support for arts and culture institutions is relatively modest compared to earned revenues or private philanthropy
- The region's arts industry is more self-reliant (generates more earned revenues as a proportion of total revenues) than the nation's arts industry
- Overall, the region's private sector (foundations, corporations and individuals) gives proportionately less to arts and culture than does its national counterpart
- Total public support (federal, state and local government donations) to arts and culture in Buffalo Niagara is above the national average; local government support is slightly lower than average
- Within the region there are significant cross-county differences between Erie and Niagara Counties
- Cultural leaders and the philanthropic community differ in their perspectives on the region's key challenges in arts and culture funding, including the outlook for growth from some sources of charitable giving

The Economic Impact of Arts and Culture

In 2005, the 22 organizations and their visitors generated significant economic impacts. In that nearly all of the region's largest cultural organizations are included in the study sample, their impacts represent a significant majority of the overall industry impact in the region. Specifically, the 22 organizations:

- **Generated a \$264 million economic impact**
- **Returned \$9.65 for every philanthropic dollar** contributed by public and private donors
- **Supported 3,819 full- and part-time jobs** in Erie and Niagara Counties
- **Generated \$11.4 million in sales taxes**, of which \$6.2 million went directly to Erie and Niagara County government
- **Attracted 2 million visitors**, a level of attendance greater than the combined 2005 season attendance for the Buffalo Bills, Buffalo Sabres and Buffalo Bisons

Dedicated Funding for Arts and Culture

A review of more than 30 regions with dedicated support for arts and culture found a wide range of possible funding models. These fall into three main categories: **tax-based models** (sales, property and lodging); **public-private models** (United Arts Funds, cultural trust funds and creative districts); and **other public models** (casino/lottery revenue, utility bill fees and cultural license plates). Several themes emerged from this analysis:

- Implementation of dedicated funding models is typically **precipitated by fiscal crisis** in the arts and culture industry
- The **relative significance of dedicated support to cultural groups' overall budgets varies** across regions
- **Controversy over dedicated arts support concentrates on equity** (matching those who provide support to those who benefit) **and the distribution of revenues**
- **Dedicated funding models typically support a broad range of cultural organizations**

Alternative Funding Mechanisms for Buffalo Niagara

Analysis of the status quo and **five dedicated funding models** yielded several insights:

- The **status quo** (reduced funding levels in Erie County and little or no funding in Niagara County) provides insufficient support, although Erie County's cultural governance board is highly regarded
- The **property and sales tax** models would generate significant support, but present political obstacles, although more so for a tax hike than for a tax earmark
- The **lodging tax** is attractive for shifting the fiscal burden to visitors, but could be detrimental to the hotel industry; its funding stream by itself would be insufficient for arts and culture
- A foundation and corporate collaborative effort – **Fund for the Arts** – would likely be inadequate on its own, but offers a key advantage in its flexibility for the private sector
- A **United Arts Fund** engaging public and private donors could leverage enough support for the industry, but bears high administrative costs

Recommendations

The report makes a **three-part recommendation**:

- **Form a Task Group of representative cultural leaders** to serve as the coordinating entity and leader in undertaking the challenge of reforming the region's funding process
- **Implement an aggressive marketing strategy** making a stronger case for arts and culture impacts upon the region's economy and quality of life, as well as the value of dedicated funding for the sector
- **Pursue a dual-funding strategy** obligating more consistent and dedicated support from the private and public sectors

Action Steps

- Engage a broader base of industry stakeholders to advise and complement the Task Group in implementation
- Fund and implement an advocacy and public education campaign to build support for arts and culture
- Establish a recurring Fund for the Arts for private sector funding
- Select a dedicated public funding source, determine its governance structure and draft legislation
- Investigate United Arts Fund as a long-term funding option for arts and culture
- Review capital funding for arts and culture in the region and develop long-term capital investment plan in coordination with operations support

