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PITTSBURGH ARTS ORGANIZATIONS
FINANCES, PUBLIC AND PRIVATE FUNDING
AND IMPACT ON THE LOCAL ECONOMY

Prepared for the:
Pittsburgh Cultural Trust

Prepared by the:
Pennsylvania Economy League, Inc.
Western Division

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PITTSBURGH ARTS ORGANIZATIONS

EXECUTIVE SUMMARY

The community of Pittsburgh's not-for-profit arts organizations contribute to the City in two very significant ways. These 175 arts organizations are, first and foremost, creative organizations, bringing dance, visual arts, theater, opera and a wide range of cultural activities to City residents. The arts organizations are major contributors to the region's growing national recognition and reputation.

But, they also bring jobs, dollars and economic growth to our region's economy. Very significant, measurable dollar contributions to this region can be traced directly to this same not-for-profit arts community.

Thirty-six of these Pittsburgh not-for-profit arts organizations volunteered their financial data and assistance for this study. The Pennsylvania Economy League then examined, in great detail, the finances of these organizations, and asked: "What is the cost of these economic and creative contributions to the community, and what is the current financial state of the arts in Pittsburgh?"

The Cost of the Arts to Pittsburgh

Arts organizations, to meet their expenses, draw income from a number of sources. Some of these sources are partially under the control of the organizations themselves. These are primarily, earned income from subscription and single ticket sales, from concessions and other related activities, and from endowments.

Some of the sources are in the hands of others. These are government, individual, foundation and corporate giving. These sources have to make up the shortfall between the revenues that the organizations can produce themselves and their total expenses.

The following is a profit and loss statement for 36 Pittsburgh arts organizations. It includes all of the major arts organizations within the City and most of the smaller groups. The statement is intended as an estimate of the cost of the arts in Pittsburgh. Because the income and expense figures for each arts organization are not based on the same fiscal year, the statement does not represent the experiences for a particular year. The statement, however, does approximate a typical annual experience for these 36 organizations, as a group, in the late 1980s.

PROFIT AND LOSS STATEMENT
36 Pittsburgh Arts Organizations

Total Expenses		\$40,860,783	100%
Regular Income			
Earned Income	\$19,991,239		49
Endowment	5,306,032		13
Total		<u>25,297,271</u>	62
Shortfall		\$15,563,512	38
Contributed Support			
Government	\$3,038,236		7
Corporations	1,624,623		4
Foundations	3,503,616		9
Individuals	2,632,513		6
Other	3,938,191		10
Total		<u>\$14,737,179</u>	36
Deficit		<u>\$ 826,332</u>	2

Note: "Other" category includes parent organization support, and corporate, foundation, and individual contributions for some organizations.

The total expenses for the 36 arts organizations were \$40,860,783. The organizations met 49 percent of these expenses with earned income and 13 percent with endowment income. The shortfall was \$15,563,512, or 38 percent of expenses.

THE ARTS COST PITTSBURGH \$15,563,512.

The cost was reduced by \$14,737,179 through government, individual, corporate, and foundation giving. The contributed income came close to covering the cost, although a deficit of \$826,332 remained.

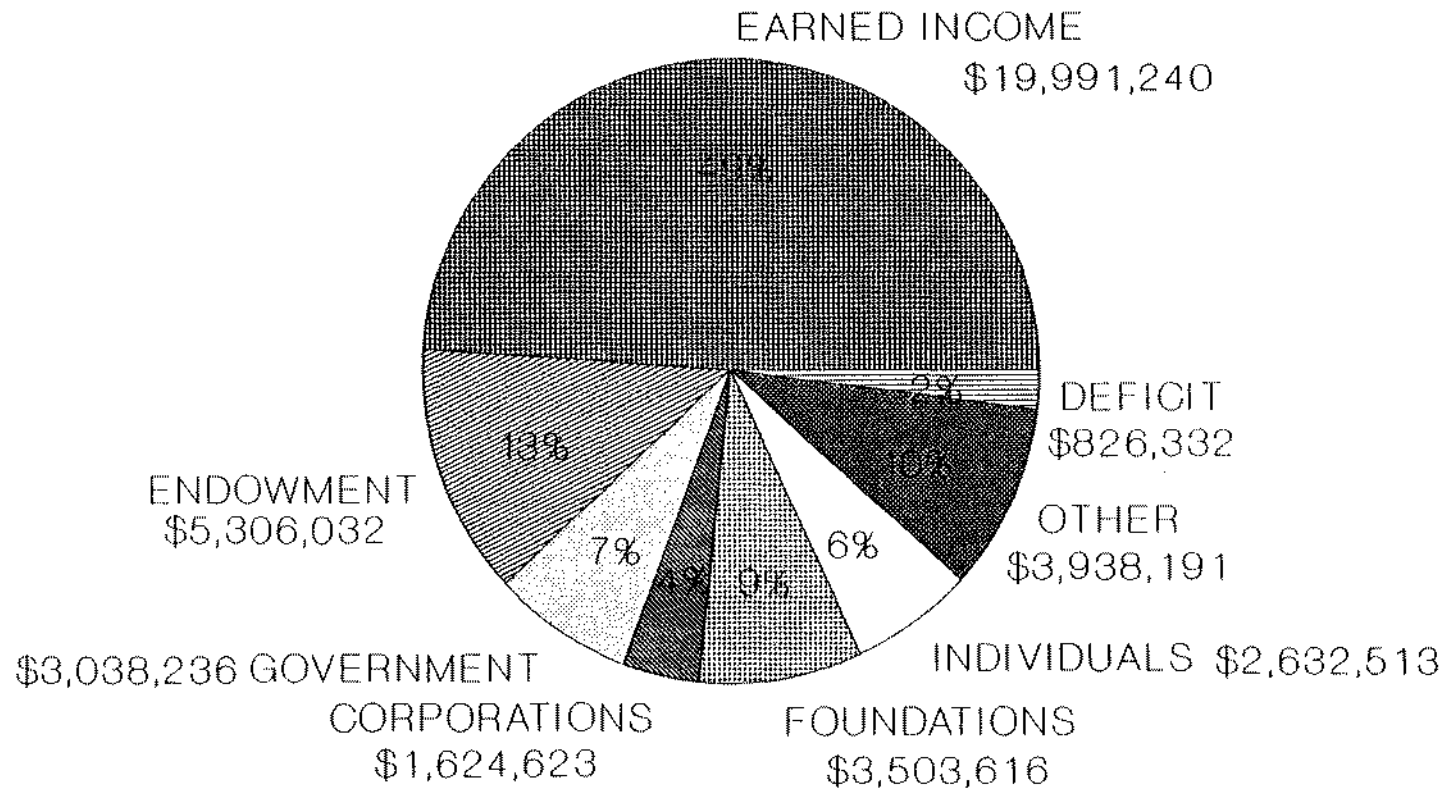
The Economic Impact of the Arts

The arts may cost Pittsburgh over \$15.5 million a year, but the arts also contribute to Pittsburgh. The obvious contributions are artistic. The Pittsburgh arts organizations can claim part of the credit for the City's Number One ranking. The contributions are also economic.

THE 36 ARTS ORGANIZATIONS SPENT \$40 MILLION FOR ONE YEAR'S PROGRAMS AND EVENTS IN PITTSBURGH.

This includes purchases on goods and services, salaries and contract fees. Much of this goes into the local economy.

INCOME AS PERCENT OF EXPENSES 36 ARTS ORGANIZATIONS



THE LEAGUE'S SURVEY OF ARTS ORGANIZATIONS' EMPLOYEES REVEALED THAT HALF OF THE EMPLOYEES LIVE WITHIN THE CITY AND ANOTHER 44 PERCENT IN THE REST OF ALLEGHENY COUNTY OUTSIDE OF THE CITY.

Arts organizations also typically spend at least 75 percent of their non-payroll budgets locally.

THE 36 ARTS ORGANIZATIONS HAD 466 FULL-TIME EMPLOYEES AND ANOTHER 791 PART-TIME EMPLOYEES.

The full-time equivalent employment was 699. In addition to this direct employment, the League estimates that spending by arts organization employees and by the arts organizations themselves generated another 858 full-time local jobs.

Arts events draw people into the City and they spend money.

THE TOTAL ANNUAL ATTENDANCE FOR THE 36 ARTS ORGANIZATIONS WAS 2,802,821.

THE LEAGUE'S AUDIENCE SURVEYS REVEALED THAT ONLY 25 PERCENT OF THE ARTS AUDIENCE COMES FROM PITTSBURGH.

AN ADDITIONAL 50 PERCENT COMES FROM THE REST OF ALLEGHENY COUNTY OUTSIDE OF PITTSBURGH, AND THE REMAINING 25 PERCENT FROM OUTSIDE OF ALLEGHENY COUNTY.

EACH AUDIENCE MEMBER SPENDS AN AVERAGE OF \$19.93 IN ADDITION TO THE COST OF THE TICKET.

BASED ON THE AVERAGE PER PERSON SPENDING AND THE TOTAL ATTENDANCE, THE LEAGUE ESTIMATED THAT ARTS AUDIENCES SPEND \$55,860,223.

THIS LEVEL OF SPENDING CAN GENERATE 1,060 FULL-TIME LOCAL JOBS.

The total primary and secondary employment due to arts organization and audience expenditures is impressive.

ARTS ACTIVITY GENERATES THE EQUIVALENT OF 2,617 FULL-TIME, LOCAL JOBS.

The total dollar amount is equally impressive.

THE LEAGUE ESTIMATES THAT, DIRECTLY AND INDIRECTLY, THE 36 ARTS ORGANIZATIONS GENERATE \$121,732,301 IN THE LOCAL ECONOMY.

The burden of meeting the cost of the arts in Pittsburgh falls on the organizations themselves, on government and on private and corporate giving. All have contributed in the past and will have to contribute in the future to control and meet shortfalls.

Arts Organizations

There are a number of ways that the arts organizations themselves can reduce the cost of the arts in Pittsburgh. They can attempt to match increases in expenses with similar increases in earned income. They can attempt to increase individual contributions from audience members. They can reduce costs.

A key factor in increasing earned and audience-related contributed income is the size of the audience itself. Increasing the size of the total Pittsburgh arts audience can benefit all organizations. The future growth of arts activity in Pittsburgh is dependent on the ability of arts organizations throughout the City to develop the audience they need to fill seats and galleries.

Most members of the Pittsburgh arts audience do not come from Pittsburgh. Seventy-five percent of the audience comes from outside of the City. This pattern is encouraging. Pittsburgh arts organizations have demonstrated their ability to attract large numbers of people into the City. Geographically, the market for the arts extends far beyond the City's limits and even beyond the County's limits.

Those members of the audience who do reside in the City come primarily from east-end neighborhoods. This pattern is also discouraging. Pittsburgh arts organizations have not been able to attract large numbers of people from many of the City's neighborhoods. This has not been for want of effort, but it is beyond the capacity of any one arts organization to market downtown Pittsburgh and the arts throughout the area to all of the residents of the region.

Government

Local government funding has been fairly stable over the last few years. The decline in operating support from the City has been partially made up by increases from the County. There is little reason to believe that local government support will increase in the future. State support has been increasing markedly in the past few years, but there is little reason to expect that state support will continue to undergo similar, major increases in the near future.

Government support for the arts in Pittsburgh is tempered by government taxes on arts activities. The amusement tax brings more funds to the City than the City provides in operating support for arts activities.

THE ELIMINATION OF THE AMUSEMENT TAX WOULD KEEP WELL OVER ONE MILLION DOLLARS IN TICKET REVENUES IN THE CULTURAL DISTRICT.

Local tax reform may provide the City with an opportunity to cut, if not to eliminate, the amusement tax.

Corporations and Foundations

Foundation and corporate support for the arts in Pittsburgh has been fairly stable. Corporations in Pittsburgh have long recognized the role that a healthy arts community plays in attracting and keeping employees and their families. Unfortunately, the need for private support is increasing as arts activity increases and inflation drives costs upward. Nationally, private giving has kept up. Pittsburgh, with the continuing round of mergers, acquisitions and departures, has lagged behind.

PRIVATE SUPPORT HAS TENDED TO FAVOR LARGER ORGANIZATIONS. THE 11 MAJOR ORGANIZATIONS AMONG THE 36 PITTSBURGH ARTS ORGANIZATIONS RECEIVED A TOTAL OF \$9,436,598 IN PRIVATE SUPPORT, WHILE THE REMAINING 25 SMALLER ORGANIZATIONS RECEIVED A TOTAL OF ONLY \$2,162,345.

Even though the major organizations received more private support, this private support is more significant for smaller organizations. Because they lack the earned income the larger organizations are able to attract, they are more dependent on contributed support.

THESE SMALLER ORGANIZATIONS ARE AT GREATER RISK THAN THE LARGER ORGANIZATIONS.

Corporate and foundation givers have a special responsibility for assisting and encouraging these smaller organizations because they contribute so much to the artistic vitality of the City. If private support for the arts cannot be increased in the face of increasing demand for private funding by all organizations, the smaller organizations cannot be left out of the allocations.

ATTENTION HAS TO BE GIVEN TO THESE SMALLER ORGANIZATIONS BY CORPORATE AND FOUNDATION GIVERS.

All Participants

There has been little formal coordination between arts organizations and the corporations, foundations and governments supporting them. These supporters may not be making their allocation decisions based on a review of the present needs of individual arts organizations or the arts community as a whole. In this view, the direction in support for the arts is a product of repetition and not critical review.

The structure of support for the arts in Pittsburgh is an informal one. At times, and with specific projects, individuals and individual organizations may come to the fore, as has been the case with the Cultural District and the Cultural Trust, but there is no formal coordination for the arts in Pittsburgh. The benefits which could be derived from a coordinating agency can be seen in the development of the Cultural District to date. A similar cooperative effort is needed, community-wide, if the impact of the arts on Pittsburgh's economy is to continue to grow.

The League strongly recommends that the Cultural Trust convene a public-private task force to fully examine the issues raised in this report, including the need for future partnerships, and to recommend appropriate action steps to address these issues.

FOREWORD

Pittsburgh is a town of dollars and sense. It is, as the nation's third largest corporate headquarters, a town of the "bottom line." Return on investment, balanced budgets and deficits are terms heard regularly on Grant Street, Wood Street and, lately, on Liberty Avenue, since they are applied with increasing frequency and rising urgency to the organizations which make up Pittsburgh's not-for-profit arts community.

Most not-for-profit arts organizations attempt to run with a balanced budget; i.e., annual income equals annual expenses. But, what does this really mean here in Pittsburgh? Does all the money collected at the door of a performance cover all the expenses of producing that performance? If not, what are the other sources of income for Pittsburgh's arts organizations? How much, for example, does local government contribute, measureDagainst how much it collects with the amusement tax?

What does an arts organization spend to produce a show? How many people attend the arts here in Pittsburgh, and how much does the average attendee spend on parking and dinner before or after the show? How many people are employed by Pittsburgh arts organizations, where do they live and where do their dollars go?

Can we compare the costs of the arts against the benefits they produce? What do these arts organizations bring to the City? What has been generated by the resurgence of arts activity happening throughout Pittsburgh?

In 1987, the Pittsburgh Cultural Trust brought together a wide variety of public and private Pittsburgh organizations, and suggested that they help finance a year-long financial study of these and many other questions. Family and corporate foundations, local and state governmental units, and several public/private agencies all agreed to participate. The result, a thorough analysis of the economic state of the arts in Pittsburgh, completed by the Pennsylvania Economy League, follows this introduction.

The Cultural Trust was founded in 1984 to support the development of a cultural district in downtown Pittsburgh, and the growth of the arts generally in the region. And the Trust believes that the health, strength and creativity of that cultural district is dependent on the growth and development of all the arts in Pittsburgh. The Trust is committed to the arts in Pittsburgh.

The Pennsylvania Economy League was founded in 1936 by leaders in the local business community as a nonprofit, nonpartisan research organizations. The League provides advice

and assistance on a wide range of topics to local and state government and to nonprofit organizations. The League is committed to making the Pittsburgh region a better place in which to live, to work and to enjoy the amenities of life.

Hence, the Trust asked the League to examine:

- * The effects of the arts on the local economy;
- * The financial health of Pittsburgh arts organizations;
- * The impact of government, and especially local taxes, on the financial health of those arts organizations, and an intercity comparison of the local taxes on and local support for the arts; and
- * The organization of local private support for the arts in Pittsburgh and a comparative analysis of private support in Pittsburgh and other cities.

The League interviewed several foundation leaders and dozens of arts managers, queried hundreds of arts employees and surveyed thousands of Pittsburgh's audience members. They looked at comparable cities and at other states. They examined, in great detail, the financial statements of 36 Pittsburgh arts organizations, and then, by comparing them with national norms, provided Pittsburgh arts managers with some measure of how they are doing - of where they stand with their peers.

But perhaps the most interesting numbers arose from their analysis in the first section, the economic impact of the arts on Pittsburgh's economy. The number of jobs and the dollar value of their economic contribution to the City's continuing renaissance makes a strong statement for the value of the arts to Pittsburgh.

It is important to know that almost three million people attend performances in Pittsburgh over a twelve month period. And certainly, it is economically significant to realize that 36 arts organizations employ over 1,200 people. But the arts do not only benefit those three million, or even just those 1,200. They are important to all of us, whether we are audience or not. The restaurant near the theaters has had to hire more waiters, buy more food, pay more taxes. The parking lot next to the restaurant has had to add another attendant for performance evenings. The print shop has had to buy more paper for programs. The dry cleaner has had more work, utilities have provided more service and the entire community has benefited.

However, these numbers should not make us lose sight of the arts' first contribution to our lives and to our communities. It is not enough to know how many dollars they contributed, or that, as the League will show, they contributed much more than they cost, but rather, and quite simply, that they enrich our lives. The arts are good for Pittsburgh; they make the quality

of our daily existence much richer, much more colorful and much more exciting. Our lives have more meaning because of the arts.

Think of Pittsburgh without its galleries, its dancers, its musicians, its performance halls, its arts programs in the classrooms, its festivals. The arts are an integral part of all our lives, whether we attend the International, the Symphony, the Blatent Image, or a movie. The arts give meaning to our existence; they make us look at our lives from the viewpoint of challenge, of change, of beauty. While they are important to our community economy, they are also very important for our community spirit, our eyes, our heads and our hearts.

We thank the Pennsylvania Economy League, and we thank all the contributors to this study. We thank the arts managers and employees for their cooperation, and we thank those who participated in the audience surveys. This is truly a community effort, and we know that the community's return is a richer, more adventuresome, more creative, more challenging artistically, and more productive economic environment for Pittsburgh.

This project was undertaken with the support of the following:

Alcoa Foundation
Allegheny Conference on Community Development
Claude Worthington Benedum Foundation
CNG Foundation
Greater Pittsburgh Convention and Visitor's Bureau
Howard Heinz Endowment
Laurel Foundation
Mellon Bank
Pennsylvania Council on the Arts
Pittsburgh Foundation
PNB Foundation
PPG Industries Foundation
Urban Redevelopment Authority of Pittsburgh

The opinions expressed herein are the opinions of the Pennsylvania Economy League and do not necessarily reflect the opinions of any of these organizations.

The Pittsburgh Cultural Trust
March 1989

PITTSBURGH ARTS ORGANIZATIONS

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INTRODUCTION

The Pennsylvania Economy League completed this study of the finances and economics of Pittsburgh arts organizations for the Pittsburgh Cultural Trust.

The study addresses four issues. They are the economic impact of the arts on Pittsburgh, the financial health of arts organizations, government support of and taxes on the arts, and private support of the arts. The goal of the study is to identify the tangible benefits the arts bring to Pittsburgh and the cost of the arts for Pittsburgh.

The League used three primary sources of information for the study. The first was the Organizational Profiles which are prepared by individual arts organizations for the Pennsylvania Council on the Arts as part of the state funding process. The forms, designed by the Council on the Arts in 1983-1984, were developed to enable the state to record consistent data and to measure the economic impact of the arts on a state-wide basis.

It is important to note that these Profile forms are submitted as a companion to the organization's application for funding. These applications generally require a balanced budget; i.e., deficits are "covered" by proposed income. Further, there is the possibility of confusion, with respect to the fiscal year, for some arts organizations when they fill out the Profiles.

The Profile asks for fiscal data for three years, and then for detailed information on the "Last complete fiscal year." Hence, it is possible for an organization to fill out this form in early 1988, but, if the 1987 audit is not complete, consider data from 1986 as their last complete fiscal year. The last source of potential confusion is the basis of accounting. If an organization uses a cash basis of accounting, multi-year grant revenues, deferred revenues and pre-paid expenses received or paid in one year will be accounted for in that one year and not allocated to the appropriate years.

Pittsburgh arts organizations provided copies of these Profiles to the League. In a few instances, for the arts organizations which had not applied for state funding, the arts organizations completed the Profiles for the League.

The second source was a series of audience and employee surveys conducted by the League. With the cooperation of six arts organizations, the League conducted extensive audience surveys to identify expenditures by audience members. The arts organizations assisting the League in this were the Opera, the Symphony, the Civic Light Opera, the Public Theater, the Three Rivers Shakespeare Festival and the Society for Art in Crafts.

The third source was a series of interviews conducted by the League with arts organization, foundation and corporate executives and with other interested parties. The League completed two dozen interviews.

For the purposes of the study, the League focused on 36 City arts organizations. These organizations include all of the major organizations in the City, most of the medium-sized organizations and a good number of smaller organizations. They include visual as well as performing organizations.

The League was able to obtain fairly extensive financial information from the 36 arts organizations through the Organizational Profiles. The information was entered into a computerized data base and used in a number of different ways during the course of the study. This was supplemented with interviews with representatives from some of the organizations.

The League also focused on a smaller group of 15 performance organizations drawn from the larger group of 36 arts organizations. This smaller group of performance organizations was used to compare and contrast the characteristics of larger and smaller arts organizations.

The study itself is divided into five sections.

The first section examines the economic impact of the arts on Pittsburgh and finishes with an analysis of the impact of the Cultural District on Pittsburgh.

The second examines the finances of the 36 arts organizations and identifies some of the financial problems facing arts organizations and the Pittsburgh arts community.

The third section examines government support for the arts and taxation of the arts in Pittsburgh and in four other cities, San Diego, St. Louis, Seattle and Phoenix.

The fourth section examines private funding for the arts in Pittsburgh, with some reference to private funding in the four other cities.

The last section presents general findings and conclusions.

The League wishes to thank the members of the Pittsburgh arts, foundation, corporate and government community who assisted the League with information, helpful advice and constructive criticism. The League also wishes to thank members of the arts communities in Seattle, St. Louis, San Diego and Phoenix for providing the League with information on activities in their cities. The findings, conclusions and opinions which are found in this report are the responsibility of the League. The errors and omissions which undoubtedly appear in this report are also the responsibility of the League.

THIRTY-SIX PITTSBURGH ARTS ORGANIZATIONS

The smaller group of 15 performance organizations are underlined.

<u>Name of Organization</u>	<u>Organizational Profile Year</u>
Carnegie Museum of Art	85
<u>Civic Light Opera</u>	86
<u>Pgh Ballet Theatre</u>	87
<u>Pgh Dance Council</u>	87
<u>Pittsburgh Opera</u>	87
<u>Pgh Public Theater</u>	86
<u>Pgh Symphony Society</u>	87
Pgh Cultural Trust	86
<u>River City Brass Band</u>	88
Pgh Center for the Arts	87
Three Rivers Arts Festival	86
Blatent Image/Silver Eye	87
<u>City Theatre Company</u>	86
CMU Art Gallery	86
Manchester Craftsmen's Guild	87
Mattress Factory	87
<u>Mendelssohn Choir of Pgh</u>	88
Pgh Children's Festival	87
<u>Pgh Dance Alloy</u>	87
<u>Pgh Filmmakers</u>	86
<u>Pgh New Music Ensemble</u>	87
Society for Art in Crafts	87
Stephen Foster Memorial	86
<u>Three Rivers Shakespeare Festival</u>	87
<u>Young People's Orchestra</u>	87
<u>Y Music Society</u>	87
Assoc. Artists of Pgh	86
Bach Choir of Pgh	87
Gateway to Music	87
Harambee of Pittsburgh	87
Kingsley Assc. S.S.Review	87
Pgh Chamber Music Soc.	87
Pgh Fund for Arts in Education	87
Pitt Poetry Series	86
Renaissance & Baroque Society	86
Summerfest Inc.	87

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SECTION ONE

THE ECONOMIC IMPACT OF THE ARTS IN PITTSBURGH

Pittsburgh arts organizations make a substantial economic contribution to the City. This contribution comes from spending by the arts organizations themselves, by employees and by audience members. The contribution includes the first round of spending by these three groups and subsequent rounds of spending generated by the first round.

THE LEAGUE ESTIMATES THAT THE TOTAL IMPACT ON THE CITY'S ECONOMY EXCEEDS \$120 MILLION ANNUALLY.

This section addresses the economic contribution of the arts on the local economy. The model for this portion of the League's study is a pilot project conducted in Baltimore in the late 1970s, commissioned by the National Endowment for the Arts; the results are published as Economic Impact of Arts and Cultural Institutions: A Model for Assessment and a Case Study in Baltimore.¹ This study, developed by David Cwi and Katherine Lyall, at the Center for Metropolitan Planning and Research at Johns Hopkins University, is being used in an increasing number of metropolitan areas to identify the costs and benefits associated with city arts groups.²

In assessing the economic impact of the arts in Pittsburgh, the League built upon the basic foundation the Baltimore project offers, and modified the specifics of the study to capture nuances in the Pittsburgh cultural scene. To this end, the League reviewed economic inputs associated with the arts in Pittsburgh by separating the "economic impact" into three measurable components.

First, the League reviewed the monetary inputs associated with attending a cultural event in Pittsburgh. Second, the League focused on inputs related to the employees of art organizations, such as taxes paid to the City and the percentage of income spent in Pittsburgh annually. And finally, attention was directed to inputs by the arts organizations, themselves, in the form of salaries and the purchasing of goods and services.

To obtain this information, the League:

1. reviewed information and interviewed arts administrators to ascertain organizational spending and purchasing trends;
2. conducted a mail survey to obtain employee characteristics;³ and
3. conducted "at performance" audience surveys to isolate audience characteristics.

There are over 175 arts organizations in the Pittsburgh area. The League requested and reviewed financial documents, as well as copies of Organizational Profiles completed by the individual organizations in application for grants from the Pennsylvania Council on the Arts. Eighty organizations supplied the League with copies of their most recent Organizational Profiles. Groups who had not recently applied for artistic funding with the Council for the Arts complied with the League's request by completing the Profile form. The Profiles provide detailed information on staffing, attendance, performances, revenues and expenditures. (A copy of the Organizational Profile can be found in Appendix One.)

The information obtained by the League in the Organizational Profiles was verified through interviews conducted by the League with the administrators and staff of 36 Pittsburgh arts organizations. These organizations were selected from the 80 responding arts groups because:

1. they are located within the City of Pittsburgh; and
2. they provided the most complete and recent documentation.

The personal interviews provided an opportunity for the League to view internal procedures and grasp intangible factors that may influence organizational decision-making.

In conducting an employee survey, the League was interested in determining the secondary effect of money spent by Pittsburgh arts organizations. More specifically, how much of the money stays in the City or the County, and how is the money expended? Questions on the survey included:

1. how much is spent annually in property taxes?
2. how much is gained annually in investment returns?
3. does this employee have children enrolled in the public school system?
4. does this employee own or rent his or her present place of residence?

In addition to these questions, some demographic information was obtained regarding employment status and income. (A copy of the Employee Questionnaire can be found in Appendix One.)

Finally, the League implemented and coordinated a survey of arts audiences; the purpose of the audience survey was threefold. First, the League was interested in collecting location information; where did the respondent travel from? Was it within the Pittsburgh City limits, within Allegheny County, within the state, etc.? Second, the League was interested in determining the amount of money spent, per person,

during the respondent's excursion to an arts event in the City. Finally, the League was interested in gathering basic demographic data for audience participants, such as age, sex, and income, to identify similarities and differences between patrons of the arts and overall demographic characteristics for Pittsburgh.

Survey data for both audience and employee respondents were entered by the League into dBase III databases which were computer replicates of the actual surveys distributed to audiences and to arts employees. Data were then grouped and used to generate various reports. For audiences, these reports included: location reports, expense reports, age and sex reports, and income reports. They were grouped by organization and by show.

For employees, the League generated reports that paralleled the questions mentioned above, i.e., tax information, location information, investment information, etc. Because employee information was confidential and anonymity was guaranteed, the League did not request information that linked an employee with a given organization; therefore, groupings by organization were not possible, and information was taken in the aggregate.

The Purchasing of Goods and Services

Economic activity can be divided into activity related to employment and activity related to purchases. Employment activity, coupled with wages, salaries and other payments related to employment is fairly easy to measure. This type of activity also has an immediate and noticeable impact on the area's economy. Purchases do not necessarily have the same immediate effect, as these expenditures can be made outside of the area.

Local Purchases and Expenditures

Arts organizations purchase a variety of goods and services from a broad range of businesses. These purchases include equipment, facility rent, supplies, utilities, insurance and similar expenditures on items which are necessary to keep a business operating. Many of these purchases are made locally and therefore contribute to the local economy and to local employment. Part of the expenditure on purchase, however, will go to companies which are not within the Pittsburgh region.

In estimating the portion of total expenditures that can be attributed to local purchases made by arts organizations, the League reviewed statistics for similar studies in other American cities.⁴ Examination of the figures yielded a conservative estimate of 75 percent for local purchasing activity; this is within the range of experience for purchases in other cities.

The 36 arts organizations had total expenditures of \$40,860,783. The final purchasing figure can be determined by eliminating the following from total expenses reported by arts organizations:

salary and contract expenditures,
tax expenditures,
touring expenditures,
loan expenditures, and
acquisition expenditures.

THE ORGANIZATIONAL PROFILES REVEAL THAT \$15,243,085 WAS SPENT BY 36 PITTSBURGH ARTS ORGANIZATIONS FOR GOODS AND SERVICES OVER A ONE-YEAR PERIOD.

Therefore, assuming that 75 percent of this total is expended for purchasing activity within Allegheny County,

THE LEAGUE CALCULATES THAT \$11,432,314 WAS SPENT BY ARTS ORGANIZATIONS FOR GOODS AND SERVICES IN THE LOCAL ECONOMY.

Arts Employment

Exact figures on arts employment are not readily available. Definitional problems, that is, which organizations are to be included, and data collection problems stand in the way of any exact count. There are, however, some figures which are available, and they can be used to form the basis for an accurate estimate of arts employment.

In 1985, 1,265 people were employed in Allegheny County in two business groups which include most arts organizations. They are 1) producers, orchestras, and entertainers (SIC 792) and 2) museums, botanical and zoological gardens (SIC 84).⁵ This figure includes both full-time and part-time employment.⁶

The Census figures, however, include only those employees covered by Social Security and those within the two business groups. The extension of required Social Security coverage to nonprofit organizations began in 1984 and not all organizations complied immediately. Some employees may also be considered self-employed contractors for pay purposes and, therefore, do not appear in the Census count.

The second source is City tax records. Everyone employed in Pittsburgh pays an occupation tax of \$10. In 1987, those organizations in the League's group of 36 arts organizations which are registered as employers with the City, collected the occupation tax from 1,182 employees. Again, some employees may be considered as self-employed, and therefore, are excluded from

the count. Part-time employees who paid the occupation tax through another City employer would not pay again.

The last source is the Organizational Profiles filed by arts organizations with the Pennsylvania Council on the Arts. These Profiles include more complete information on full-time and part-time employment.

A TOTAL OF 1,257 EMPLOYEES WERE RECORDED IN THE PROFILES BY THE 36 ARTS ORGANIZATIONS: 466 FULL-TIME EMPLOYEES AND 791 PART-TIME EMPLOYEES.

The Profiles also included the number of hours worked by full-time and part-time personnel. Based on 1,544 hours per full-time employee, the full-time equivalent employment for the arts organizations is 699. The striking difference between total employment and full-time equivalent employment is due to the near ephemeral nature of much of the part-time employment. For example, the Civic Light Opera lists 13 full-time employees and 213 part-time employees, many of them working on only one production.

Arts Organizations' Salary Expenses

The 36 arts organizations in the League's group of organizations made substantial contributions to the area's economy through salary payments.

THE ORGANIZATIONS PAID THEIR EMPLOYEES A TOTAL OF \$14,935,377 IN SALARIES OVER A ONE-YEAR PERIOD.

Most of this money stays in the Pittsburgh region if not in the City itself. The employee survey revealed that 50 percent of arts organization employees live in the City, 44 percent live in the County outside of the City, and the final 6 percent, outside of the County. This means that \$7,467,689 was paid to City residents and \$6,571,566 to County residents outside of the City.

A few of the organizations analyzed have payrolls of more than \$1,000,000 per year. This group includes the Pittsburgh Ballet, the Pittsburgh Symphony Orchestra, the Pittsburgh Public Theater, and the Carnegie Museum of Art. A larger group paid salaries of \$100,000 to \$1,000,000. This group includes the Dance Alloy, the River City Brass Band, the Civic Light Opera, Three Rivers Shakespeare Festival, Pittsburgh Filmmakers, the Three Rivers Arts Festival and the Pittsburgh Cultural Trust. The remaining organizations have salary expenditures of less than \$100,000 per year, with some of the organizations having no salary expenditures.

Not all of the personnel expenditures appear as salaries.

THE 36 ORGANIZATIONS PAID A TOTAL OF \$4,476,912 FOR CONTRACTED INDIVIDUAL AND GROUP SERVICES.

Artistic services constituted the largest portion of this, at \$3,318,418. This is followed by professional services at \$464,390, technical services at \$349,894, administrative services at \$188,796, and maintenance and security at \$148,684. Professional services include business-related services such as legal and accounting services.⁷

Some of the expenditures on contracted services have to be treated differently than the way salary expenditures are treated. Much of the funds spent on contracted artistic services and contracted technical services will leave the area. These expenditures are taken out of the area by directors who are called in to do one production, and singers, actors, etc., who come to Pittsburgh for one role. The money, in effect, is exported from the region.

Some of these expenditures will stay in the Pittsburgh region if not in the City itself. With the exception of many of the artistic services and some of the technical services, most of these contracted expenditures are made with individuals and firms in Allegheny County. The League believes it safe to assume that half of the contract service expenditures remain in the area. This would amount to \$2,238,456.

While its true that money, primarily that expended on artistic expenses, leaves the region, it should be noted that some of the organizations bring touring income back into the area. In particular, the River City Brass Band and the Ballet view touring as an opportunity for generating revenues in excess of expenditures.

FOR THE 36 ARTS ORGANIZATIONS, LOCAL EXPENDITURES ON PERSONNEL EXCEED \$17,000,000 EACH YEAR.

Because the figures are based in 1987 experience for most of the organizations and 1985 and 1986 experience for a few of the organizations, present local personnel expenditures are probably greater.

Secondary Employment Related to Arts Organization Spending

These expenditures for goods and services by the 36 arts organizations further stimulate the economy by generating local employment through wages and salaries paid by suppliers. Based on arts organization purchase patterns and on employment

characteristics of local businesses, the League calculated a series of specific multipliers to measure employment resulting from arts organization expenditures on goods and services, from audience expenditures on lodging, meals, transportation, and other items, and from employee personal expenditures.

The League calculated induced employment related to arts organizations by reviewing expenses first for: administration, operations, and facilities from the Organizational Profiles. Of the \$15,243,085 spent by Pittsburgh arts organizations on administrative, operational, and facility expenses, suppliers paid \$1,695,564 in payroll to their employees. Assuming that 75 percent of this spending remains within Allegheny County, the amount spent by local suppliers for payroll expenses was \$1,271,673. Subsequent spending rounds produced an additional \$1,144,506 in payroll expenses, for a total induced first and subsequent round payroll spending of \$2,416,179. Based on an annual per employee payroll expense of \$19,895 in Allegheny County in 1985, this could result in an additional 121 jobs in the region.⁸

The 36 arts organizations expended \$14,935,377 in salaries; \$14,039,254 of this went to Allegheny County residents. Spending by the County residents generated an additional \$12,635,329 in the economy as induced first and subsequent round payroll spending. The League calculates that 635 jobs could be created in the region through this secondary spending.

Assuming that one-half of the money issued for contracted technical and artistic services remains in the Pittsburgh region, i. e., \$2,238,456, the League calculates that the amount of payroll induced spending is \$2,014,610. This dollar amount could potentially finance the payrolls of an additional 101 jobs in the region.

THEREFORE, THE 36 ARTS ORGANIZATIONS INVOLVED IN THE LEAGUE'S STUDY CONTRIBUTED ENOUGH WITHIN THE LOCAL ECONOMY TO FINANCE AN ADDITIONAL 858 JOBS IN THE REGION.

Employee Survey Results

The Pennsylvania Economy League coordinated the efforts of 27 arts organizations in Pittsburgh to implement the employee survey. These organizations included:

- Bach Choir of Pittsburgh
- Blatent Image/Silver Eye Gallery
- Carnegie Mellon University Department of Drama
- Carnegie Museum of Art
- City Theatre Company
- Civic Light Opera

Gateway to Music
International Poetry Forum
Manchester Craftsmen's Guild
Mattress Factory
Mendelssohn Choir of Pittsburgh
Pittsburgh Ballet Theatre
Pittsburgh Dance Alloy
Pittsburgh Dance Council
Pittsburgh Filmmakers
Pittsburgh Opera
Pittsburgh Public Theater
Pittsburgh Symphony Orchestra and Society
Pittsburgh Cultural Trust
River City Brass Band
Society for Art in Crafts
Stephen Foster Memorial
Summerfest, Inc.
Three Rivers Arts Festival
Three Rivers Shakespeare Festival
Three Rivers Young People's Orchestra
Y Music Society

These organizations comprise a comprehensive, yet varied, group of cultural institutions upon which to base an economic impact analysis. They are varied not only in nature, i. e., some represent the visual arts, some the performing arts, and some are arts-related administrative support groups, but are also varied in size and longevity. In addition, these organizations are scattered throughout the Pittsburgh area, and the sample is not limited to organizations housed in Pittsburgh's Cultural District.

The main purpose of surveying arts employees was to determine the secondary effects of the money paid by arts organizations. For example, how much of an employee's salary remains in the Pittsburgh area, be it for taxes, goods and services, or leisure? Further, what percentage of those who work for a Pittsburgh-based arts organization live in the City? What percentage lives in the County?

The League distributed 1,100 surveys to the 27 organizations.⁹ Pennsylvania Economy League envelopes were enclosed to 1) increase assurance of having the survey returned, and 2) increase employee confidentiality and anonymity, and therefore, participation. Employees had the option of sending the survey back to the League individually, or returning it to an administrative office assigned by the arts organization. Each organization was given three full weeks to distribute and collect the surveys from employees. During the last of the three weeks, League staff contacted organizations to confirm the pickup date and time for the remaining surveys. This follow-up tactic proved to be extremely successful in increasing the

response rate. The League requested that all employees of the organizations be surveyed: full-time staff, part-time staff, and guest artists.

Employee Response Rates

Of the 1,100 surveys distributed to the organizations, 267 were returned, representing a response rate of 24 percent. Seventy-seven percent of the respondents recorded full-time employment; 20 percent of the respondents noted that they are employed by an arts organization on a part-time basis; and the remaining three percent of the employee survey respondents were guest artists visiting the institution for a cultural event.

Employee Residency

Of those who responded, 50 percent were from the City, 44 percent were from Allegheny County, and six percent were from neighboring counties which included: Armstrong, Beaver, Butler, Washington and Westmoreland.¹⁰ Because of the size of the sample, it is safe to assume that

50 PERCENT OF THE ARTS ORGANIZATIONS' EMPLOYEES RESIDE IN THE CITY, AN ADDITIONAL 44 PERCENT IN THE COUNTY OUTSIDE OF THE CITY, AND THE REMAINING 6 PERCENT BEYOND ALLEGHENY COUNTY.

Salary-Related Economic Impact

Collectively, the 267 employees who responded to the League's survey received \$10,202,054 in total annual household salaries prior to any deductions. Total annual household salary includes the income before taxes and payroll deductions of all persons within a single household. The mean and median total household salaries, respectively, were \$38,210 and \$30,000. Only six percent of this total was paid to residents of surrounding counties.

Therefore, of the \$10.2 million dollars in household income for the 267 employees who responded to the survey, \$9,589,931 remained in Allegheny County and, of this, \$5,101,027 remained in the City. Of the total annual salary figure, 85 percent, or \$8,655,654, was earned by full-time employee households. The remaining 15 percent, or \$1,546,400 was recorded by part-time employee households.

Based on the above information, the average household salary income for full-time employees is \$38,131. For part-time arts employees, this average is slightly higher at \$38,660 per household. These figures, when multiplied by the League's estimates for full-time and part-time employees, yield significant figures. The average household salary income for

full-time employees multiplied by the League's estimated 466 employees results in \$17,769,046 in household salaries associated with Pittsburgh cultural institutions. Total arts-related household income for the estimated 791 part-time employees is \$30,580,060. Combined, arts-related household income totals \$48,349,106.

The impact of arts organizations' salaries, in the context of household income, to the local economy can be estimated by applying the results of the League's employee survey. Assuming that 94 percent of Pittsburgh arts employees live in the City and the surrounding area, it can be estimated that \$45,448,160 in household income remains in the Allegheny County; \$16,702,903 in full-time employee household income and \$28,745,256 in part-time household income. Assuming that 50 percent live in the City itself, it can be estimated that \$24,290,034 remains in the City; \$8,884,523 in full-time household income and \$15,290,030 in part-time household income.

SUMMARY OF HOUSEHOLD INCOME STATISTICS

	<u>Full Time</u>	<u>Part Time</u>	<u>Totals</u>
Average Household Salary	\$ 38,131	\$ 38,660	\$ 38,396
Total Arts Related Income	17,769,046	30,580,060	48,349,106
Amount Remaining in Area	16,702,903	28,745,256	45,448,160
Amount Remaining in City	8,884,523	15,290,030	24,290,034

The Effect of "Other Income" on the Local Economy

In addition to total household income, the League requested information on supplementary resources, such as rents or interest dividends, for all persons within a household. The 267 employees who responded indicated earning an additional \$897,290 from sources other than salaries, an average of \$3,361 per household.

In Allegheny County, arts employees earned \$769,290 above and beyond total household incomes. Seventy percent of the Allegheny County total, \$530,430, is linked to arts employees who reside within the Pittsburgh City limits. Outside the County, respondents earned \$128,000.

The League also requested information on "the aggregate monthly average in state banks, credit unions, and savings and loans" for all members within a household. Respondents to this question noted a total of \$1,708,522 maintained in savings accounts, and \$383,981 in checking accounts. Adjusted figures

indicate average monthly household savings and checking totals to be \$6,400 and \$1,440 respectively. Adjusting these sums to reflect possible savings and checking totals of the 1,257 arts employees,

THE LEAGUE CALCULATES THAT UP TO \$8,044,800 IS
INVESTED IN SAVINGS AND UP TO \$1,810,080 IS HELD IN
CHECKING ACCOUNTS, TOTALLING \$9,854,880.

Based on employee residency, the amount remaining in the Allegheny County area is \$9,263,587.

Arts Employees' Property Tax Assessment and Its Effects on
Pittsburgh's Economy

The League was interested in determining the type of housing arts employees lived in, i. e., do they rent or do they own their homes? Of the 250 employees who completed this survey question, 53 percent indicated that they owned their place of residence and 47 percent indicated that they rented the place in which they reside. Within Allegheny County the percentage of employees who rent is 46 percent, nearly half the Allegheny County residents who answered this question. Outside Allegheny County, only 12 percent of those that responded noted rented residences.

Survey participants who were homeowners paid \$199,480 in property taxes. Of this total, \$78,136 was paid by City of Pittsburgh residents, and \$104,844 was paid by Allegheny County residents who do not live within the City limits. The remaining \$16,500 was expended in neighboring counties.¹¹

Expanding this figure to include the estimated 1,182 individuals who are employed in the arts in Pittsburgh and live in Allegheny County, the League calculates that 638 arts employees are homeowners, generating \$465,102 in annual property tax payments. Subsequent induced payroll expenditures, i. e., the first round equivalent being \$196,273 and the subsequent round equivalent being \$372,919, could create an additional 19 jobs in the area. This figure is based on respondents who note home ownership and live within the County.

Audience Surveys

The Pennsylvania Economy League worked with six Pittsburgh arts organizations to conduct audience surveys. The information obtained was used by the League to develop audience profiles and isolate characteristics specific to patrons of the arts in Pittsburgh. The organizations that participated in this study were:

Civic Light Opera
Pittsburgh Opera
Pittsburgh Public Theater
Pittsburgh Symphony Orchestra
Society for Art in Crafts
Three Rivers Shakespeare Festival

These groups provide a varied range of cultural experiences for Pittsburgh audiences and patrons of the arts, and represent a diverse group of the City's arts institutions for analysis. All the organizations, with the exception of the Society for Art in Crafts, represent the performing arts. The Society for Art in Crafts was the only visual arts organization involved in the League's study.

A prototype of the audience survey was developed by the League and distributed to the organizations listed above.¹² Appropriate variations on the survey were made by the individual organizations to meet specific organizational needs, and were approved by the League to insure consistency in data collection.¹³ Volunteers, staff, and League personnel took part in the distribution and collection of the surveys.

Audience Response Rates

While individual groups chose how many of their audiences would participate in the survey, each was required to implement the survey on a weekday evening performance, a weekend evening performance and a matinee. In all, 24 audiences were surveyed over a six-month period. Of the 33,361 surveys distributed over the course of this study, 3,923 were returned, representing an overall response rate of 12 percent. Organizational response rates varied from 32 percent for Pittsburgh Public Theater performances to six percent for Three Rivers Shakespeare Festival performances. (For additional information, please see Per Show Response Rates For Participating Arts Organizations at the end of this section.)

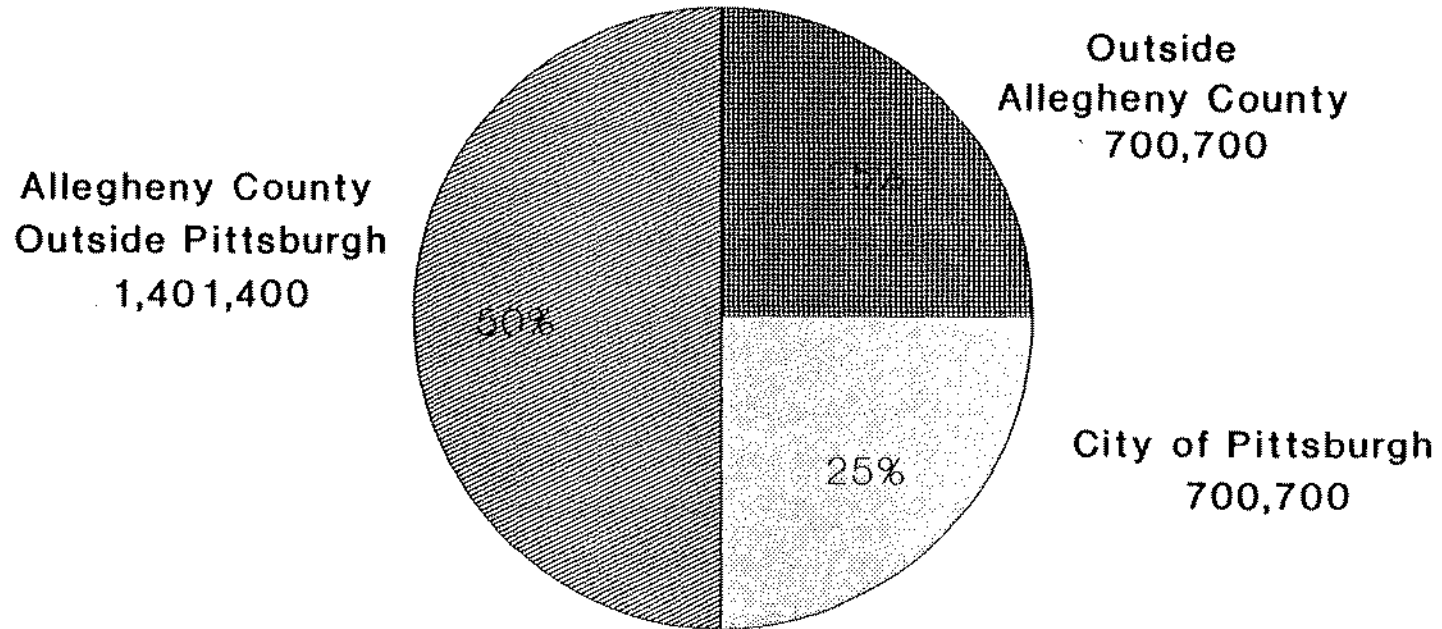
Audience Residency

The results of the survey show that, of those attending arts performances and exhibits in the City, the majority were not from the City of Pittsburgh. It should be noted at this point that the "City of Pittsburgh" is defined as: all zip codes beginning with the prefix 152 unless a suburban municipal address was provided by the respondent. Of the 3,724 individuals who completed this survey question,

25 PERCENT WERE FROM PITTSBURGH; 50 PERCENT WERE FROM THOSE PARTS OF ALLEGHENY COUNTY OUTSIDE OF THE CITY AND 25 PERCENT WERE FROM BEYOND ALLEGHENY COUNTY.

In this last group, there were 76 respondents, or 2 percent of the total, from outside Pennsylvania, and five individuals reported residences outside the country.

PITTSBURGH ARTS AUDIENCE RESIDENCY 36 ARTS ORGANIZATIONS



In the City, the greatest portion of audience respondents from the six organizations was from the 15217 area of Pittsburgh, Squirrel Hill. Outside Pittsburgh, the greatest number of respondents were from Mount Lebanon, which includes 15216, 15228, 15234, and 15243.

Audience Expenditures and Related Economic Trends

Adjusted figures, those which reflect survey participation rates and yield per person expenditures, reveal that, on the average,

AN INDIVIDUAL SPENDS \$19.93 OVER THE COURSE OF AN EXCURSION TO A CULTURAL EVENT, BE IT IN THE VISUAL ARTS OR THE PERFORMING ARTS.

The figures range from \$17.20 per person for a Pittsburgh Public Theater or Three Rivers Shakespeare Festival performance to \$38.50 per person for a visit to the Society for Art in Crafts, a variance of \$21.30 per person. (For additional information, please see Per Organization Expenditures at the end of this section.)

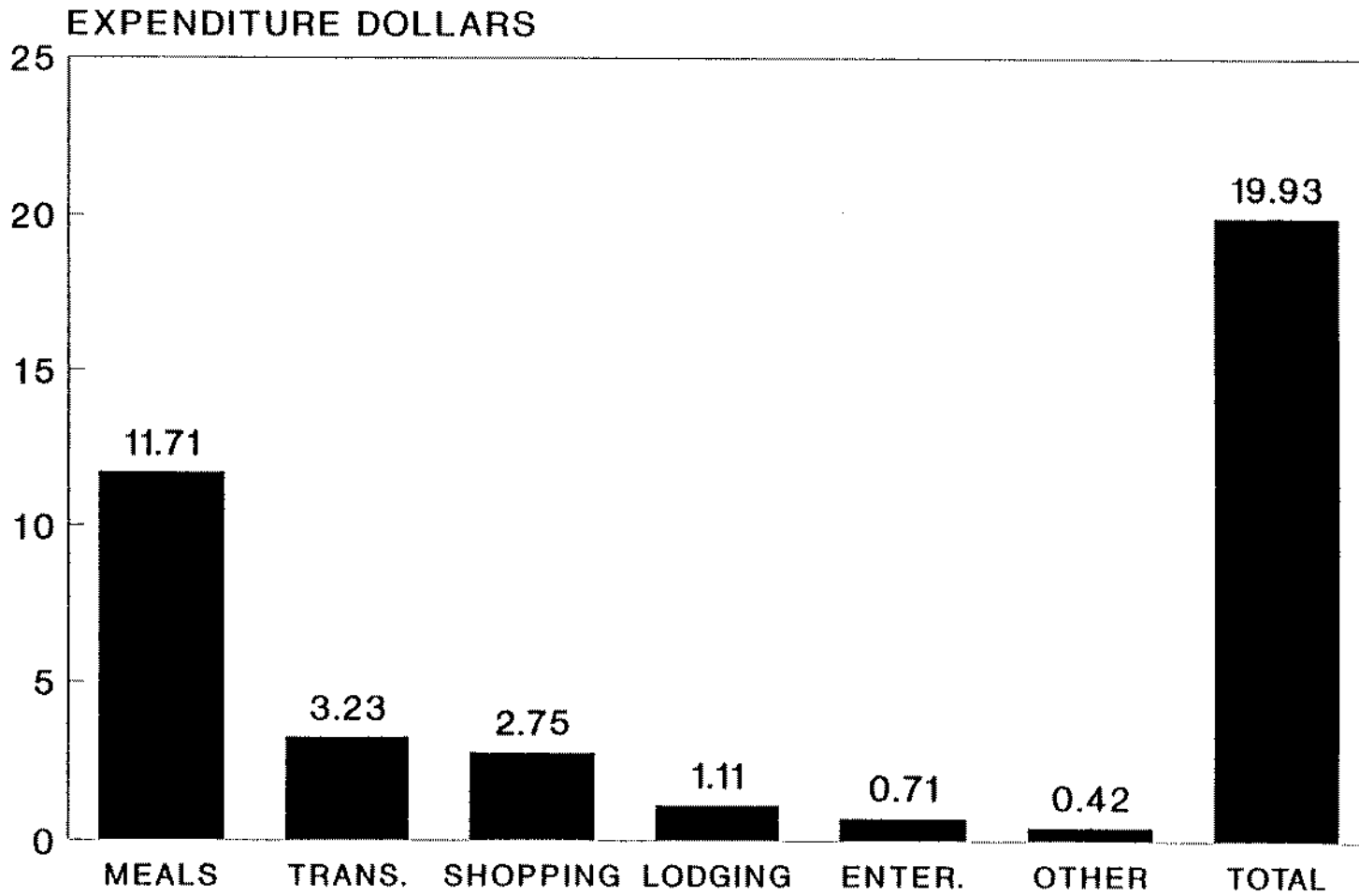
The greatest amount of money spent per person was on meals; an average of \$11.71 per person was expended. Transportation, which includes monetary outlays for gas, parking, and public transportation, was the second greatest per person cost, averaging \$3.23. Individuals attending events sponsored by these organizations often spent additional money on shopping in the City, spending an average of \$2.75 per person. Other average per person expenditures included: \$1.11 per person for "lodging"; \$.71 per person for "other entertainment"; and \$.42 per person for "other items."

While some of these per person expenditures appear to be nominal, none should be dismissed. An average of \$.42 per person on "other items" may not appear to be significant, but when multiplied by total attendance figures recorded by the 36 sample organizations, i.e., 2,802,821, the importance of this small amount becomes evident.¹⁴ Approximately \$1,177,185 in additional resources can be attributed to these "other item" expenditures.

The per person figures presented above were calculated for all survey participants. The League also calculated average amounts for those respondents who actually incurred costs in the expenditure categories listed.

The greatest amount spent was on lodging, an average of \$114.85 by those who stayed in Pittsburgh overnight. Those who shopped in the City either before or after a cultural event expended an average of \$79.12 per person, and those who enjoyed

PITTSBURGH ARTS AUDIENCES PER PERSON EXPENDITURES



a meal spent an average of \$40.65. Other average costs included: \$33.03 for "other entertainment", \$21.36 for "other items", and \$8.20 on "transportation."

The expenditure information gathered in the performance surveys can also be used to investigate variances in monetary outlays by day and by type of performance. For example, the League was interested in comparing and contrasting expenditures for weekday evening performances, weekend evening performances, and matinees. Each performing arts organization surveyed at least one audience in each category. As a result, nine audiences were surveyed during weekend evening performances; nine audiences were questioned during weekday evening presentations, and six matinee audiences were surveyed over the six-month study period.

Adjusted totals indicate that the greatest per person expenditures were incurred on weekend evenings. On the average, survey respondents paid \$22.94 per person during performances held on Friday and Saturday evenings. On weekday evenings, Tuesday, Wednesday, and Thursday, per person expenditures totaled \$19.83 per person. The average per person expenditure for Saturday and Sunday matinees was \$16.21.

The per person variances among weekend evening, weekday evening, and matinee performances can be attributed largely to the amount of money spent on meals. On weekend evenings, \$13.48 per person was spent on meals; on weekday evenings, this per person total was \$12.33; and for matinees, per person expenditures for meals equalled \$8.70.

Variances in expenditures were also calculated for the Society for Art in Crafts, but, rather than by performance, the data were categorized by 1) weekday gallery visitors, and 2) weekend gallery visitors.

The survey data indicate that visitors to the Society spend an average of \$41.50 per person on weekdays, and \$37.21 per person on the weekend.¹⁵ These totals differ by less than \$5.00, and may, on the surface, appear to be of little assistance in determining differences in spending trends and economic impact. However, further comparison of weekday versus weekend per person costs by expenditure reveals a shift in emphasis from one expenditure column to another.

The adjusted figures show that the greatest variance in expenses between weekday visitors to the Society for Art in Crafts and those who visit the gallery/showcase on weekends is the transportation expense. During the week, \$2.30 per person was spent on transportation to the Society for Art in Crafts, whereas on weekends, \$22.80 per person was expended.

These numbers indicate that visitors to the gallery on weekends travel a greater distance. This assumption is supported by zip code information provided by survey respondents: on weekends, 22 percent of the visitors to the Society for Art in Crafts were from outside Allegheny County, whereas during the week, only one percent of the respondents were from outside the County.

The League also asked survey respondents, "What is the main purpose of your trip?". The majority of weekday respondents, 55 percent, noted that their primary purpose was to visit the Society. Interestingly, 41 percent of the weekend visitors also noted this as the primary purpose of their trip to the area. Of those from outside Allegheny County, 38 percent noted the primary purpose of their visit to the area was to visit the gallery/showcase; 38 percent indicated their trip to the area was primarily to shop, and the remaining 24 percent cited "sight seeing" and "other" as their primary purpose.¹⁶

Total Audience Expenditures

The figures cited above are based on a sample of 3,923 individuals who attended performances and events at the Civic Light Opera, the Pittsburgh Opera, the Pittsburgh Public Theater, the Pittsburgh Symphony Orchestra, the Three Rivers Shakespeare Festival, and the Society for Art in Crafts. While these organizations provide a sound foundation upon which to build an analysis and draw conclusions, they represent only a portion of the cultural scene in Pittsburgh.

The information drawn from these six arts organizations can be expanded to include the other organizations that contribute to the cultural offerings of the City. By looking at total attendance figures for all 36 organizations which submitted Organizational Profiles, and applying the per person totals gained through the League's analysis, further assumptions can be made regarding Pittsburgh arts organizations and audiences as a whole.

Total attendance over a one-year period for the 36 organizations was 2,802,821.¹⁷ (Total 1987 attendance for professional sports and Pitt football was 2,457,109.) Using the \$19.93 per person average expenditure,

**THE LEAGUE ESTIMATES THAT \$55,860,223 WAS SPENT BY
AUDEINCES ATTENDING CULTURAL EVENTS IN PITTSBURGH OVER
THE COURSE OF A YEAR.**

Again, this money excludes the cost of the ticket to the performance, but includes financial outlays for "transportation," "meals," "lodging," "shopping," "other entertainment," and "other items."

AUDIENCE SURVEY RESULTS
PER PERSON EXPENDITURES

	<u>Per Person</u>	<u>Total</u>
Meals	\$11.71	\$32,821,034
Transportation & Parking	\$ 3.23	\$ 9,053,112
Shopping	\$ 2.75	\$ 7,707,758
Lodging	\$ 1.11	\$ 3,111,131
Other Entertainment	\$.71	\$ 1,990,003
Other Items	<u>\$.42</u>	<u>\$ 1,177,185</u>
	\$19.93	\$55,860,223

THE SURVEY RESULTS INDICATE THAT 75 PERCENT, OR \$41,895,167, OF THIS MONEY IS BROUGHT INTO PITTSBURGH FROM OUTSIDE THE CITY BY THOSE ATTENDING PERFORMANCES AND EXHIBITS.

Twenty-five percent, or \$13,965,055, can be attributed to Pittsburgh audiences.

THE RESULTS OF THE LEAGUE'S AUDIENCE SURVEYS CONFIRM WHAT HAS LONG BEEN SUSPECTED: THAT THE ARTS IN PITTSBURGH BRING A SIGNIFICANT AMOUNT OF MONEY FROM OUTSIDE THE CITY INTO THE CITY'S ECONOMY.

Further, not only is this money being brought into the City from outside the City limits, but also from other counties, other states, and, to a certain extent, other countries.

In addition to this initial spending, the League estimates that audience spending produces an additional \$21,095,936 in induced payroll spending in the local economy. This could finance the creation of 1,060 additional jobs in the City and Allegheny County.

Conclusions

This study addressed the economic impact of the arts on the Pittsburgh metropolitan area. Specifically, the League focused on three particular study groups: arts organizations and their purchases of goods and services, employees and the expenditures

made locally, and audiences and the amount spent within the City of Pittsburgh. The samples for this analysis included:

36 arts organizations,
267 arts employees, and
3,923 attendees of arts events in Pittsburgh.

Total Dollar Amount That Remains in the Local Economy

For each of the groups looked at, the League determined dollar amounts that remain in the region.

THE LEAGUE ESTIMATED THAT \$121,732,301 IS INJECTED INTO THE LOCAL ECONOMY BY ARTS-RELATED ACTIVITY IN PITTSBURGH IN THE FORM OF SALARY EXPENDITURES. PURCHASED BY ARTS ORGANIZATIONS, AUDIENCE SPENDING AND ADDITIONAL PAYROLL SPENDING INDUCED BY THESE EXPENDITURES.

This total is made up of \$83,570,247 in local expenditures by arts organizations and audiences, and \$38,162,054 in induced payroll spending in the local economy.

TOTAL ARTS RELATED EXPENDITURES

Arts Organization Expenditures

Goods and Services	\$ 11,432,314
Salaries	14,039,254
Contract Services	2,238,456
Audience Expenditures	55,860,223
Induced Payroll Spending	<u>38,162,054</u>
Total	\$121,732,301

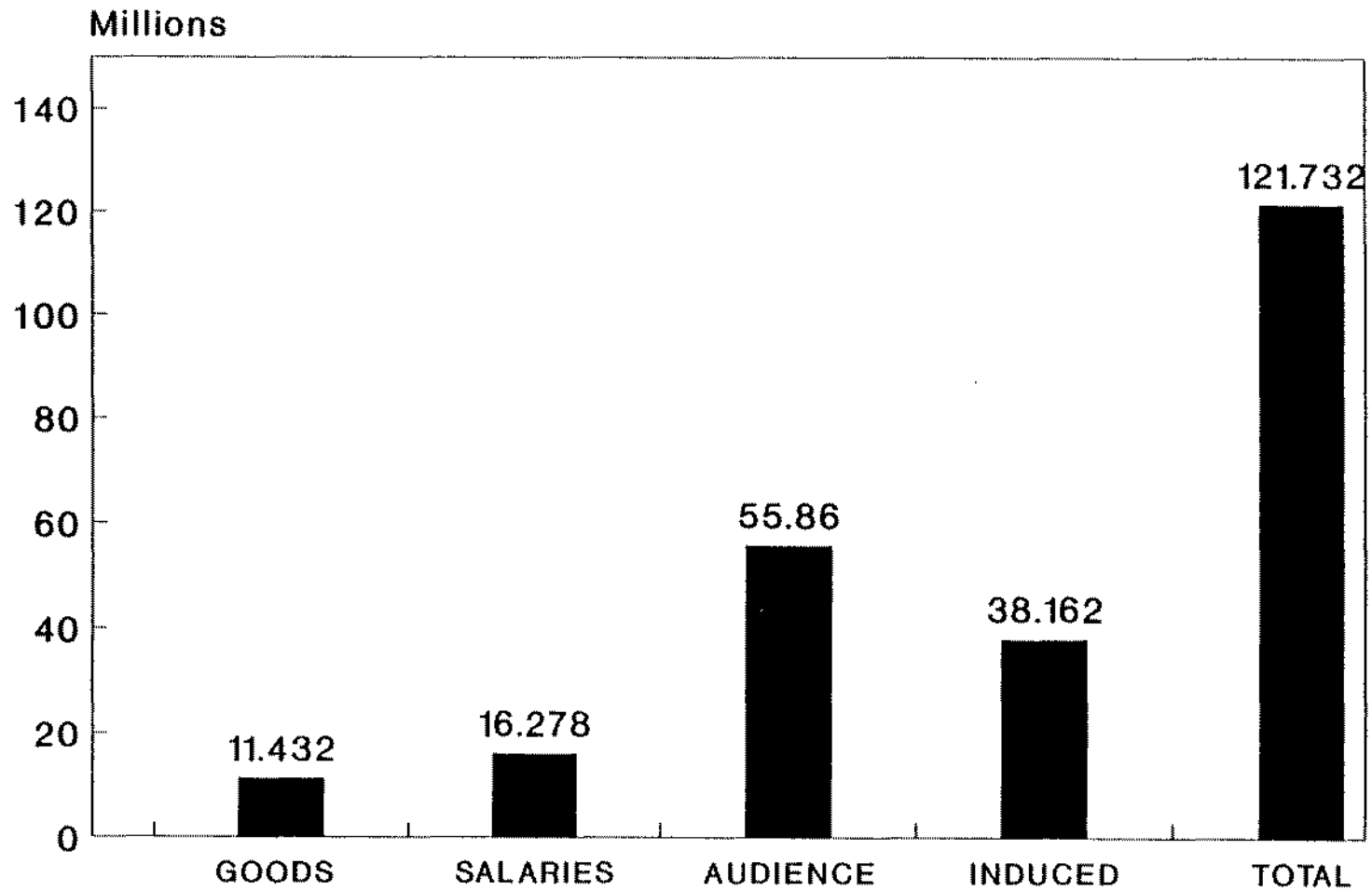
How Much Do Arts Organizations Contribute to This Total?

The figures used to derive the following were extracted from the Organizational Profiles submitted by the 36 Pittsburgh arts organizations with the League at the onset of this study.

The League estimates that 75 percent of Pittsburgh's arts organizations' purchase of goods and services are made locally. Over the period of a year, this resulted in \$11,432,314 contributed to the local economy; only \$3,810,771 was spent outside the Pittsburgh metropolitan area.

Salaries paid by the 36 organizations totaled \$14,935,377 for a one year period. The findings of the employee survey indicate that 94 percent of this money remains in the Pittsburgh

ECONOMIC IMPACT OF THE ARTS ON THE PITTSBURGH REGION



area, i. e., Allegheny County. Therefore, of the money expended by arts organizations on salary, \$14,039,254 remains in the area and \$896,123 is "exported" to other areas.

In addition to the salaries paid by local cultural institutions, financial resources are also expended for contracted artistic and technical services. The League has estimated that of the \$4,470,182 spent by the 36 organizations on contracted services, \$2,238,456, or one-half of the total, is spent in Allegheny County.

How Much Do Audiences Contribute to This Total?

Over the period of a year, 2,802,821 individuals attended performances and exhibits in Pittsburgh. The League determined that, on the average, \$19.93 per person was expended during a visit to these Pittsburgh cultural events. The money was spent on transportation, meals, shopping, lodging, other entertainment, and other items; the greatest expenditure was on meals, \$11.71 per person. In all, \$55,860,223 was spent by audiences over the period of one year.

Induced Payroll Spending

The money expended by arts organizations, arts organizations' employees, and audiences who attend cultural performances and exhibits in Pittsburgh has an additional economic impact on the area. Much of the money remains in the local economy in each round of additional spending, and as the funds are spent, additional jobs are created.

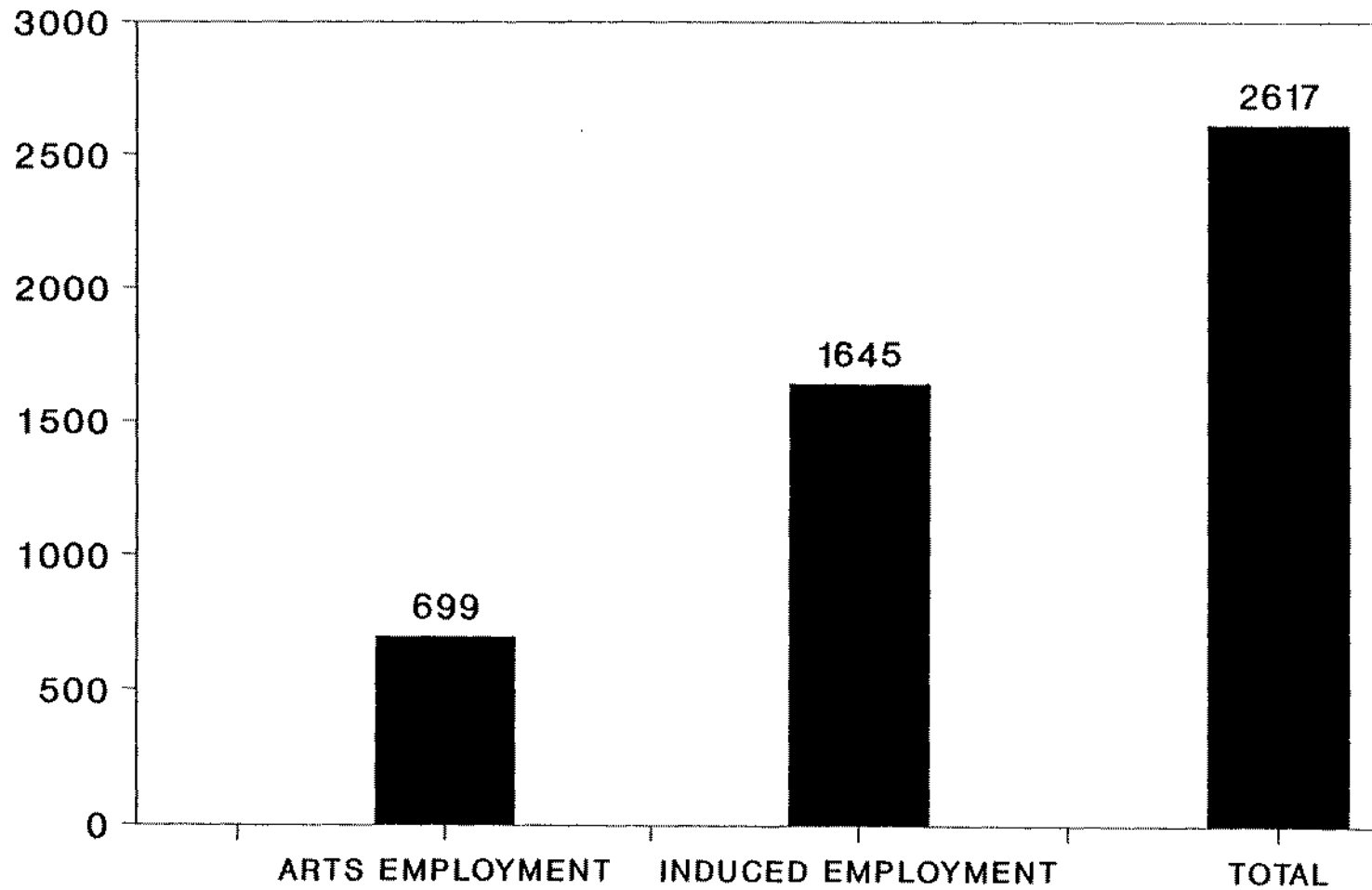
Arts organizations and audiences spent a total of \$83,570,247 in the local economy. The League estimates that this spending produced an additional expenditure of \$38,162,054 in the local economy. Of this induced spending, \$2,416,179 can be attributed to the effects of arts organizations' purchase of goods and services, \$12,635,329 to the effects of employee spending, \$2,014,610 to the effects of contract spending, and \$21,095,936 to the effects of audience spending. Together, the first and subsequent round spending totaled \$121,732,301.

TOTAL ARTS RELATED EMPLOYMENT

	<u>FTE Employment</u>
Arts Organizations Themselves	699
Induced Spending (Organizations & Employees)	858
Induced Spending (Audience)	<u>1,060</u>
	2,617

The League has determined that 1,918 potential jobs in the region can be attributed to arts-related induced spending in Pittsburgh, whether the primary source of the money is the organizations themselves, the employees or the audiences.

ECONOMIC IMPACT OF THE ARTS FTE EMPLOYMENT



In addition to the potential creation of 1,918 jobs in the local economy related to induced first and second round spending, it is important to include the additional 699 full-time equivalent positions detailed in the Organizational Profiles submitted to the League.

THE LEAGUE CALCULATES THAT ARTS-RELATED ACTIVITIES PRODUCE 2,617 FULL-TIME EQUIVALENT POSITIONS IN THE LOCAL ECONOMY.

The Economic Impact of the Cultural District

The Cultural District is the focus for the arts in downtown Pittsburgh. Residents of the District include Heinz Hall, which has been open since 1971, and the Benedum Center, which opened in September, 1987. The Fulton Theater has been purchased and will be added in the near future.

Before the Benedum Center was opened, the Pittsburgh Symphony, Civic Light Opera, Pittsburgh Ballet Theatre, Pittsburgh Dance Council and Pittsburgh Opera performed in Heinz Hall. With the opening of the Benedum Center, the number of performances and admissions has increased. This has increased the economic impact of the arts on Pittsburgh and increased local parking and admission tax collections by the City. The opening of the Fulton will bring further increases in economic activity.

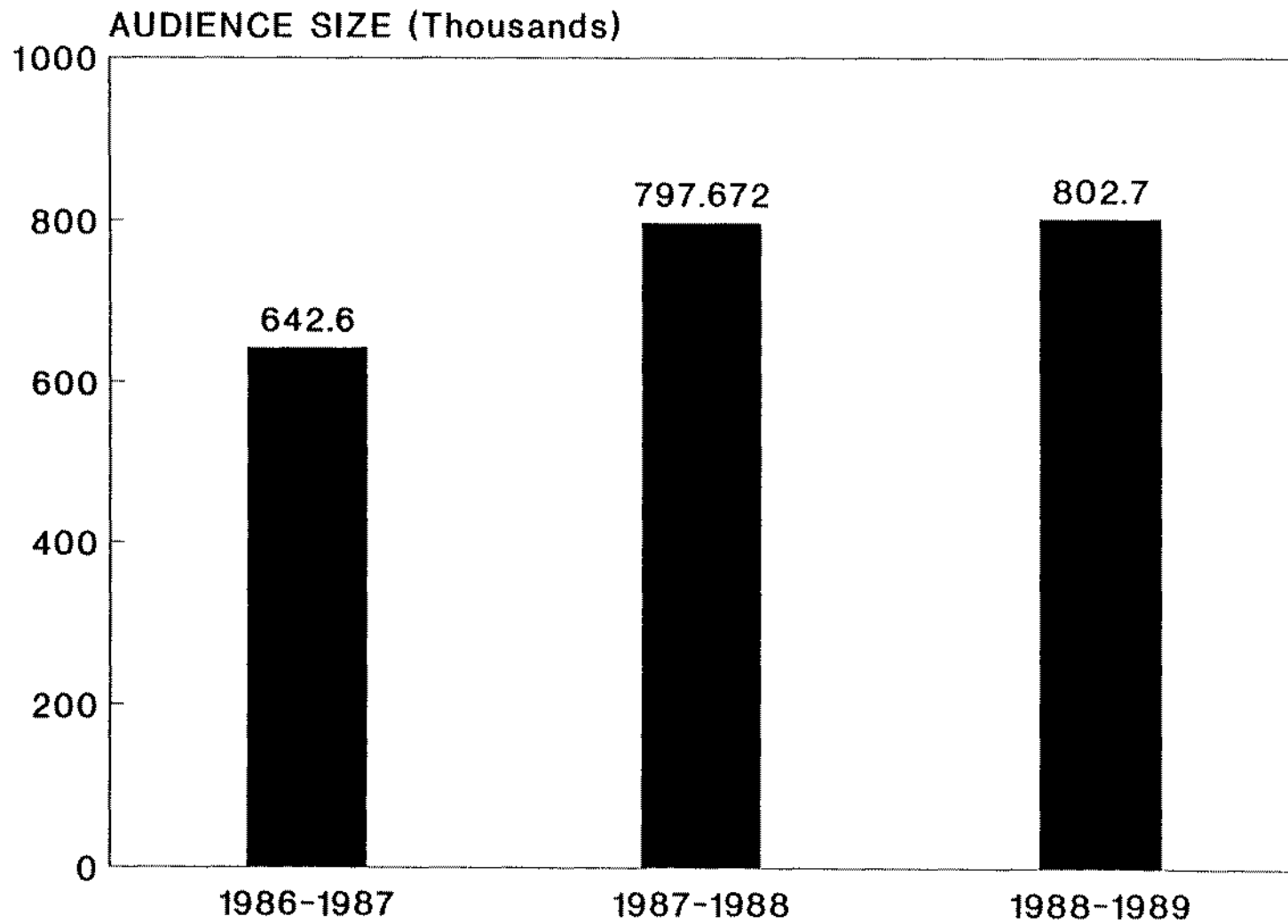
Since the Benedum Center opened, attendance in the Cultural District has increased 24 percent.

PAST AND PROJECTED TICKET SALES

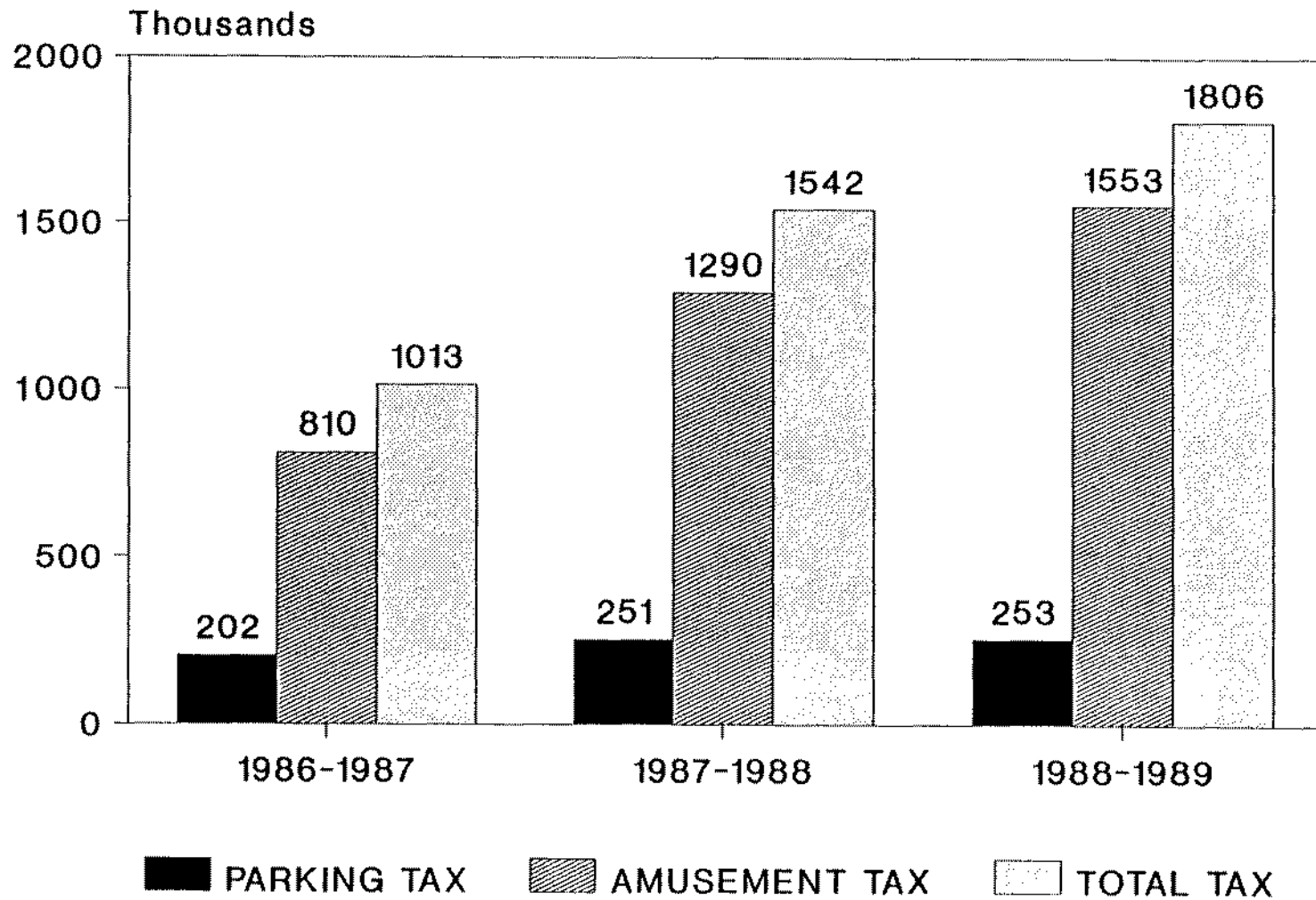
	<u>1986-1987</u>	<u>1987-1988</u>	<u>1988-1989</u>
Ballet Theatre	74,636	86,644	90,000
Dance Council	9,945	14,527	20,000
Civic Light Opera	98,947	111,112	100,000
Pittsburgh Opera	38,122	43,330	62,700
Symphony Society	420,950	450,000	450,000
Other Benedum		92,059	80,000
Total	642,600	797,672	802,700
Increase		24%	1%

Notes: The figures for the Symphony Society include Symphony and Symphony sponsored events. The figures for Other Benedum include events sponsored by the Cultural Trust. The performances of Cats in 1987, while occurring at the Benedum, are included in the Symphony total as they were ticketed by Heinz Hall.

CULTURAL DISTRICT AUDIENCE SIZE



CULTURAL DISTRICT LOCAL TAX PAYMENTS



The Fulton Theater, when operated on a regular basis, is expected to bring an additional 135,500 people into the Cultural District. The three halls have the potential of bringing 938,200 people into the District each year.

The League's audience survey indicates that 75 percent of the arts organizations' audiences come from outside of the City. In 1988, each audience member spent an average of \$19.93 beside the cost of the ticket during the course of the excursion to the event.

BASED ON THESE FIGURES, THE FUTURE AUDIENCES AT THE THREE HALLS COULD SPEND A TOTAL OF \$18.7 MILLION IN ADDITION TO THE COST OF THE TICKET. OF THIS TOTAL, \$14.0 MILLION COULD BE BROUGHT INTO THE CITY BY NONRESIDENT AUDIENCE MEMBERS.

Part of audience spending, including ticket purchases, is taxed by the City. The City levies an amusement tax of 10 percent on admissions. This tax is, effectively, 9.09 percent of the ticket price. The City also levies a 25 percent parking tax. The tax is, effectively, 20 percent of the cost of parking.

The taxes on both parking and admissions have been increasing as the audience has grown and ticket and parking prices have increased.¹⁸

LOCAL TAX PAYMENTS
Amusement and Parking Taxes

	<u>1986-1987</u>	<u>1987-1988</u>	<u>1988-1989</u>
Amusement Taxes	\$ 810,132	\$1,290,306	\$1,552,668
Parking Taxes	<u>202,419</u>	<u>251,267</u>	<u>252,851</u>
Total Taxes	\$1,012,551	\$1,541,573	\$1,805,518

The addition of the Fulton, under the same set of assumptions used above, would bring another 135,500 audience members into the downtown and generate \$165,400 in amusement taxes and another \$42,683 in parking taxes.

WITH THE FULL OPERATION OF THE FULTON THEATER, THE TOTAL TAX PAYMENTS BY AUDIENCE MEMBERS AT THE THREE HALLS COULD BE \$1,718,068 IN AMUSEMENT TAXES AND \$295,534 IN PARKING TAXES.

In addition to bringing money into the City, the Cultural District has become a major focus in downtown development. With the Convention Center and the Vista Hotel at one end and the CNG Tower and Heinz Hall at the other, the Cultural District, as a public-private partnership, will continue to attract investment and jobs into the City.

AUDIENCE SURVEY
 PER SHOW RESPONSE RATES
 FOR PARTICIPATING ORGANIZATIONS

ORGANIZATION	ATTENDANCE	SURVEYS RETURNED	RESPONSE RATE	OVERALL RESPONSE
Civic Light Opera	2,386	173	07%	13%
	2,332	167	07%	
	2,232	338	15%	
	2,331	249	11%	
	2,830	393	14%	
	2,288	478	21%	
Pittsburgh Opera	2,589	202	08%	07%
	2,511	194	08%	
	2,529	123	05%	
	2,743	231	08%	
Pittsburgh Public Theater	390	127	33%	32%
	410	128	31%	
	428	142	33%	
Pittsburgh Symphony Orchestra	1,723	275	16%	18%
	1,603	227	14%	
	1,480	345	23%	
Three Rivers Shakespeare	214	19	09%	05%
	379	18	05%	
	250	19	08%	
	361	15	04%	
	361	28	08%	
	357	4	01%	
	317	16	05%	
	317	12	04%	
TOTAL	33,361	3,923		12%

AUDIENCE SURVEY
PER ORGANIZATION EXPENDITURES

	CIVIC LIGHT OPERA	PITTSBURGH OPERA	PUBLIC THEATER	PITTSBURGH SYMPHONY
NO. RESPONDENTS	3,149	866	494	672
TRANSPORTATION	\$ 9,278.00	\$ 3,715.00	\$1,403.00	\$2,061.00
MEALS	36,102.00	13,509.00	5,664.00	5,719.00
LODGING	2,311.00	3,023.00	310.00	135.00
SHOPPING	8,710.00	3,652.00	602.00	1,041.00
OTHER ENTERTAINMENT	2,475.00	725.00	308.00	202.00
OTHER ITEMS	1,279.00	470.00	207.00	205.00
TOTAL	\$60,155.00	\$25,094.00	\$8,494.00	\$9,363.00
PER PERSON EXPENSE	\$19.10	\$28.98	\$17.19	\$13.93

	SOCIETY FOR ART IN CRAFTS	SHAKESPEARE FESTIVAL	TOTAL
NO. RESPONDENTS	34	161	5,376
TRANSPORTATION	\$570.00	\$ 324.00	\$17,351.00
MEALS	277.00	1,700.00	62,971.00
LODGING	0.00	193.00	5,972.00
SHOPPING	390.00	400.00	14,795.00
OTHER ENTERTAINMENT	71.00	50.00	3,831.00
OTHER ITEMS	0.00	103.00	2,264.00
TOTAL	\$1,308.00	\$2,770.00	\$107,184.00
PER PERSON EXPENSE	\$38.47	\$17.20	\$19.94

1

Report #6, Washington: National Endowment for the Arts, Research Division, November, 1977.

2

See Economic Impact of Arts and Cultural Institutions, Case Studies in Columbus, Minneapolis/St. Paul, St. Louis, Salt Lake City, San Antonio, Springfield, Report # 15, Washington: National Endowment for the Arts, Research Division, January, 1981.

3

In conducting the employee survey, the League attempted to survey guest artists who perform with arts organizations in Pittsburgh. Due to the impermanence of guest performances and the episodic nature of such performances, the response rate for this group was insignificant.

4

Economic Impact of Arts and Cultural Institutions, Case Studies in Columbus, Minneapolis/St. Paul, St. Louis, Salt Lake City, San Antonio, Springfield, Report #15, Washington: National Endowment for the Arts, Research Division, January, 1981.

5

County Business Patterns 1985, Bureau of the Census, 1987.

6

Since the count is taken in mid-March by the Bureau of the Census, the figures should reflect the maximum employment estimate, at any given time during the year, for arts organizations included in these two groups.

7

The \$6,730 difference between total contracted expenses and the sum of the expenses recorded above results from miscellaneous expense entries in the Organizational Profiles. This number is statistically insignificant and does not affect the results of this analysis in any way.

8

Employment characteristics are based on Allegheny County and Pittsburgh information in the Bureau of the Census, 1982 Economic and Agriculture Censuses, 1984.

9

One month prior to distributing the surveys, the League sent a letter detailing the purpose of the project and specifying the distribution and collection dates. Enclosed was a copy of the actual survey to be given to employees in the event that questions arose.

10

Of the 17 individuals who reported residences outside Allegheny County, one was from Armstrong County; two were from Beaver County; four were from Butler County; three were from Washington County; and seven were from Westmoreland County.

11

It should be remembered that the sample size for out-of-County residents is $n = 17$.

12

The study conducted by the Pennsylvania Economy League is modeled after a study commissioned by the National Endowment for the Arts and completed by David Cwi and Katherine Lyall at The Center for Metropolitan Planning and Research, Johns Hopkins University Center, October 1977.

13

Due to the nature of the organization, data collection methods and the interpretation of survey responses for the Society for Art in Crafts differed from the other participating organizations.

14

The League's total attendance figure is based on information provided in the Organizational Profiles of 36 arts organizations in Pittsburgh.

15

Caution must be used in interpreting these per person

expenditures due to the relatively small number of respondents who completed this question. For weekdays, n = 10; for weekends, n = 24.

16

Due to the small sample size, discretion must be used in the application of these statistics.

17

This total is the sum of the figures reported by the 36 organizations in the Organizational Profiles. Note that some organizations reported 1986 totals, some reported 1987 totals, and some reported 1988 totals.

18

The parking tax estimates are based on the assumptions that the average cost of parking is \$3.50 and that for every 100 audience members, 45 cars are parked downtown. For most events, based on the number of tickets sold, this would produce from 886 to 1,134 cars in additional parking. This falls at the high end of the range from the 1987 Wilber Smith Associates Penn Avenue Cultural Trust Garage Study which estimated additional parking at 500 to 1,150 depending on the number of events and the day of the week.

The amusement tax estimates are based on 9.0909 percent of actual and projected ticket revenues. The actual collections, because of differences in reporting periods, show a slight variation. The amusement tax collections for the Symphony, the Trust, and the four Benedum constituents totalled \$529,383 in 1985, \$725,322 in 1986, \$1,083,031 in 1987, and \$1,076,449 in 1988.

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SECTION TWO

THE FINANCES OF ARTS ORGANIZATIONS

The League, in its review of the finances of Pittsburgh area arts organizations, focused on three subjects. The first is the nature and structure of the community of arts organizations in Pittsburgh and the implications of this structure. The second is specific financial issues for local arts organizations. The third is the comparison of local arts organizations with national norms.

The League based its review on interviews with arts organization managers and on an examination of the Organizational Profiles of 36 Pittsburgh arts organizations. The Organizational Profiles are filed with the Pennsylvania Council on the Arts by organizations seeking state funds. Copies of these Profiles were obtained from the organizations themselves.

The few organizations which did not file Profiles with the Council filled out Profiles for the League. The League used the most recent Profile available for each organization at the time of the review. In most instances, the Profile for 1987 was used.

The 36 arts organizations are a mixture of performance groups, museums and galleries and service providers. The organizations can be grouped into 11 larger, 15 medium-sized and 10 smaller organizations. The allocation of individual organizations to any one group is not carved in stone, but the divisions are useful for analysis.

Financial Types of Arts Organization

Arts organizations in Pittsburgh, and elsewhere, can be divided into three groups. The first two groups are characterized by larger budgets, full-time management and, in some instances, full-time artistic staff. The organizations operate on a year-round basis and may provide services on a year-round basis. The third group is characterized by a volunteer staff and by seasonal activities.

The First Group

The differentiation between the first and second groups is somewhat subjective in nature. Earned and contributed support for organizations in the first group is perceived as stable over time. These organizations are managed by a professional and specialized administrative staff. Organizations within this

THIRTY-SIX PITTSBURGH ARTS ORGANIZATIONS

<u>Name of Organization</u>	<u>Year</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Employment</u>	
				<u>Full Time</u>	<u>Part Time</u>
<u>Group A</u>					
Carnegie Museum of Art	85	\$ 4,772,967	\$ 5,056,801	85	104
Civic Light Opera	86	2,080,347	2,160,409	13	212
Pgh Ballet Theatre	87	2,894,169	3,181,719	53	12
Pgh Cultural Trust	86	496,800	681,584	9	0
Pgh Dance Council	87	399,528	334,347	5	1
Pittsburgh Opera	87	2,920,829	2,911,361	16	1
Pgh Public Theater	86	2,245,637	2,425,892	28	78
Pgh Symphony Society	87	17,163,414	17,124,444	177	95
River City Brass Band	88	797,914	760,589	5	37
Pgh Center for the Arts	87	674,147	661,162	13	3
3 Rivers Arts Festival	86	794,351	785,151	6	9
		\$35,240,103	\$36,083,459	410	552
<u>Group B</u>					
3 Rivers Shakespeare	87	\$ 398,356	\$ 419,606	1	81
Blatent Image/Silver Eye	87	82,003	72,632	1	1
City Theatre Company	86	150,824	150,164	3	49
CMU Art Gallery	86	185,094	196,630	3	12
Manchester Craftsmen's	87	773,280	686,047	5	1
Mattress Factory	87	322,502	311,447	1	13
Mendelssohn Choir of Pgh	88	135,658	141,798	1	6
Pgh Children's Festival	87	231,752	261,671	2	1
Pgh Dance Alloy	87	204,675	196,856	8	4
Pgh Filmmakers	86	624,771	625,816	11	42
Pgh New Music Ensemble	87	153,498	167,696	0	0
Soc. for Art in Crafts	87	492,078	534,951	3	3
Stephen Foster Memorial	86	165,877	157,882	3	4
Young People's Orch.	87	94,904	88,223	1	16
Y Music Society	87	101,946	101,946	2	0
		\$4,117,218	\$4,113,365	45	233
<u>Group C</u>					
Assoc. Artists of Pgh	86	\$130,568	\$128,622	0	0
Bach Choir of Pgh	87	36,117	37,883	0	2
Gateway to Music	87	222,777	219,118	0	3
Harambee of Pittsburgh	87	3,256	2,967	0	0
Kingsley Assc. S.S.Review	87	16,604	11,152	0	0
Pgh Chamber Music Soc.	87	74,264	63,540	0	0
Pgh Fund/Arts Education	87	69,405	38,130	1	0
Pitt Poetry Series	86	64,695	100,071	9	2
Renaissance & Baroque	86	40,526	41,353	0	0
Summerfest Inc.	87	18,918	21,123	0	3
		\$677,130	\$663,959	10	10
Total		\$40,034,451	\$40,860,783	466	791

These figures were reported by most of the arts organizations on a cash basis and, therefore, include multi-year grants as income within one year.

grouping could include the Carnegie Museum, the Symphony, the Opera, the Public Theater, the Civic Light Opera, the River City Brass Band, the Pittsburgh Center for the Arts, the Three Rivers Arts Festival, the Ballet, the Cultural Trust and the Dance Council.

Management by a professional and specialized administrative staff can play an important role in providing long-term stability for an organization. The professional goals of the administrative staff are tied not only to the artistic success of the organization but also to successes in the more administrative areas of finance, cost control, purchasing, contract management, personnel, labor relations, marketing, and fundraising.

In most large cities, including Pittsburgh, this group contains one symphony orchestra, one resident theatre company, one dance or ballet company, one museum, possibly an opera company, and a few more organizations.

The Second Group

Organizations in the second group may not present the same sense of long-term stability. Management is often in the hands of the artistic staff. The permanent staff often have supplementary jobs elsewhere and depend on the organization for only a part of their income. Organizations in this group could include the Three Rivers Shakespeare Festival, the City Theatre Company, and the New Music Ensemble.

The long-term stability of some of these organizations can be threatened by the part-time nature of employment, particularly for the artistic staff. Organizations within this group run the risk of losing staff to full-time positions in other organizations and other cities.

The long-term stability of these organizations can also be threatened by the lack of the administrative staff needed to market the organizations, sell tickets and subscriptions, and raise funds and manage expenses.

Moving from the second to the first group is more than a matter of degree; it is a matter of kind. Without funds, it is difficult to hire the staff needed to raise and manage funds. If the resources needed, either the staff or the funds, can be

found to make and sustain the move, this change can be made. The reorganization of the Ballet addressed this issue by providing seed support for needed administrative staff.

Part of making the change is in tapping into a large, long-term source of support. This source of support in most instances has not been earned income. Most organizations which are in the first group are heavily dependent on contributions in the form of annual giving or of past giving to an endowment.

Because this type of contributed support is limited in Pittsburgh and in most cities, it tends to be given to one symphony, one ballet, one opera and so forth. This practice, whether it is consciously or unconsciously adhered to, limits movement from the second to the first group.

The Third Group

Organizations in the third group are characterized by activities which are episodic in nature. The organizations usually have part-time, temporary staff. In most instances, the staff is not paid. These organizations' primary assets are the time and talent of volunteer performers, technicians and administrators. This group includes choral societies, summer theatre companies and most literary societies. In Pittsburgh, this group includes the Bach Choir and the Chamber Music Society.

Organizations in this group rarely have ongoing commitments and expenses, and seek support only for specific performances and events. Finances play a small part only in their long-term existence. They are far more dependent on a steady supply of willing volunteers who work for the work itself and not for the financial rewards it could bring.

Organizations of this type, if they can gain a committed core of volunteers, can survive indefinitely. Activity can fluctuate in intensity from year to year and even be suspended for a year or two without endangering the "tradition" of the organization.

These organizations meet the cultural and artistic needs of the community by allowing the members of that community to become the performers and they operate with a volunteer administrative staff. They often have the use of community facilities and receive nominal financial support from local employers. The audience may become a secondary consideration.

Implications in These Groupings

Even though each group can be described in terms of financial support and staff, the differences between the groups are more than a matter of degree; they are a matter of kind. The groups differ in terms of earned income, foundation and corporate support, administrative and artistic staffing, overhead costs, and attendance and cost per audience member.

The League reviewed the finances of all of the 36 arts organizations in terms of earned income, foundation and corporate support, administrative and artistic staffing, and budgets and overhead costs. This review revealed significant differences between the groups of organizations.

The League also reviewed the finances of a smaller set of 15 performance organizations drawn from the first and second groups. This smaller set was used for a detailed examination of the differences between the first and second groups. In this review, the League focused on total expenses, overhead costs, attendance and attendance costs.

Visual arts and service organizations were excluded from this detailed examination because there were too few visual arts and service organizations among the 36 organizations to be significant. In addition to this, because visual arts organizations have less earned income than performance organizations, the inclusion of visual arts organizations would have skewed the results.

Differences Between Groups: Thirty-Six Arts Organizations

The League's review of all 36 City arts organizations revealed significant differences between the three groups.

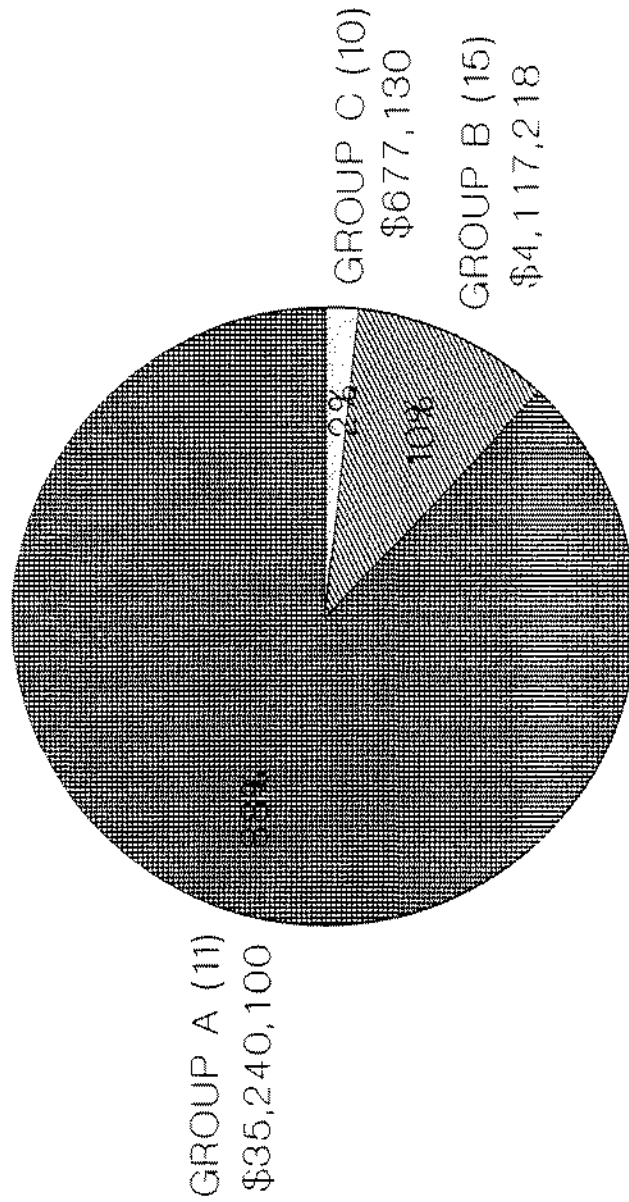
Earned Income

Arts organizations in the first group, because of their size, generate far more earned income than the organizations in the other two groups. The 11 organizations in the first group generated a total of \$18,301,448 in earned income. The 15 organizations in the second group generated \$1,351,381 and the 10 organizations in the third group generated \$338,410.

The organizations in the first group, in addition to generating more earned income than the other two, can rely more heavily on this income and less on contributed income than the organizations in the second and third groups.

THE LARGER ORGANIZATIONS GENERATED 52 PERCENT OF THEIR TOTAL INCOME FROM EARNED INCOME, WHILE THE ORGANIZATIONS IN THE SECOND GROUP WERE ABLE TO RAISE ONLY 32 PERCENT OF THEIR TOTAL INCOME FROM EARNED INCOME.

DIVISION OF INCOME BETWEEN GROUPS



These smaller organizations, in effect, have less control over their own income and have to rely more heavily on outside sources.

ARTS ORGANIZATION INCOME
as a Percent of Total Income

Group:	First	Second	Third
Earned Income	52%	32%	50%
Corporate & Foundation Contributions	11	24	25
Total Private Support	27	46	40
Government Support	6	21	9
Endowment Income	15	0	0

Source: Organizational Profiles

Foundation and Corporate Support

The larger organizations in the first group receive more foundation and corporate support than the organizations in the other two groups. The organizations in the first group received a total of \$3,971,099, while the smaller organizations in the second group received \$987,345, and, in the third group, only \$169,795.

The smaller organizations in the second group, however, are more heavily dependent on private support than the other organizations. Even though they received smaller amounts, they have to make it cover more. This can leave them vulnerable to changes in corporate and foundation giving.

Foundations and businesses support nonprofit activities because they are good for the community and, for businesses, because the support improves the quality of life for employees and generates positive community perceptions. A good way to accomplish this is to provide support for established organizations where the most return can be generated from the investment. This pattern of support minimizes risk and perpetuates the status quo.

Major organizations, almost by definition, are stable, and, therefore, are likely to receive most of the support. Organizations in the second group are likely to receive less support. This support is usually tied to the foundation's or business's particular interest in an organization or in the local community where the organization is active. Business

support for organizations in the third group is often tied to employee interest in a specific organization.

Most corporate foundations provide support for major organizations and for organizations which are of interest to employees. In many instances, these corporation have matching programs which generate numerous, small contributions to smaller arts organizations. Community foundations, like the Pittsburgh Foundation, also tend to focus on major organizations with smaller grants to other organizations.

Most family foundations and businesses follow a slightly different pattern. The support is concentrated on a few organizations with the bulk of the support going to major organizations. There are, of course, exceptions to these generalizations. (See Section Four for more detail.)

Administrative and Artistic Staffing

The League used the Organizational Profiles to examine both administrative and artistic staffing and salary levels. The arts organizations in the first group had fewer administrators, as a proportion of total employment, than the organizations in the second group. The administrators in the first group received significantly higher average salaries than the administrators in the second group.

The 11 organizations in the first group had 155 full-time and 94 part-time administrative employees. This constituted 26 percent of the total salaried staff of 962. Each one had more than three full-time administrative employees. With two exceptions, the average annual salary for both full-time and part-time administrative personnel at these organizations was over \$15,000. The average salary for all full-time and part-time administrators was \$18,752.

The fifteen organizations in the second group relied more heavily on part-time employees with a total of 24 full-time and 59 part-time administrative employees. This constituted 30 percent of the total staff of 275. Only one organization had more than three full-time administrative employees. Because of the heavy reliance on part-time staff, only two of the organizations had average administrative salaries of more than \$15,000. The average annual salary for both full-time and part-time administrative staff was \$6,969.

Only four of the ten organizations in the third group had paid administrative staff. The six full-time and six part-time administrators had an average salary of \$5,990.

The organizations in the first group have developed reasonably well-paid administrative staffs to handle the management of their organizations. The organizations in the second group, although they have small full-time administrative staffs, cannot match the larger organizations in terms of depth and diversity of management skills.

Budgets and Overhead Costs

With one exception, all of the organizations in the first group have budgets of over \$500,000 per year. Six out of the 11 had budgets of over \$2,000,000. Only three of the organizations in the second group reported expense budgets of more than \$500,000 per year. Only three of the organizations in the third group had budgets of over \$100,000 and only one exceeded \$200,000.

Larger budgets can provide some flexibility in dealing with revenue shortfalls. Larger organizations can leave positions vacant for a while, take advantage of trade credit and even borrow to overcome cash flow problems. Larger organizations are often in a better position than smaller organizations to build up operating reserves and working capital.

Differences Between Groups: Fifteen Performance Organizations

In order to identify statistically significant differences between the organizations in the first and second groups, the League examined the finances of 15 performance organizations, seven from the first group and eight from the second. The information for the examination, again, was drawn from the Organizational Profiles.

They are, in the first group, the River City Brass Band, Ballet, Opera, Symphony, Dance Council, Civic Light Opera and Public Theater, and, in the second group, the New Music Ensemble, Dance Alloy, Young People's Orchestra, City Theatre Company, Y Music Society, Filmmakers, Mendelssohn Choir and Shakespeare Festival. Visual arts and service organizations were excluded so that the examination could concentrate on organizations with similar functions.

In the examination, the League considered total expenses, overhead costs, attendance and attendance costs. There are noticeable differences between the two groups in terms of these expenses and costs.

Total Expenses

The budgets for the organizations in the first group are substantial. The average expenses for the seven organizations in the first group were \$4,128,394. If the Symphony figures are excluded from the calculations, the average expenses were \$1,962,386. With one exception, all of the organizations had expenses of over \$750,000.

The budgets for the eight organizations in the second group are far smaller. The average expenses were \$270,301. With one exception, all of these organizations reported expenses of less than \$500,000.

Overhead Costs

There is a significant difference in overhead costs between the two groups. For the purposes of the examination, overhead costs include administrative salaries and other expenses, facility costs, tax payments and loan repayments. Artistic and technical salary and contract service costs, and programming and acquisition costs are excluded.

COST DISTRIBUTIONS Percent of Total Expenses

<u>Type of Costs</u>	<u>First Group</u>	<u>Second Group</u>
Non-Artistic Personnel	17%	26%
Taxes	7	2
Marketing and Fund Raising	9	10
Other	<u>5</u>	<u>4</u>
Total Non-Artistic Costs	38%	42%
Artistic Personnel	38	40
Other Production	<u>24</u>	<u>17</u>
Total Artistic Costs	62%	57%
Average Expenses	\$4,128,394	\$270,301

If the Symphony expenses are excluded from the calculation of average expenses, the average is \$1,962,386.

Personnel costs include both salaried and contracted personnel.

"Other" costs include travel, insurance, utilities, short-term debt service, office equipment and miscellaneous office expenses.

"Other Production" includes costs of mounting, transporting, equipping and insuring performances and exhibits.

The average overhead cost for the seven performance organizations in the first group was 38 percent. Only two of the six organizations in the first group had overhead costs of more than 50 percent of total expenses.

For the second group, the average was 42 percent. Two of the eight organizations in this group had overhead costs over 50 percent of total expenses. Given the small size of the sample, these differences do not have any great significance.

The differences in the personnel overhead costs are significant. In the second group, over one quarter of the total expenses was related to administrative personnel. In the first group, only 17 percent of the expenses was related to administrative and other non-artistic personnel.

The proportionately larger overhead costs for the organizations in the second group, coupled with small staffs, low salaries and meager revenues, can lead to increased risk. Cuts in administrative expenses are difficult and can endanger the full-time operations of the organizations. The alternative, of course, is significant cuts in the program budget.

Attendance and Attendance Costs

Attendance figures for the seven organizations in the first group ranged from 10,635 to 523,000, with an average annual attendance of 172,119. Annual attendance for the eight organizations in the second group ranged from 6,600 to 105,500, with an average attendance of 40,175. These figures should not be surprising, as the organizations in the first group are, almost by definition, larger than those in the second.

AVERAGE COST AND EARNED INCOME PER ATTENDANCE Fifteen Performance Groups

	<u>Average Cost</u>	<u>Average Income</u>
First Group	\$29.79	\$15.97
Second Group	8.57	4.57

Cost per attendance and earned income per attendance figures reveal more significant differences between the two groups. The cost per attendance figures for the first group ranged from \$7.12 to \$81.44, with an average cost of \$29.79. The costs per attendance for the second group of eight organizations ranged from \$1.59 to \$13.37 with an average of \$8.57.¹

The same differences show up in earned income per attendance. Earned income includes ticket sales, fees, rentals, concessions, sales and other income generated as a direct

consequence of the organization's activities. Earned income per attendance ranged from \$5.31 to \$37.46 for the first group, with an average of \$15.97. For the second group, the range was \$.45 to \$10.61, with an average of \$4.57.² For both cost and earned income per attendance, the differences are statistically significant.

The Significance of These Differences

It could be argued that the differences between the two groups of performance organizations is a matter of definition. Successful arts organizations grow in size, in number of performances, in number of administrators, in attendance and in expenses. Any differences between the two groups of organizations are based on size.

The differences between the two groups of performance organizations, however, are more than differences in order; they are differences in kind. The organizations in the first group are fundamentally different from the organizations in the second group.

The League, as part of the total analysis, examined seven variables which were normalized to avoid relationships to size. These variables are cost per attendance, earned income per attendance, non-artistic personnel costs as a percent of total expenses, overhead as a percent of total expenses, average administrative pay, and private support as a percent of total support.

The differences between the two groups of performance organizations, in terms of four of the variables, cost per attendance, earned income per attendance, non-artistic personnel costs as a percent of total expense, and average administrative pay, are statistically significant. The differences in these variables for the two groups are statistically large enough to assume that the two groups are different.³

Organizational Size and Risk

The differences between the groups of arts organizations have real implications for the health and stability of these organizations.

THE ORGANIZATIONS IN THE SECOND GROUP, IN GENERAL, ARE AT GREATER RISK THAN THE ORGANIZATIONS IN THE OTHER TWO GROUPS.

The major organizations receive the most attention in terms of audience size and foundation and contributed support. They also exhibit administrative sophistication, as measured by administrative staff size and average salary.

The smaller organizations receive less attention. They lack the administrative depth and managerial sophistication enjoyed by larger organizations. They have to compete with the larger organizations for audience and contributed support. Because they often are able to offer only part-time employment, they run the constant risk of losing artistic staff.

Most of the organizations in the second group devote a large portion of their revenues to covering overhead costs. Because they have made the commitment to operate on a regular, year-round basis, they have taken on administrative staff, rented or purchased space and incurred all of the other expenses associated with an ongoing operation. If they are threatened by revenue shortfalls, they have the choice of either cutting the artistic program to save the continuing operation or cutting overhead and risking the loss of continuing operation.

Organizations in the third group, because they rely almost entirely on volunteer staff and do not attempt to maintain year-round operations, will survive as long as there are volunteers. Recruiting and retaining volunteer artistic and support staff remains the major organizational focus for these organizations. Audience and contributed support are secondary considerations.

The organizations in the second group are at greatest risk. They do not have the margin for error that the organizations in the other two groups enjoy. This leaves many artistically excellent organizations in a fiscal limbo, finding enough support to lead a tenuous existence but never enough to achieve long-term stability.

These smaller, full-time organizations in the second group are the organizations which add variety to the cultural life of the City. They offer choices to the audience and can lead the artistic community into new ventures.

Financial Health

Many of the 36 organizations have undergone financial trials at some time in their lives and some of the organizations will have problems in the future. Few of the organizations have the reserves needed to weather problems without additional assistance. Most of the organizations do not have endowments or working capital. Many have debts and have to scramble to cover year-end deficits.

The 36 City arts organizations were, as a group, reasonably healthy at the time they completed the Organizational Profiles. Most had revenues from all sources which matched, or came close to matching, their expenses. Those organizations with

significant shortfalls had these shortfalls in hand. With a few exceptions, however, all of the organizations were operating near the edge.

The situation in Pittsburgh is not unusual. Few arts organizations nation-wide have substantial endowments or reserves. The problems Pittsburgh arts organizations have are felt everywhere. The solutions for these problems have also been tried elsewhere.

The First Group

These eleven organizations, as a group, had total revenues of \$35,240,103. The median revenue for this group was \$2,080,347.

	<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>
Carnegie Museum of Art	85	\$ 4,772,967	\$ 5,056,801
Civic Light Opera	86	2,080,347	2,160,409
Pgh Ballet Theatre	87	2,894,169	3,181,719
Pgh Dance Council	87	399,528	334,347
Pittsburgh Opera	87	2,920,829	2,911,361
Pgh Public Theatre	86	2,245,637	2,425,892
Pgh Symphony Society	87	17,163,414	17,124,444
Pgh Cultural Trust	86	496,800	681,584
River City Brass Band	88	797,914	760,589
Pgh Center for the Arts	87	674,147	661,162
Arts Festival	86	794,351	785,151
		\$35,240,103	\$36,083,459

Eight of the eleven organizations depended on earned income as their primary source of income. The Carnegie Museum of Art depended on endowment income first and earned income second. The Cultural Trust, prior to the opening of the Benedum, and the Dance Council depended on contributed support as the primary source of income.

Most of these organizations were operating in the black during the selected year. Three were running deficits. The largest deficit was approximately \$285,000. This was nine percent of the organization's total expenditures. The other deficits were smaller, both in dollar amounts and also as a percent of total expenses.

During the summer of 1988, the League interviewed administrators from all but one of these organizations. With one exception, all of the organizations were in reasonable health at the time of the interviews with revenues which came close to or matched expenditures. The single exception has taken the necessary steps to improve its financial position.

The Second Group

The next group of 15 organizations had total revenues of \$4,117,218. The median revenue was \$204,675.

	<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>
3 Rivers Shakespeare	87	\$ 398,356	\$ 419,606
Blatent Image/Silver Eye	87	82,003	72,632
City Theatre Company	86	150,824	150,164
CMU Art Gallery	86	185,094	196,630
Manchester Craftsmen's	87	773,280	686,047
Mattress Factory	87	322,502	311,447
Mendelssohn Choir	88	135,658	141,798
Pgh Children's Festival	87	231,752	261,671
Pgh Dance Alloy	87	204,675	196,856
Pgh Filmmakers	86	624,771	625,816
Pgh New Music Ensemble	87	153,498	167,696
Soc. for Art in Crafts	87	492,078	534,951
Stephen Foster Memorial	86	165,877	157,882
Young People's Orch.	87	94,904	88,223
Y Music Society	87	101,946	101,946
		\$4,117,218	\$4,113,365

These organizations, with a few minor exceptions, were in the black during the selected year. The exceptions had deficits which ranged from a few thousand dollars to \$42,000. The deficit was approximately eight percent of the organizations' budgets.

Of the 15 organizations in this group, only ten depended on earned income as the primary source of income. Of the other organizations, one had foundation support as the primary source, one individual support, one government support and two depended on parent organizations.

The visual arts organizations in both the first and second groups depended fairly heavily on contributions. The Carnegie Art Museum, the CMU Art Gallery, the Manchester Craftsmen's Guild, and the Society for Arts in Crafts covered less than 25 percent of their expenses through earned income. Each organization had close to or over two-thirds of expenses covered by private support or endowment income.

The Third Group

The ten organizations in the third group had total revenues of \$677,130. The median budget was \$64,695.

	<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>
Assoc. Artists of Pgh	86	\$130,568	\$128,622
Bach Choir of Pgh	87	36,117	37,883
Gateway to Music	87	222,777	219,118
Harambee of Pittsburgh	87	3,256	2,967
Kingsley Assc. S.S.Review	87	16,604	11,152
Pgh Chamber Music Soc.	87	74,264	63,540
Pgh Fund/Arts Education	87	69,405	38,130
Pitt Poetry Series	86	64,695	100,071
Renaissance & Baroque	86	40,526	41,353
Summerfest Inc.	87	18,918	21,123
		\$677,130	\$663,959

Earned income was the primary source of income for all but one of the ten organizations in the third group. The exception depended on foundation support, with government support as the second source of support.

Only a few of these organizations were experiencing deficits during the selected year. None was serious. The largest was \$35,000. This shortfall, however, could be made up by a parent organization. Because most of the costs for the organizations in this third group are variable, even over the short run, it is easier for these organizations to trim expenses to match revenues.

Reviewing Revenues, Expenditures and Reserves

The League reviewed the revenues, expenditures and reserves of the 36 Pittsburgh arts organizations to identify areas where general improvements could be made. For the review of revenues, the League was able to compare local revenue patterns with national averages. Nationwide figures on expenditures, unfortunately, are not available. The League used, instead, general rules of thumb for nonprofit concerns.

Arts Organizations' Revenues

The performance of Pittsburgh arts organizations in generating earned income and raising funds can be measured against the performance of organizations in other cities. Pittsburgh arts organizations do not differ greatly from national averages.

National information on revenues is available for major arts organizations. The information is, for the most part, from the early and mid-1980s. This information has been collected in surveys by Dance USA for 1983-1985, the American Symphony Orchestra League for 1980-1983, the Association of Professional Vocal Ensembles for 1980 and 1985, Opera America for 1982-1986 and the Theatre Communications Group for 1982-1987.

This information can be used to provide performance standards. The financial experiences of local companies can then be measured against these standards. In order to make the comparisons, income figures from the national surveys and local organizations have been computed as a percent of total expenses. These percentage figures are used because they demonstrate how well each source of income covers expenses.

One caution, however, is in order. The national figures are annual averages drawn from the experiences of a large number of companies. Because they are averages, they do not vary greatly from year to year. The figures on which the averages are based may vary greatly from organization to organization, from city to city and from year to year.

NATIONAL AVERAGES
Income as Percent of Total Expenses

	<u>Year</u>	<u>Earned Income</u>	<u>Government Support</u>	<u>Private Support</u>	<u>Endowment Income</u>
Dance USA					
	1983	68%	07%	26%	00%
	1984	69	08	24	00
	1985	65	08	25	00
Symphony Orchestra League					
	1980	47	13	28	09
	1981	47	12	31	10
	1982	47	11	31	10
	1983	48	10	31	09
Professional Vocal Ensembles					
All Member	1980	52	07	39	00
	1985	43	07	49	00
Opera America					
All Company	1985	50	06	35	00
	1986	50	06	35	00
Theatre Communications Group					
45 Company	1982	63	11	26	00
	1983	65	10	25	00
	1984	65	09	25	00
	1985	63	09	26	00
	1986	62	10	27	00

The Pittsburgh figures are not averages. They are the actual experience of individual organizations. For this reason, they display more variation than the national averages. They also may fall within the normal range of national experience even though they do not match the national averages.

Even with this caution, the comparisons with national averages are useful. They can point to issues which may deserve further consideration.

Dance Organizations

Three of the local dance companies, the Ballet, the Dance Council and the Dance Alloy, all had less earned income as a percentage of total expenses than the annual averages for the companies in the Dance USA surveys. In 1986 and 1987, individual local companies' earned income was 39 to 57 percent of total expenses. The average earned income for the national companies in each of the annual surveys was 65 to 69 percent.

Private support for the local companies was higher. The Pittsburgh companies had private support of 29 to 51 percent of total expenses, while the national companies had average private support of 24 to 26 percent. Government support for Pittsburgh companies was also higher, 8 to 20 percent locally, compared to 7 to 8 percent nationally.

In general, the finances of the three Pittsburgh dance organizations demonstrate a greater dependence on contributed support and less on earned income than the national averages.

Instrumental Groups

The earned income of individual local instrumental performance organizations showed greater variation. There is also a difference between the Pittsburgh Symphony and smaller local orchestras.

In the American Symphony Orchestra League surveys, the average annual earned income as a percent of total expenses for member orchestras was 47 and 48 percent in 1986 and 1987 respectively. Most of the organizations included in the survey are major, professional symphony orchestras. The Pittsburgh Symphony for both 1986 and 1987 had earned income of 56 percent of total expenses.

The Symphony's endowment income exceeded national averages with 22 to 23 percent of expenses covered by endowment income while the national experience was 9 to 10 percent. The Symphony's foundation support was less than the national averages, 17 percent in both years, while the national averages were 28 to 31 percent.

Smaller local community orchestras, the Young People's Orchestra, the McKeesport Symphony, and Orchestra Nova, depended more on contributed support and less on earned income. Earned income varied from 16 to 36 percent of expenses. These orchestras usually charge little or no admission. These organizations showed far greater dependence on private contributed support, with 52 to 96 percent of expenses covered by contributions.

This same pattern of heavy reliance on contributed support was not repeated with other smaller groups, the Pittsburgh Chamber Music Society, the New Music Ensemble and the Renaissance and Baroque Society. Private contributions for these groups ranged from 22 to 41 percent of total expenses, while earned income ranged from 28 to 83 percent of expenses.

To a certain extent, these comparisons between major orchestras and smaller local orchestras and groups are misleading. Smaller organizations, in Pittsburgh at least, tend to depend more heavily on contributed support than larger organizations do. The greater dependence of smaller local orchestras on contributed support when compared to the Pittsburgh Symphony and the major orchestras in the national surveys is a function of organization size and operations.

Vocal Groups

The Mendelssohn Choir and the Bach Choir both came close to matching the results of the two Association of Professional Vocal Ensembles surveys. Earned income in the two surveys was 42 to 56 percent of expenses and, for the two local choirs, 41 to 46 percent. Private support in the two surveys was from 33 to 49 percent and with the two local groups, 38 to 46 percent.

Opera

The Pittsburgh Opera has been depending more heavily on private support than the companies in the Opera America surveys. For the Pittsburgh Opera, contributed support has been 43 to 50 percent of expenses while the surveyed companies averaged 36 to 37 percent. Earned income for the opera covered 46 percent of expenses in 1987. The national averages were 50 to 57 percent.

There is a striking component in the Pittsburgh Opera's contributed support. Donations from individuals covered 32 percent of expenses in 1987. The national averages were 14 to 16 percent. If the additional support received from individuals is removed from the Opera's computations, the Pittsburgh Opera's earned income and contributed support figures would be closer to the national averages with earned income at 53 percent and contributed support at 41 percent in 1987.

Theatre

The local theatre companies, the Shakespeare Festival, the City Theatre Company and the Public Theater, fall within or close to national norms. There is fairly detailed national comparison information.

The Theatre Communications Group surveys cover 45 companies for the period 1982 to 1986. The 45 companies in the Theatre Communications Group surveys averaged 62 to 65 percent in earned income from 1982 to 1986. Contributed support for the surveyed companies averaged 25 to 27 percent.

In Pittsburgh, the local companies had 57 to 89 percent in earned income and 17 to 31 percent in contributed support. This local experience is in keeping with the 45-company survey.

Arts Organizations' Expenses

Unfortunately, there is not the same wealth of national information for the expense side of the ledger. Much of the information which is available is dated. It is possible to make only general statements about the place of local arts expenditures in terms of general rules of thumb.

In this analysis, the League examined line item expenditures as a percent of revenues, and payroll expenses and salaries. The figures were drawn from the Organizational Profiles for the 36 organizations.

Expense Items as a Percent of Revenue

The League examined the expenses, as a percent of revenues, for all of the 36 organizations and for the 20 performance organizations drawn from all three groups.

Most of the expenses incurred by arts organizations are quite similar to the expenses of any organization. These include administrative, program and facility costs. At the line item level, they include salaries, benefits, material and supply purchases, rents, utilities, insurance, interest and principal repayments, printing, travel, contract and service fees, and taxes. The League reviewed the Organizational Profiles. There were few surprises in the Profiles in terms of expenditures, and these surprises were easily explained by the arts organizations themselves.

EXPENDITURES AS A PERCENT OF REVENUES
 Range Within Groups
 36 Arts Organizations

<u>Expenditure</u>	<u>Group A</u> <u>n = 11</u>	<u>Group B</u> <u>n = 15</u>	<u>Group C</u> <u>n = 10</u>
Paid Staff	12 - 61%	0 - 72%	0 - 61%
Contract Staff	0 - 46	0 - 62	0 - 73
Total Staff	17 - 81	16 - 84	0 - 83
Taxes	0 - 15	0 - 6	0 - 7
Office	2 - 25	2 - 55	1 - 26
Facility	0 - 14	0 - 62	0 - 10
Office & Facility	4 - 39	3 - 73	1 - 31
Program	0 - 62	2 - 17	0 - 76
Marketing	1 - 12	0 - 34	1 - 28
Special Fundraising Events	0 - 5	0 - 4	0 - 9
Total Expenses	84 -137%	89 -113%	55 -155%

Only major expenses are itemized; all expenses are included in the total. Office includes equipment, insurance, telephone, misc. and other. Program includes all non-personnel program and production costs. Facility includes rental, building purchases, mortgages, utilities, maintenance and misc. other. Marketing includes public relations. Taxes include the employer portion of employee taxes, property taxes, amusement taxes, and the institution and services tax.

The averages are not weighted within groupings for organizational size. Weighting would skew the use of the results as a norm for comparisons.

The figures on the range of expenditures as a percent of revenue demonstrate the great variation in how arts organizations spend their funds. The variations are due, in most cases, to special circumstances and, in some instances, to reporting practices.

For example, visual arts and service organizations are likely to have higher facility and office costs and lower staff costs. This, in fact, turns out to be the case for these Pittsburgh organizations. Organizations without their own buildings, performing in space rented for the occasion, have lower facility costs. The same is true for those organizations in subsidized quarters.

EXPENDITURES AS A PERCENT OF REVENUES
Average Within Groups
36 Arts Organizations

<u>Expenditure</u>	<u>Group A</u> <u>n = 11</u>	<u>Group B</u> <u>n = 15</u>	<u>Group C</u> <u>n = 10</u>
Paid Staff	34%	31%	11%
Contract Staff	17	17	34
Total Staff	51	48	45
Taxes	5	2	1
Office	8	11	9
Facility	5	13	3
Office & Facility	13	24	12
Program	17	13	19
Marketing	7	10	12
Special Fundraising	1	1	3
Total Expenses	104%	100%	97%

The figures can be misleading because they include performance groups, museums, galleries and service organizations. If the performance groups are treated separately, the figures settle down somewhat.

EXPENDITURES AS A PERCENT OF REVENUES
Range Within Groups
20 Performance Organizations

<u>Expenditure</u>	<u>Group A</u> <u>n = 7</u>	<u>Group B</u> <u>n = 8</u>	<u>Group C</u> <u>n = 5</u>
Paid Staff	12 - 61%	0 - 72%	0 - 61%
Contract Staff	0 - 45	0 - 52	1 - 73
Total Staff	17 - 61	14 - 82	50 - 73
Taxes	0 - 15	0 - 6	0 - 7
Office	2 - 10	4 - 12	3 - 11
Facility	0 - 10	0 - 7	0 - 10
Office & Facility	4 - 20	6 - 16	1 - 17
Program	0 - 62	5 - 76	0 - 56
Marketing	2 - 15	1 - 19	1 - 28
Special Fundraising	0 - 5	0 - 4	0 - 2
Total Expenses	84 - 108%	84 - 109%	86 - 155%

EXPENDITURES AS A PERCENT OF REVENUES
Averages Within Groups
20 Performance Organizations

Expenditure	Group A n = 7	Group B n = 8	Group C n = 5
Paid Staff	36%	41%	14%
Contract Staff	13	21	42
Total Staff	49	62	56
Taxes	7	2	2
Office	5	7	6
Facility	4	3	4
Office & Facility	9	10	10
Program	21	10	22
Marketing	6	12	16
Special Fundraising	1	1	
Total Expenses	103%	98%	111%

Payroll Expenses

The major expense which arts organizations can control is payroll. It is generally believed that the local salaries for arts administrators, particularly those with smaller organizations, are low. This phenomenon is not limited to the arts community. Salaries for most Pittsburgh nonprofit and public administrators are low when they are compared to other large city salaries.

There is some information available for general salary levels for all employees with arts organizations. Each year the Bureau of the Census collects information on numbers of employees and annual payroll from each business in the country. The last available information is for March 1985. The information is aggregated by industry and then published as County Business Patterns.

The two industries which are relevant are producers, orchestras and entertainers (SIC 792) and museums, botanical and zoological gardens (SIC 89). For comparison's sake, educational services (SIC 82) is also presented below. All of the figures include employment with both for-profit and nonprofit organizations.

AVERAGE ANNUAL PAY FOR SELECTED INDUSTRIES
1985

	<u>Pennsylvania</u>	<u>Allegheny Co.</u>	<u>Philadelphia Co.</u>
Producers Etc.	\$13,765	\$13,559	\$17,611
Museums Etc.	14,273	13,158	Not Available
Educational Services	14,012	14,415	17,203
All Businesses	18,179	19,895	20,362

U.S. Bureau of the Census, County Business Patterns 1985, Pennsylvania (August 1987)

THE AVERAGE PAY FOR EMPLOYEES IN THESE TWO ARTS INDUSTRIES IN ALLEGHNEY COUNTY IS SLIGHTLY LESS THAN THE AVERAGE PAY FOR THE STATE AS A WHOLE AND CONSIDERABLY LESS THAT THE PAY IN PHILADELPHIA.

This pattern matches educational employment and all employment.

The pattern of lower pay in Pittsburgh for the two arts industries and educational services is not duplicated with average annual pay for all employment. The average pay in Pittsburgh is higher than the average pay for the state as a whole and only slightly behind the average pay for Philadelphia.

In Pittsburgh, employees in the arts, and in education for that matter, are not paid well by statewide and Philadelphia standards. Nor are they paid well when compared to other forms of employment in Pittsburgh.

The 1986 and 1987 figures from the Organizational Profiles do not show major increases in average salary levels. The average pay for organizations in the first group ranged from \$3,800 to \$38,000. The figures include both full-time and part-time employees. In the second group, the range was \$2,000 to \$16,000. In the third group, where there are some organizations with no paid staff, the range was \$0 to \$14,500.

Because the organizations report total hours worked by full-time and part-time personnel, it is possible to convert the salary information into average full-time-equivalent salaries

for each organization. These salary figures will be higher than those reported above and those from the Bureau of the Census because they are adjusted for full-time and part-time status.

The adjusted full-time salary range in the first group is from \$21,000 to \$67,500; in the second group, \$6,000 to \$27,000; and in the third group, \$10,000 to \$14,000 for the few organizations with paid staff.

There are two conclusions which can be drawn from these findings.

THE FIRST IS THAT PITTSBURGH ARTS ORGANIZATIONS ARE MORE EFFICIENT IN THAT THEY GET MORE OUT OF THEIR PAYROLL BUDGETS.

THE SECOND IS THAT EMPLOYMENT IN THE ARTS IN PITTSBURGH IS LESS ATTRACTIVE THAN EMPLOYMENT IN OTHER CITIES AND THE GOOD PEOPLE ARE LIKELY TO SEEK EMPLOYMENT ELSEWHERE.

The two conclusions are not mutually exclusive; both can be true.

During the course of the interviews with arts and foundation managers, a number of the managers commented on the lower pay and the migration of arts personnel out of Pittsburgh to other cities. There is also a general impression that salaries, at least administrative salaries, have been increasing as a means of attracting qualified personnel. A number of arts organizations are also attempting to extend the contracts of artistic personnel to keep them in Pittsburgh.

If these impressions mirror actual trends and plans, salary expenses are bound to increase in the future. Hopefully, the salary cost increases will also reflect additional activity and the costs will not increase as a percentage of total costs.

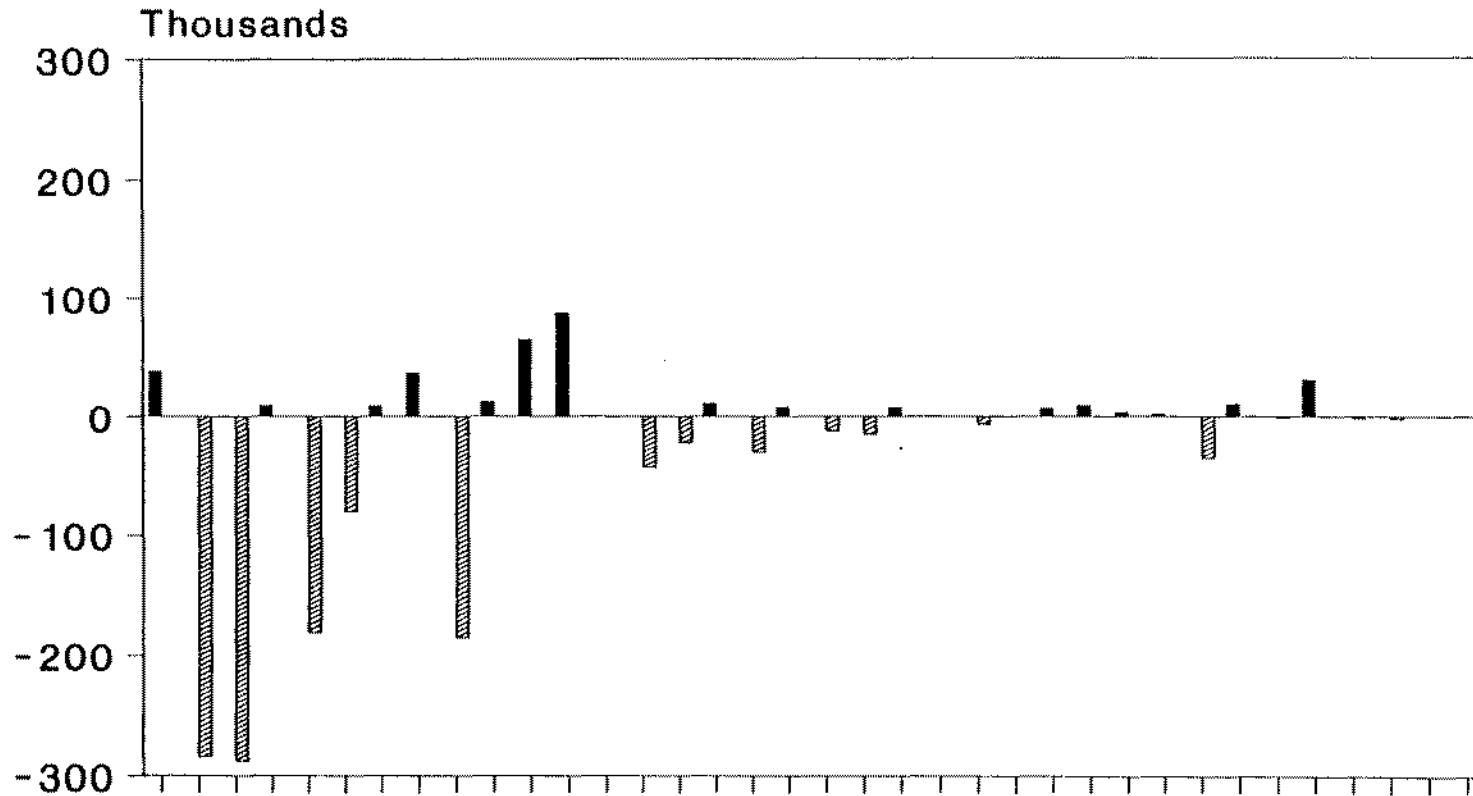
Arts Organizations' Balance Sheets

The last part of the analysis of finances is really an analysis of what is left over after the expenditures have been made. Unfortunately, for many Pittsburgh arts organizations there is little left over and, for some, expenditures have to be covered with borrowing as well as with earned and contributed revenues.

One of the prerequisites for financial stability in any organization is a positive cash balance throughout the fiscal year. Without cash, an organization has to forgo meeting its obligations or resort to borrowing in anticipation of future revenues. For organizations with uneven revenue streams and regular expenses, a working capital fund or borrowing is necessary to cover expenses.

ENDING BALANCES

36 Arts Organizations



LARGEST TO SMALLEST BY BUDGET SIZE

A few of the 36 Pittsburgh organizations had either endowment funds or accumulated year-end surpluses during the selected years. Six of the 11 larger organizations, as a group, had accumulated surpluses of \$1,616,665. This was offset by accumulated deficits of \$806,000 in two organizations. The remaining three organizations listed no accumulated assets or liabilities.

Six of the 15 organizations in the second group had accumulated surpluses of \$180,943. One of the organizations had a small accumulated deficit of \$6,000. Seven of the ten organizations in the third group had an accumulated surplus of \$279,637. This was offset by an accumulated deficit of \$2,200 in one organization.

In some instances, facility assets may be included in these figures. The values of these assets have been removed when they have been identified as such, so the figures may approximate cash reserves. In some instances, these figures do not represent unrestricted reserves but only year-end cash balances. Parts of these cash balances may be committed to meeting current and anticipated liabilities.

These figures, however, do demonstrate that at least some of the organizations do have cash reserves necessary to compensate for cash flow problems and take on new ventures without seeking outside funds.

At the same time, however,

16 OF THE 36 ORGANIZATIONS DO NOT HAVE ANY ACCUMULATED RESERVES.

TEN OF THE ORGANIZATIONS WITH NO RESERVES ALSO HAD YEAR-END DEFICITS IN THE SELECTED YEAR.

This includes two organizations in the first group, five in the second group and three in the third group. The deficits ranged in size from \$1,000 to nearly \$300,000.

Ideally, the reserves of a nonprofit organization should be sufficient to cover three to six months of expenses.

NONE OF THE MAJOR ORGANIZATIONS IN THE FIRST GROUP HAD RESERVES WHICH COULD COVER THREE MONTHS OF EXPENSES.

One organization came close with a substantial year-end cash balance and the Symphony, with its endowment, has these available reserves. At best, only two out of the ten organizations had the necessary reserves.

Within the second group of 15 medium-sized organizations, three organizations had year-end cash balances which could meet three months of operating expenses. In at least one of these cases, however, the funds were committed to support specific programs. Among the ten organizations in the last group, six small organizations had year-end balances which could cover three months of expenses. Again, some of these funds are already committed for program support.

The lack of a healthy reserve fund can leave an organization struggling with financial doubt throughout the year. This is particularly true with smaller performance organizations which may not have a larger proportion of their seats filled with season subscribers. For these organizations, many of the expenses precede the revenues. If ticket sales fall short, it is too late to cut expenses, and deficits are extremely hard to avoid.

Organizations which depend on government grants to support specific activities may also encounter cash flow problems of a less severe nature. Good management practices argue for proper reserves.

There has been the fear that an organization which looks too healthy will not be able to attract contributions. This assumes that the contributions go to the neediest. Contributions, in fact, tend to go to well-run, stable organizations. Foundations and corporations in their giving practices strive to minimize risk.

It is hard for most nonprofit organizations to build up reserves when corners are being cut to balance the budget. A few major organizations, like the Carnegie Art Museum and the Symphony Society, have been able to go out and raise funds specifically for an endowment or a reserve. In general, however, reserves have to be built out of operating surpluses.

Potential Financial Problems

The revenue side of the finances of local arts organizations does not vary greatly from national averages for similar groups, with two exceptions. Local dance groups may depend more on contributed support and less on earned income than the average for their counterparts elsewhere. The Opera also exhibits this same variation from national norms. In the case of the Opera, the additional contributed support comes from successful individual fund raising.

The expenses side of the finances of local arts organizations probably shows little variation from national experience. Because of special circumstances, however, individual expense items as a percent of total revenues can vary

greatly from one organization to another. The same variation would probably be evident in national figures if they were to be collected on any systematic basis.

In one area, local organizations may not be matching national averages. The pay for both administrators and artistic personnel in Pittsburgh is low. Again, it can be argued that this is making the best of scarce financial resources. It can also be argued that the lower pay makes it difficult to attract and then keep needed administrative and artistic talent in Pittsburgh.

Local arts organizations share a major problem with other nonprofit organizations. Most lack the cash reserves they need to provide stability and allow new ventures.

A solution for the reserve fund problem has been suggested in a number of quarters. In a few cities, local funds have been raised to match National Arts Stabilization Funds to retire debt, provide working capital and build endowments.

Specific Financial and Management Considerations

The League, in its review of the Organizational Profiles and in interviews with members of the arts and foundations communities, identified 11 specific financial and management points which are worth additional consideration. These are considered, one by one, below.

Single Supports and Risk

A significant number of larger arts organizations depend heavily on one or two sources of support. These single sources of support include endowments, individual benefactors and generous landlords. The sudden loss of a single source of support can endanger the organization.

Many arts organizations receive significant financial support from one corporate or family foundation, or from one individual. There may be a long-standing relationship between the source and the arts organization. The organizations which have had or still have this type of support include the Ballet, the Opera and the Society for Arts in Crafts.

In some instances, the source provides physical facilities. The City of Pittsburgh, Allegheny County, local colleges and universities and even some arts organizations provide space for other arts organizations at nominal rents. The tenants are usually left only with utility, maintenance and other occupancy costs. The organizations which have this type of support include the Public Theater, the Society for Arts in Crafts, the Center for the Arts, the Shakespeare Festival and the City Theatre Company.

There is some indication that at least one of the landlords, the City of Pittsburgh, will be less generous in the future. The City is planning to shift some additional costs to the tenants. There is no indication that the shifts will be sudden. There is every indication that the shifts will be incremental.

The Cultural Trust, through the Benedum Center and future projects, also operates a facility and provides some facility support. The majority of the capital costs for the Center and, in the first year of operation, 57 percent of the operating costs of the Center are being absorbed by other earned income, foundation grants and local government support. The tenants are responsible for the remaining 43 percent of the operating costs.

Only one major organization, the Symphony, has a substantial endowment. This endowment has generated income for the Symphony and, with the loss of tenant income at Heinz Hall, acted as an operating reserve. Other organizations, without these reserves, have had to make cuts or delay paying bills when faced with revenue shortfalls.

Major support from one or two sources can be beneficial as long as the support remains in place. An organization which is heavily dependent on a single source of support can be in jeopardy if the source of support is lost or the support is diminished in some fashion.

It is to the advantage of an arts organization depending on one source of support to minimize risk by either "locking in" the source of support or by broadening its overall support. The Symphony, of course, has locked-in support in the form of an endowment. Organizations using facilities at reduced rents can arrange long-term lease arrangements.

The role of local government, as a major landlord, is important in this matter. A number of larger arts organizations are tenants in government-owned or government-subsidized space. The Public Theater, the Center for the Arts, and the Society for Arts in Crafts all use City-owned buildings.

Shift in the Nature of the Business

There has been a marked shift in the nature of the arts business over the last ten years. Arts organizations can no longer expect to depend on major corporations and foundations for the bulk of their support. Mergers, departures and the general restructuring of the nation's economy, and the Pittsburgh corporate community in particular, have diminished the support from traditional sources.

The loss of private support from business has not been sudden in most instances. Rockwell and Alcoa have maintained a presence even though they have moved a major portion of their operations to other parts of the country.

The losses, however, have continued. In response to these obvious long-term trends, arts organizations have institutionalized the process of seeking income from other sources. These include a greater emphasis on earned income, donations from smaller businesses, individual contributions, and contract and touring income.

Earned Income

The focus for increasing earned income has been on increased ticket prices and sales. Many arts organizations have used telemarketing to sell season subscriptions and even to encourage the sale of individual tickets. Part of the effort to increase earned income has been an effort to make tickets more available. A number of arts organizations now sell tickets through brokers. The Trust's Tix Booth has added to this effort.

A number of organizations are extending their performance seasons, either by adding more shows to each production or by taking a production out on the road, to increase ticket sales with minimum additional production expense.

Efforts have also been made to increase earned income in other areas as well. These include souvenir sales, food sales and the like. Some organizations derive ten percent of their earned income from these sales. These sales, however, raise tax issues concerning unrelated business income and nonprofit organizations. Some of this income is now subject to local taxes and much of this revenue is under increasing government scrutiny.

These efforts to expand earned income can benefit performance organizations because they sell tickets. There is less benefit for visual arts organizations because they cannot raise admission charges beyond a few dollars.

Efforts to expand earned income for performance organizations, at least at the national level, have not been successful. The League examined the experience of a number of national groups in raising additional earned income. These include participants in the Opera America surveys for 1982 to 1986, in the Theatre Communications Group surveys for 1982 to 1987, in the Association of Professional Ensembles surveys for 1980 and 1985, in the American Symphony Orchestra League surveys for 1980 to 1983. The results are not encouraging. Earned income as a percent of total expenses remained relatively constant for each of these groups over time.

NATIONAL ARTS GROUPS
 Earned Income as a Percent of
 Total Expenses

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Dance	%	%	%	68%	69%	65%	%	%
Symphony	47	47	47	48				
Opera			57	57	55	56	56	
Theatre 45 cos			63	65	65	63	62	
Vocal Ensembles	56					42		

Increased Contributions from Smaller Givers

Major corporations, primarily heavy industries, utilities and financial institutions, have provided most of the support for charitable activities in Pittsburgh, through either family or corporate foundations. In recent years, this support has not been able to keep up with inflation.

Many arts organizations are turning to smaller companies and individual subscribers to make up lost contributed support from major sources. These newer sources of support often expect a return on their investments. This return can include blocks of tickets, receptions, use of gallery space for company functions, and the like. Providing a package of attractive benefits for contributors can be a creative process.

One example of this creative packaging has been the Opera's General Director's Galaxy. Galaxy members, who make a three-year commitment to contribute substantial sums to the Opera, are rewarded with choice seating, private recitals and other benefits. The Galaxy has raised over \$300,000 per year.

Telephone Solicitations

Telemarketing techniques to promote ticket sales and contributions have become a useful tool for some organizations. Some organizations use telemarketing during brief subscription drives, while others, including the Symphony, use it year-round.

The success of this tool has been based on the premise that individuals find it hard to say no when asked to contribute to a worthy cause. In most instances, they will make small contributions. Small contributions, however, are better than no contributions at all.

The use of telemarketing techniques, at least as a method of increasing contributed support, will eventually reach a point of diminishing returns. The novelty of telemarketing is wearing

off as it is being used to market all sorts of products. The public is learning to say no to the increasing numbers of pitches and appeals coming over the telephone. Telemarketing can be an expensive proposition in terms of in-house equipment, hiring staff and training volunteers or contracting with an outside telemarketing firm.

Marketing Costs

Marketing and public relations for an arts organization can mean a major commitment of funds in terms of hiring staff, paying for printing, mailing, and telephones, and staging special fundraising events. Because performance organizations are growing to depend heavily on marketing to sell tickets and solicit individual contributions, the League reviewed the marketing costs for these performance organizations. Personnel costs were excluded from the review.

THE MARKETING COSTS FOR THE SEVEN MAJOR PERFORMANCE ORGANIZATIONS IN THE FIRST GROUP CITY ARTS ORGANIZATIONS AVERAGED SIX PERCENT OF TOTAL EXPENSES. THE RANGE, ON A PER ORGANIZATION BASIS, WAS TWO TO 15 PERCENT.

THE MARKETING COSTS FOR THE EIGHT SMALLER PERFORMANCE ORGANIZATIONS ON THE SECOND GROUP AVERAGES 12 PERCENT WITH A RANGE OF ONE TO 19 PERCENT.

The return from marketing efforts, in terms of subscriptions, ticket sales, memberships and private donations, can be seen as more costly, particularly for smaller organizations.

MARKETING AND SPECIAL FUNDRAISING COSTS FOR THE PERFORMANCE ORGANIZATIONS IN THE FIRST GROUP, AS A PERCENT OF SUBSCRIPTION AND TICKET SALES, MEMBERSHIP FEES AND PRIVATE DONATIONS, AVERAGED 11 PERCENT. THE PER ORGANIZATION RANGE WAS SEVEN TO 15 PERCENT.

THESE COSTS, FOR THE EIGHT SMALLER ORGANIZATIONS, AS A PERCENT OF SUBSCRIPTION AND TICKET SALES, MEMBERSHIP FEES AND PRIVATE DONATIONS, AVERAGED 20 PERCENT, WITH A RANGE OF SEVEN TO 44 PERCENT.

IN EFFECT, THESE SMALLER ORGANIZATIONS HAD TO SPEND ONE DOLLAR TO RAISE FIVE DOLLARS.

As marketing efforts increase and as arts organizations chase smaller and smaller contributions, the cost of raising funds will increase and the return will decrease.

From Charitable Institution to Nonprofit Business

Part of the awareness of the change in the nature of the arts business has been the "professionalization" of arts

management. Over the past few years, a number of arts organizations have sought out administrators with training and experience in arts and nonprofit administration.

The professionalization has come from the realization that arts organizations should be treated as businesses bringing products to the public. Of course, fattening the bottom line is not the goal for an arts organization. A negative bottom line, however, can put an arts organization out of business.

The professionalization can be seen in the average administrative salaries paid by larger arts organizations. The average administrative salary, including fringe benefits, for the six larger organizations was \$22,254. This includes both full-time and part-time executive, support and clerical personnel. The figures are based on 1987 figures for most organizations and 1986 figures for the rest. The per organization range was \$14,051 to \$36,221.

The professionalism is less evident in the administrative salaries paid by the eight smaller organizations. The average salary was \$7,725 with a range of \$0 to \$16,235.

The recognition of the shift in managing the arts has come late. Other nonprofit organizations, colleges and hospitals in particular, have already made the transition from charitable institutions to nonprofit businesses. Arts organizations, however, are ahead of smaller social service organizations.

Touring Outside Pittsburgh

Touring outside of Pittsburgh has a number of advantages. These include increasing revenues, avoiding the amusement tax and developing audiences. A number of arts organizations are attempting to take advantage of touring either locally or nationally.

Touring can increase the number of performances without increasing the number of productions. This can increase the box office take without increasing the fixed costs associated with mounting new productions. Part of the increased income, however, has to pay for the additional costs associated with touring.

To make this work, productions have to be "portable." Smaller musical groups and dance companies are best able to take advantage of touring. The River City Brass Band has been systematically adding new performances outside of Pittsburgh to its schedule each year.

A second home outside of Pittsburgh is a form of touring, although this does not add to the Pittsburgh audience. The Ballet and the Symphony have both considered finding second homes for off-season performances.

Local touring can increase audiences in Pittsburgh by exposing residents of the region to the arts organizations. School programs can also contribute to audience development. Over the years, many of Pittsburgh's arts organizations have had school programs as a means of developing future audiences.

Bringing the Audience into Pittsburgh

A number of arts organizations actively recruit audiences outside of Pittsburgh. The Symphony and the Opera have had interest groups outside of Pittsburgh for years. The Opera has established groups as far away as Erie, Wheeling, West Virginia and Cumberland, Maryland.

The Carnegie Institute has been bringing school children to the museum and library by the bus load for decades. This program and other outreach efforts have been successful. In a marketing study commissioned by another arts organization, the Carnegie Institute was identified, along with the Golden Triangle and the Strip District, as a destination in the City which draws from the whole City and not from only parts of the City.

Audience Development

Pittsburgh and the region are, in many ways, very stable. There has not been any major in-migration for decades. The major intra-regional migrations have been from the older cities into the newer suburbs.

Many residents of the City have little experience with activities outside of their own neighborhoods. The same holds true for the residents of many of the cities and towns around Pittsburgh. This immobility forms a barrier to attendance at arts activities.

The results of the audience surveys conducted by the League indicate that most of the arts audience for downtown events comes from outside of Pittsburgh. Seventy-five percent of the audience comes from beyond the City limits. Twenty-four percent of the audience comes from outside of Allegheny County.

In a past study, Pittsburgh: A Regional City with a Local Tax Base (1983), the League discovered a similar pattern with a number of City events. These events included the Three Rivers Arts Festival, the Great Race, the Zoo and the Aviary.

The marketing analysis prepared for the Trust in 1987, Marketing the Arts in Pittsburgh, suggests that Allegheny County may have a smaller potential market for the arts than other cities of comparable size. The analysis reached this conclusion because of the "slightly downscale" nature of the County's

demographics. The analysis also concluded that the region around Pittsburgh may be "more marginal than the Allegheny County Market" in terms of the demographic factors. The analysis describes Pittsburgh as "an older city, with high immobility, and not particularly high income levels."

The results of the League surveys and the results of the Trust's marketing analysis suggest that there are two potential, untapped audiences. The first consists of City residents from those neighborhoods outside of the east end. The second consists of the residents of western Pennsylvania communities beyond the normal commuting range into the City. The League's surveys indicate that this larger market beyond the City is being successfully tapped by Pittsburgh arts organizations.

It is beyond the ability of any one organization to overcome this general immobility in terms of attendance at arts activities. Marketing the arts in Pittsburgh and outside of the City should be seen as a long-term effort with incremental gains being made each year by each arts organization.

Pessimism and Optimism

In the course of interviewing arts managers, the League encountered a peculiar mix of pessimism and optimism.

MOST ARTS MANAGERS WERE PESSIMISTIC ABOUT THE FUTURE FINANCIAL HEALTH OF ARTS ORGANIZATIONS.

Cutbacks in funding at the federal level and limited growth in funding at the local government level, coupled with pressures on foundations to provide support for social services, have threatened the funding of arts organizations.

The restructuring of the Pittsburgh economy, the loss of major corporations through mergers and acquisitions and an extended period of no growth have further limited the private funds available for nonprofit support. Within this gloomy context it is not surprising that arts managers are pessimistic.

ARTS MANAGERS, HOWEVER, ARE OPTIMISTIC ABOUT THEIR OWN ORGANIZATIONS.

The optimism is based on various combinations of sustained contributed support, growth in the number of performances, growth in ticket sales and prices and balanced budgets.

There are other reasons for optimism. The successful opening of the Benedum, the revitalization of the Ballet and in-progress and planned capital drives and expansions by a number of arts organizations all point to the type of support

arts organizations can receive in Pittsburgh. This support is evident in both giving and earned income.

Foundation managers, in interviews with the League, expressed the same mix of optimism and pessimism. They saw foundation and business support remaining level at best and possibly dropping off. At the same time they saw the Pittsburgh arts community as basically healthy. Almost all of the foundation managers, however, stressed the need to broaden both contributed and audience support.

Among both arts and foundation managers, there is a general realization that arts organizations will have to make it on their own merits. Individual organizations will not be supported because Pittsburgh "needs" all of the arts as a first class city. They will survive only because they are good and because they are well-managed.

A Critical Mass

Arts organizations need to have available to them artistic personnel and specialized support services. Larger organizations, like the Symphony, can hire the needed artistic personnel on a full-time basis and provide specialized support in-house.

Smaller organizations lead a more tenuous existence. The Ballet and the River City Brass Band, for example, run the risk of losing artistic staff because they cannot offer well-paid, full-time employment. Both organizations, incidentally, are addressing this problem by seeking ways to lengthen their seasons. The alternative is to risk losing artistic staff to larger organizations and to other cities.

The second group of arts organizations, because most of these arts organizations do not hire artistic staff on a full-time basis, is in particular need of this critical mass. Collectively, these organizations can provide the mass.

Theatre is a good example. If there are enough theatre companies within the City, actors and other technical people can find enough work to make it worthwhile to stay in Pittsburgh, at least part of the time. If they can find teaching positions to augment theatre pay, all the better. It is felt that there was this critical mass of theatre companies in the past but that there may not be this critical mass today.

The same kind of critical mass can exist for musicians. Employment opportunities for musicians have been increased with the opening of the Benedum. These opportunities are in addition to playing in existing performance groups and teaching.

This critical mass can also extend to facilities. A number of organizations have shop facilities which can be shared among themselves and with visiting film companies.

The availability of needed talent is important financially. It provides the artistic stability needed to attract audiences and other income. Uneven quality, cancellations by out-of-town "stars" and other glitches can cut into subscription sales and contribution support.

Final Observations

The results of the League's round of interviews are not particularly surprising. The results are, however, encouraging.

Arts and foundation managers have seen the changes which have been coming in the finances and administration of the arts. The arts managers have found the means they need to adjust to these changes. The means include broadening both the audience and contribution base for the arts, and treating arts organizations as nonprofit businesses.

The adjustments to the changes can be found in going after smaller businesses as contributors, in placing more emphasis on touring income, in launching cooperative efforts like the Benedum and in hiring professional managers.

IN MAKING THESE ADJUSTMENTS, ARTS ORGANIZATIONS HAVE NOT LOST SIGHT OF THEIR REAL MISSION, THAT OF PROMOTING ARTS AND CULTURE. NONE OF THE ARTS AND FOUNDATION MANAGERS FELT THAT THE NEED TO SURVIVE HAS COMPROMISED THE QUALITY OF THE ARTS IN PITTSBURGH.

1

The averages were not adjusted for differences in audience size among the organizations. When the two averages are weighted for differences in audience size, they are \$23.99 for the first group and \$5.89 for the second group. Using either set of averages, the cost per attendance for the first group is almost three times the cost for the second group.

2

The weighted averages for earned income per attendance are \$13.71 for the first and \$3.11 for the second. The average for the first group is over four times the average for the second.

³ For cost per attendance and earned income per attendance, the probability that the differences are due to random variations are less than .10. For non-artistic personnel costs as a percent of total expenses, the probability is less than .05 and for average administrative pay, the probability is less than .01. The differences for overhead as a percent of total expenses and private support as a percent of total support are not statistically significant. The League used a t-test to measure the significance of these differences between the two groups.

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SECTION THREE

GOVERNMENT AND THE ARTS

The League examined local government support for arts organizations in Pittsburgh and in four other cities. The League also considered the taxes which are levied for the benefit of arts organizations and the taxes which are levied on arts organizations in each of the cities.

Local Government Support in Pittsburgh

Government support for the arts in Pittsburgh comes from four sources. These sources are the City of Pittsburgh, Allegheny County, the Commonwealth of Pennsylvania and the federal government. This report concentrates on support from the two local governments, with some attention to support from the other two levels of government. The League examined the support received by the 36 City arts organizations.

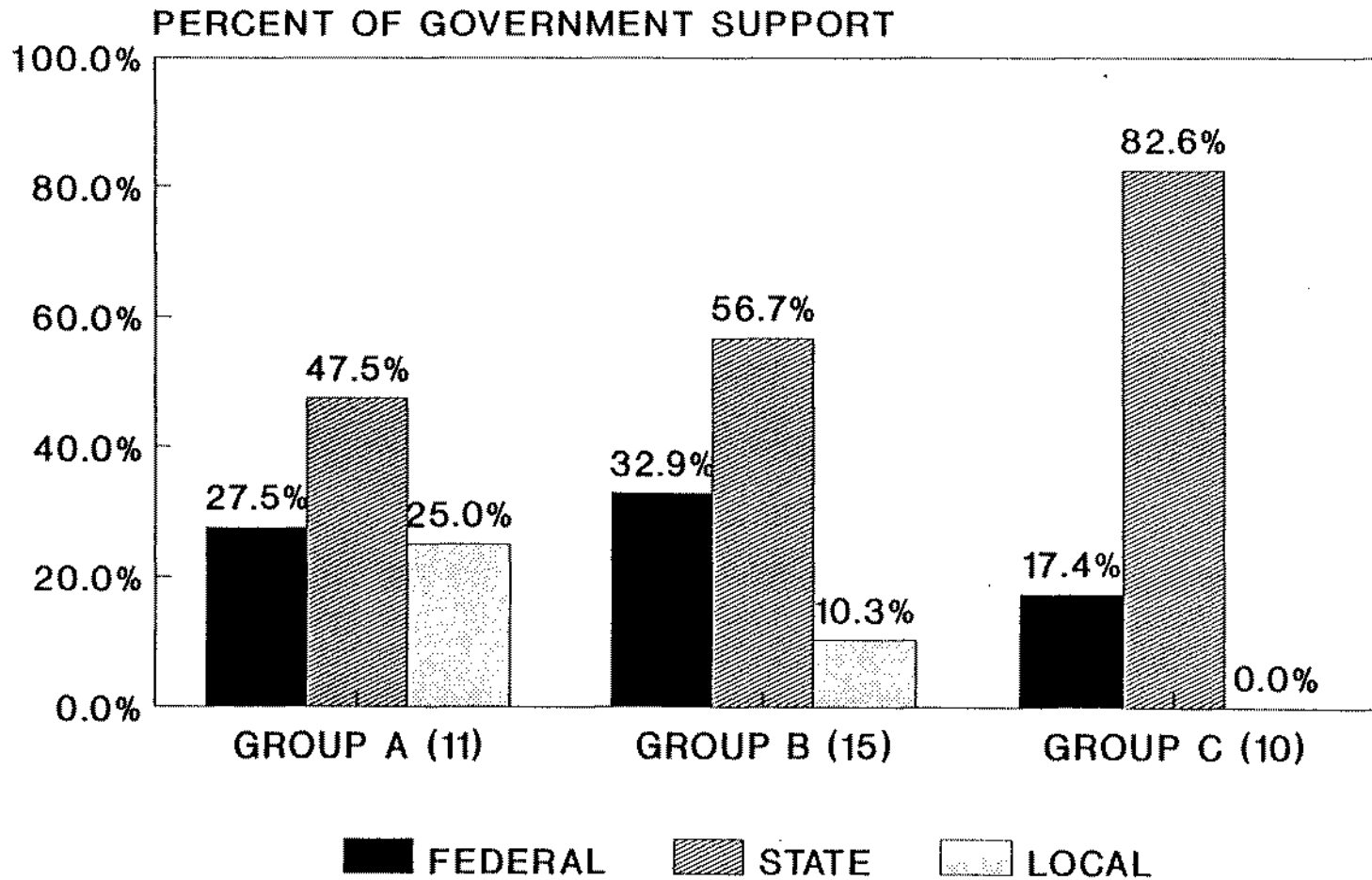
Total government support for the arts is not a major revenue item for most arts organizations. Among the 36 City organizations, government support as a percentage of operating expenses is not great except for a few of the organizations.

As a group, the 11 larger organizations received an average of 7.7 percent of expenses in government support. For the medium-sized organizations, government support is more important. As a group, the 15 medium-sized organizations received an average of 19.1 percent of expenses in government support. For the ten organizations in the last group, the average was 8.8 percent with none of the support from local sources.

FOR EACH OF THE THREE GROUPS OF ORGANIZATIONS, FEDERAL AND STATE GOVERNMENT SUPPORT WAS FAR MORE SIGNIFICANT THAT LOCAL GOVERNMENT SUPPORT.

For all of the 36 organizations in the League's group of City organizations, government support totalled \$3,028,236. This support is equal to 7.4 percent of the \$40,860,783 total expense budgets for the same period. If the Symphony is excluded from the calculations, government support is equal to 12.5 percent of the combined expenses of the remaining 35 organizations.

SOURCES OF GOVERNMENT SUPPORT BY GROUP



GOVERNMENT SUPPORT
As a Percent of Expenses

Arts Organization	Support				Total
	Federal	State	County	City	
Pittsburgh Symphony	1.4%	1.8%	.6%	- %	3.8%
Carnegie Museum of Art	4.0	3.7	2.1	2.7	12.5
Pittsburgh Ballet	1.7	4.7	.5	.8	7.7
Pittsburgh Opera	.8	2.7	.6	.1	4.2
Pittsburgh Public Theater	1.4	2.5	.6	-	4.5
Civic Light Opera	-	.2	.5	1.2	1.9
Three Rivers Arts Festival	-	4.9	.9	1.5	7.4
River City Brass Band	-	1.3	1.1	1.7	4.2
Pittsburgh Cultural Trust	-	7.6	-	2.9	10.5
Center for the Arts	1.6	9.3	-	1.8	12.7
Pittsburgh Dance Council	3.9	11.7	-	-	15.6
Group Average	1.4%	4.6%	.6%	1.1%	7.7%
Manchester Craftsmen's	17.1%	17.6%	9.4%	-%	44.1%
Pittsburgh Filmmakers	10.6	14.6	-	-	25.2
Society for Art in Crafts	-	3.7	-	-	3.7
Three Rivers Shakespeare	1.9	5.2	-	2.4	9.5
Mattress Factory	5.1	32.1	-	-	37.2
Pittsburgh Children's	-	6.1	-	3.1	9.2
Pittsburgh Dance Alloy	4.9	11.4	-	4.7	20.0
CMU Art Gallery	12.7	12.2	-	-	24.9
New Music Ensemble	10.1	12.5	-	-	22.7
Stephen Foster	11.3	.8	-	-	12.0
City Theatre Company	-	12.0	-	-	12.0
Mendelssohn Choir	10.6	6.0	-	-	16.6
Y Music	-	4.9	-	-	4.9
Young People's Orchestra	-	2.3	-	-	2.3
Blatent Image/Silver Eye	-	43.5	-	-	43.5
Group Average	5.6%	12.3%	.6%	.7%	19.1%
Gateway To Music	-%	4.1%	-%	-%	4.1%
Assoc. Artists	-	10.7	-	-	10.7
Pitt Poetry	7.5	5.5	-	-	13.0
Chamber Music Society	4.6	7.9	-	-	12.4
Renaissance & Baroque	-	16.9	-	-	16.9
Pgh Fund for Arts in Ed	-	14.3	-	-	14.3
Bach Choir	-	2.6	-	-	2.6
Summerfest	-	9.5	-	-	9.5
Kingsley Assoc.	-	4.5	-	-	4.5
Harambee of Pittsburgh	-	-	-	-	-
Group Average	1.2%	7.6%	-%	-%	8.8%

Pennsylvania State Support for the Arts

The Council on the Arts is the main vehicle for funding the arts in Pennsylvania. The Council, which is part of the Governor's Office of Administration, had a budget of \$9,780,000 in fiscal year 1987-1988. The 1988-1989 appropriation contained a rge increase to \$12,755,000 to meet the administration's goal of providing \$1.00 per capita in funding for the Council.

The state's support for the arts has been steadily increasing over the years. In 1984-1985 the state appropriated \$6,233,000 for the Council's activities.

THE 1988-1989 STATE APPROPRIATION OS \$12,755,000
REPRESENTS AN INCREASE OF 105 PERCENT OVER FOUR YEARS.

The bulk of the Council's appropriation has gone to grants for the arts. For 1987-1988, \$9,000,000 was appropriated for grants, while the remaining \$780,000 was reserved for grants administration and providing technical assistance to arts organizations.

The National Assembly of State Arts Agencies assembles information on state support for the arts and compiles an Annual Survey of State Arts Agencies. The last survey was released in October 1988. The survey covers fiscal year 1988-1989 appropriations.

The survey provides information on state appropriations for state arts agencies, changes in appropriations and per capita appropriation comparison information. The comparisons include all states, the District of Columbia and territories overseas. The survey also identifies line item appropriations for specific arts organizations found in some state budgets. The line item amounts are not included in the comparisons.

For fiscal year 1987-1988, Pennsylvania ranked twenty-third in terms of per capita appropriations. The Pennsylvania legislature appropriated \$9,780,000 for the arts or \$.82 per capita. This constituted a 26 percent increase over the appropriation of \$7,780,000 in fiscal year 1986-1987. For fiscal year 1988-1989, state funding has increased again in Pennsylvania, and the state now ranks sixteenth on a per capita basis. The legislature appropriated \$12,755,000 or \$1.07 per capita.

States neighboring Pennsylvania provided about the same level of funding on a per capita basis as Pennsylvania did in fiscal year 1988-1989 with a few notable exceptions. New York ranked sixth, with \$3.14 in funding on a per capita basis and New Jersey ranked eighth, with \$2.96 per capita. Among the other neighboring states, Maryland ranked thirteenth, with \$1.31 per capita, West Virginia ranked seventeenth, with \$.97 per

capita and Ohio ranked twentieth with \$.93 per capita. All told, 16 states and territories appropriated more than \$1.00 per capita. The \$1.00 per capita level has been a goal of the Pennsylvania arts advocacy coalition, Citizens for the Arts in Pennsylvania.

The ranking by per capita appropriation is somewhat misleading. In some states, local governments have the lion's share of the tax base and assume a greater proportion of the responsibility for government programs. In other states, state government plays the greater role. Pennsylvania is a state with a strong local government tradition.

To compensate for these variations between states, the Annual Survey also ranks the states on the basis of percent of state general funds allocated to arts agencies. The territories are not included.

In this ranking, Pennsylvania improves and places tenth with .1191 percent of the general fund going to the state arts agency. Among the neighboring states, New York appropriated .2020 percent, New Jersey, .1981 percent, West Virginia, .1272 percent, Maryland, .1101 percent, and Ohio, .0899 percent.

Local Government Support for the Arts

The City of Pittsburgh and Allegheny County provide three types of support for the arts. Both governments make grants to major arts organizations to help underwrite the operating expenses of these organizations. The organizations are expected to provide a service, usually a free concert or free tickets in return for the grants.

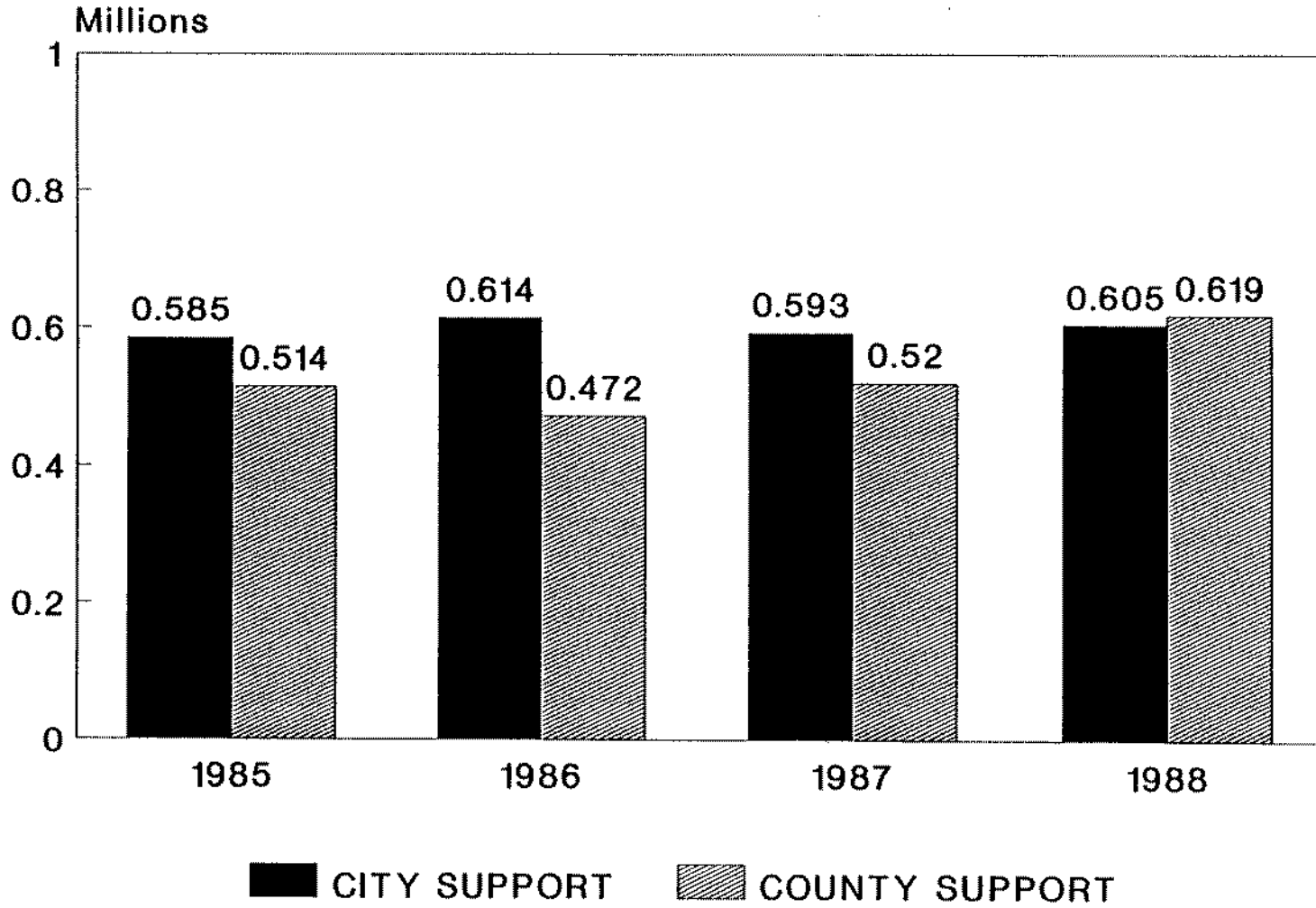
The two governments also hire individual artists and groups for free concerts in parks and concerts associated with special festivals. The third form of support is facility support. A number of arts organizations are housed in public facilities. The City and the County have also made investments in the Cultural District.

County Government Operating Support for the Arts

Allegheny County government provides funds to arts organizations as direct grants made by the Board of Commissioners and through the purchase of arts services by the Bureau of Cultural Programs in the Department of Parks, Recreation and Conservation. The County also provides capital and maintenance support for facilities used by arts organizations.

The figures on the County's support were provided by the County Budget Office and the Department of Parks, Recreation and Conservation.

LOCAL SUPPORT FOR THE ARTS



Grants to Major Arts Organizations

Direct grants and grants made through operating departments to arts organizations have shown a slight increase over the last five years. In 1984, the County provided \$219,918 to 12 organizations and another \$250,000 to the Carnegie Institute. In 1988, the County has budgeted for grants totalling \$243,726 to 15 organizations. The Carnegie has been allocated \$375,000. The trend has not been entirely upward. In 1986, grants were reduced to \$196,566. Grants were made to 12 organizations. Funding for the Carnegie did not decrease in 1986. In 1987, funding was increased again.

OVER THE FOUR-YEAR PERIOD, 1984 TO 1988, COUNTY
SUPPORT FOR ARTS ORGANIZATIONS HAS INCREASED BY 1.8
PERCENT AND SUPPORT FOR THE CARNEGIE HAS INCREASED BY
50 PERCENT.

The County grant support for these programs is in return for free concerts and tickets which are distributed through senior citizen centers and other human service centers and programs. Much of this activity is channeled through and monitored by the Bureau of Cultural Programs.

COUNTY SUPPORT FOR MAJOR ARTS ORGANIZATIONS

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Waterways Wind Orch	\$10,000	\$10,000	\$ 8,500	\$ 8,500	\$ -
Civic Light Opera	10,000	10,000	8,500	20,700	15,000
Tamburitzans	15,000	15,000	12,750	12,750	12,750
Ballet	20,000	20,000	17,000	12,000	19,000
Children's Festival	-	-	-	-	5,000
Public Theater	16,418	16,418	13,956	14,000	16,126
Dance Council	-	-	-	-	5,000
Folk Festival	7,500	7,500	6,375	7,500	7,500
Opera	10,000	10,000	8,500	8,500	10,000
Opera Theatre	-	-	-	8,500	10,000
Symphony	110,000	110,000	93,500	93,500	93,500
PACCA	20,000	20,000	10,000	-	-
Cultural Trust	-	-	-	20,000	20,000
Brass Band	10,000	10,000	9,111	9,510	8,500
Arts Festival	8,500	8,500	7,225	7,500	10,000
Shakespeare Festival	-	-	-	-	9,350
McKeesport Symphony	2,000	2,000	1,760	2,000	2,000
Total Support	\$239,418	\$239,418	\$197,177	\$224,960	\$243,726
Carnegie/Buhl	\$250,000	\$275,000	\$275,000	\$295,000	\$375,000

The Carnegie/Buhl support does not include support for the Library and Bookmobiles.

Program Support

The Bureau of Cultural Programs also puts on concerts and supports other activities, primarily at Hartwood Acres, for the Summer Theatre and the Music and Dance Festival, and at the Courthouse Gallery and Courtyard Park Series.

In 1988, the Bureau had a budget of \$613,979. Of this amount \$301,546 was budgeted for professional and performance services and other purchased services directly related to performances. The remainder of the Bureau's budget consisted of personnel and administrative expenses and expenses related to the performance areas at Hartwood Acres and the Courthouse.

The Bureau receives Local Government Grant funds from the Pennsylvania Council on the Arts to support a regrant program for local performing arts groups. The groups perform for special populations in human service institutions, schools and centers. The funding for this program has been modest. In 1987 the Bureau requested \$6,000 to be matched by \$5,000 in County funds and \$2,000 in private funds. The program has been in existence since 1981.

County Capital Support

In addition to providing operating support for cultural programs, the County provides facilities for performances and exhibits. The main facilities are at Hartwood Acres and the Courthouse. The Department of Parks, Recreation and Conservation budgeted \$281,224 for the maintenance of the Hartwood Acres facilities in 1988. This budget covers the whole park and not just the Summer Theatre and the Music and Dance Festival performance areas.

The County, through the Auditorium Authority and with the City as a partner, purchased the Stanley Theatre for \$7,300,000 and leased the property to the Cultural Trust. The City and the County share the debt service on the \$7,500,000 bond issue for the purchase of the theatre. Until 1995, each will pay about \$500,000 each year in debt service. For the next four years, the annual payment for each drops to \$200,000. In 1999, the City and the County will split a balloon payment of \$4,000,000.

City Support for the Arts

The City support for the arts is provided through Citiparks, the Department of Parks and Recreation. Citiparks has as its mission providing a "spectrum of services that enable Pittsburghers of all ages to partake in physical, cultural, environmental learning and recreation experiences that add to a richer and fuller lifestyle." The City's support for the arts is similar to the County's in the ways in which it is organized and provided.

City support for the arts is provided in a number of forms. Citiparks provides line item support for major organizations, hires artists through a number of programs for specific performances and provides capital support for facilities used by arts organizations. In 1988, the City provided \$432,137 in support and program funds and another one-half million to retire the debt incurred by the Auditorium Authority in the purchase of the Stanley Theatre.

City Support for Major Organizations

Each year, approximately 14 major organizations receive line item support through Citiparks. This support is provided in return for arts services. For example, in return for \$20,000 in 1988, the American Waterways Wind Orchestra performed three shows on Point Counterpoint II for an expected audience of 3,000. The Dance Council, for \$5,000, provided 2,500 tickets to Pittsburgh public school children to attend a performance of the California Jazz Tap Ensemble.

CITY SUPPORT FOR THE ARTS (Thousands of Dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Waterways Wind Orch	\$25	\$25	\$25	\$25	\$20
Civic Light Opera	7	35	25	15	15
Tamburitians	15	15	-	15	15
Ballet	-	25	-	20	10
Dance Council	-	-	-	-	5
Dance Alloy	-	5	-	-	-
Folk Festival	6	8	10	8	8
Opera	24.5	25	35.5	25	10
Symphony	100	100	75	75	60
Cultural Trust	-	-	-	20	20
Arts Council/PACCA	20	10	20	-	-
Youth Symphony	-	10	-	10	10
Brass Band	3	5	5	5	5
Arts Festival	12	12	12	-	12
Shakespeare Festival	-	5	5	5	25.1
Total Line Item Support	\$212.5	\$280.0	\$212.5	\$223.0	\$215.1
Carnegie Museum and Buhl	\$225.0	\$275.0	\$402.0	\$370.0	\$443.8

The City support figures were provided by the Office of the Mayor.

In 1988, the City provided \$215,100 in line item support for 14 arts organizations. The support has been declining over the last three years. The same organizations received \$280,000 in 1985. For 1989, the amount will be less, with amounts for individual organizations being cut by one quarter to one half.

OVER THE PERIOD 1984 TO 1988, CITY SUPPORT FOR ARTS ORGANIZATIONS INCREASED BY 1.2 PERCENT.

City Support for Individual Performances

Citiparks also sponsors performances under a number of community programs. These programs include the Community Festival Program, a number of Concert in the Park programs, and Playworks, an original touring dance and theatre program. In 1988, City support for these programs totalled \$118,589.

The City also provides educational programs in parks for both children and adults. These include the Pittsburgh Children's Festival, the Film Series, and the Emphasis Art Camp. In 1988, City support for these programs exceeded \$74,000. Most of this support was in the form of pay for artists and performers teaching the classes.

The City hires performers as part of a number of City-wide events. These events include the Fourth of July celebration at the Point, the Vintage Grand Prix, the Three Rivers Regatta and the Great Race. The total City expenditure on these performers in 1988 was \$24,270. A number of major performances associated with these City-wide events are underwritten by outside sponsors.

City Capital and Facility Support

Three City-owned facilities are used by arts organizations. They are the Hazlett Theatre on the Northside, the Center for the Arts complex at Fifth and Shady and the City's terminal building at 21th and Smallman Streets in the Strip District. The Hazlett Theatre is used by the Pittsburgh Public Theater and the Society for Arts in Crafts is a tenant in the terminal building.

The use of these City facilities is partially subsidized, although the subsidies are not great. In general, arts organizations have spent between two and ten percent of their revenues on facility costs. The arts organizations in City facilities fall into this range.

The Center for the Arts does not pay rent, but the City anticipates that the Center will be responsible for a growing share of operating costs for the facility in the future. Over the years, the Center has been responsible for building improvements. The Center's responsibilities for the facility have been increasing. Five years ago, the City covered the

building operating expenses. The Center expects to be picking up more of the facility expenses in the future. In 1987, the Center's facility costs equalled 4.5 percent of revenues.

The Society for Art in Crafts has been paying both rent and utilities at the City's terminal building. In 1987, the Society also paid for leasehold improvements. In 1986, facility costs equalled only two percent of revenues. In 1987, with the leasehold improvements as a facility cost, these costs equalled 18 percent of revenues. The Pittsburgh Public Theater also pays both rent and utilities for the use of the Hazlett Theatre. The rent, however, has been in the form of one free show per production, with tickets distributed by the City to senior citizens.

The City has also been a participant in the development of the Cultural District. The Benedum renovation was supported by the City through its half share of the service on the \$ 7.5 million in bonds issued by the Public Auditorium Authority for the \$7.3 million purchase of the Stanley Theatre. As noted above, the other half is being met by the County.

The Federal Department of Housing and Urban Development also provided some of the funds for the Benedum project through an Urban Development Action Grant (UDAG) to the City. In 1985, HUD granted \$8.5 million to the City. The funds were loaned through the City's Urban Redevelopment Authority to the Pittsburgh Cultural Trust. These funds, along with private funds, were used to support the Benedum project. The total project cost, including the land purchase, demolition, new construction and renovation, exceeded \$42 million. The Trust has to repay the UDAG loan, but the repayment is in the form of discounted or free admissions and special provision of Cultural District facilities for target populations. The dollar value for the reduced price and free tickets has been set at \$820,000 each year for the 50-year term of the loan.

Using the UDAG from HUD, the City's URA loaned the developers of the CNG Tower \$8,500,000. The repayment on this portion of the loan from the UDAG, which begins in 1990, is designated for future Cultural District development.

City Support for The Carnegie

The City provides regular support for the Carnegie Institute. The Carnegie Library is the City's public library and, as such, receives operating support from the City. In 1988, this support was \$4,295,155. This support has been slowly increasing through the years.

The City also provides support for the rest of the Carnegie and the Buhl Science Center. In 1988, this support was \$443,800. This support has also been growing.

The City has also been providing capital support for the library and museum facilities. In 1988, this capital support totaled \$390,000. Most of the capital support has been for renovations. In 1986, the capital projects included the construction of a new facility in the Hill District.

Trends in Local Government Support for the Arts

Overall local government operating support for the arts in Pittsburgh has been declining in recent years. Both the City of Pittsburgh and Allegheny County have experienced inflationary increases, which have not been matched by increases in revenues.

Both the City and the County have lost federal revenue sharing and other federal support. Tax revenues have increased, but these increases have come primarily by raising tax rates. The bottom line is that both governments are experiencing tight financial times and are looking for areas where they can cut costs. Support for the arts is, unfortunately, one of the areas where they frequently look.

The decreases have occurred primarily with the City. The recent support for the Three Rivers Arts Festival highlights the changes. The City has held financial support for the Festival constant at \$12,000 per year for concerts and slowly reduced the public safety support provided to the Festival. The City plans to hold the Festival responsible for paying for the additional police protection and other services required for the Festival. The City has also begun to bill other arts organizations for the extra services provided by the City.

General Observations on Government Support

Government support for the arts in Pittsburgh in most areas is not remarkable except at the state level. State support, however, has been increasing and, for 1988-1989, has reached the \$1.00 per capita goal.

SINCE 1984-1984, STATE SUPPORT HAS INCREASED BY 105 PERCENT.

Support from Allegheny County has increased in most of the last five years. In 1988, the County provided \$243,726 to major arts organizations and \$375,000 to the Carnegie Museum and Buhl Science Center. In addition to this, the County provided \$3,759,639 in support for the Carnegie Library and Bookmobile program.

FROM 1984 TO 1988, COUNTY SUPPORT OF ARTS ORGANIZATIONS INCREASED BY 1.8 PERCENT.

Local support from the City of Pittsburgh has been even over the last few years. In 1988, the City provided \$215,100 to major organizations, and \$443,800 to the Carnegie Museum and Buhl and \$4,295,155 to the Carnegie Library.

FROM 1984 TO 1988, CITY SUPPORT FOR ARTS ORGANIZATIONS INCREASED BY 1.2 PERCENT.

The types of programs which have made government support for the arts in other cities remarkable do not, for the most part, exist in Pittsburgh. Pittsburgh does not have special taxes dedicated to the arts nor a strong local arts commission in charge of government funding for the arts.

Local government support for arts organizations in Pittsburgh is not innovative. Both the City and the County support this year what they supported last year. If changes do come, they come in dollar amounts, responding to tighter budgets. Unfortunately, the City has been experiencing tighter budgets and dollar amounts are decreasing.

There is some innovation in the programs operated by the County's Bureau of Cultural Affairs and by Citiparks. Both agencies sponsor performances in parks. The Hartwood Acres programs, in particular, have been growing. They have also continued to attract foundation and corporate support to supplement taxpayer dollars.

Tax Support for the Arts

In many cities, there are taxes which are levied for the benefit of the arts. The revenues from these taxes are dedicated to the support of the arts. These taxes can take a number of forms. The most common forms are hotel taxes, capital funds in Percent for Arts programs and dedicated property taxes. Other sources are used in a few places. Local sales taxes have been dedicated to the arts and in two states, Massachusetts and Arizona, the arts receive state lottery funds.

Hotel Taxes

Taxes on transients, or hotel taxes, are levied in most major cities. The taxes are usually levied by city or county government, but some states also levy these taxes. The taxes are usually levied as a source of funding for convention and tourist promotion. As such, they are earmarked taxes and they cannot be used for other purposes.

There are at least 39 states which have some form of local or state transient occupancy tax on the books. The U.S. Conference of Mayors reports that earmarked taxes on occupancy are levied in 33 states and in 319 cities and counties. In approximately 30 cities, a portion of the funds is designated for the support of arts organizations and arts events.¹

COMBINED HOTEL/MOTEL TAX

RATES IN MAJOR CITIES

1988

Underlined cities provide support
for the arts from these taxes.

<u>City</u>	<u>Rate</u>
Atlanta	6.0 percent local room tax 11.0 percent from all taxes including state and local sales taxes
Boston	4.0 percent local room occupancy tax 9.7 percent from all taxes including a state occupancy tax
Chicago	3.0 percent local room tax 12.5 percent from all taxes
<u>Columbus</u>	6.0 percent local hotel/motel tax Part allocated to the arts
Denver	8.0 percent lodgings tax on transients 11.8 percent from all taxes including local sales taxes
Honolulu	9.5 percent from all taxes including 5.0 percent state transient tax
<u>Houston</u>	4.0 percent local occupancy tax 14.0 percent from all taxes Part allocated to the arts
Las Vegas	1.0 percent local lodging tax 7.0 percent from all taxes
Los Angeles	12.0 percent from all taxes
Miami Beach	5.0 percent county lodging and tourism taxes 3.0 percent city occupancy tax 11.0 percent from all taxes
New Orleans	\$.50 to \$2.00 per room local tax 11.0 percent plus \$2.00 per room all taxes
New York	\$2.00 per person per night 13.3 percent plus \$2.00 per person per night from all taxes including local sales taxes

Rates in Major Cities

<u>City</u>	<u>1988 Rate</u>
Phoenix	2.0 percent local rental occupancy tax 8.0 percent from all taxes
Pittsburgh	3.0 percent hotel room rental tax 9.0 percent from all taxes
<u>St. Louis</u>	3.75 percent local room charge tax 11.225 percent from all taxes Part allocated to the arts
<u>San Diego</u>	8.0 percent local transient occupancy tax 14.0 percent from all taxes Part allocated to the arts
<u>San Francisco</u>	11.0 percent local transient occupancy tax Part allocated to the arts
Santa Fe	3.0 percent occupancy tax 10.4 percent from all taxes
<u>Seattle</u>	6.0 percent special occupancy excise tax 10.1 percent from all taxes Part allocated to the arts
Washington, D.C.	10.0 percent plus \$1.00 per person per night

Sources: New York Times of July 17, 1988, material from individual cities, and Commerce Clearing House, State Tax Guide.

In some instances, the tax may be levied by more than one taxing jurisdiction. For example, in Chicago, Illinois, Cook County and Chicago itself all levy some form of occupancy tax.

When a portion of the tax is earmarked for the arts, this support is usually tied into the promotional value of the arts for a city. Where this is done, anywhere from one to 20 percent of the revenues are directed to the arts.

The tax is generally levied on all transient occupancy, usually defined as less than a 30 day stay. In some instances, the tax is not levied on low rent accommodations. (In San Diego, rooms with a rent of \$8.00 per night or less are

excluded. There are similar exclusions in other cities and states.) The tax is usually levied as a percent of the room rate although in some instances it is set dollar rates on a per room, per person basis. The tax is on the transient, not the hotel or motel. The hotel or motel operators serve as the collection agents for the taxing body. (See Appendix II for a discussion of the San Francisco Hotel Tax.)

Hotel and Sales Tax Rates in Other Cities

In most states where there are state and local sales taxes, these apply to hotel and motel room rentals. Unlike the special taxes on transient occupancy, these taxes are not earmarked for tourism and convention promotion and support of the arts. This is the case in Pennsylvania.

The combination of state sales taxes, special district and local sales taxes and transient occupancy taxes can place a valorem taxes of over 10 percent on hotel bills.

Hotel Taxes in Pennsylvania

Hotel room rental taxes are levied by Philadelphia and Allegheny County. The rate in Philadelphia is currently three percent. It may be increased to six percent after the completion of the convention center. The tax revenues are tied to convention and tourist promotion.

The hotel room rental tax rate in Allegheny County is three percent. The proceeds of the tax are dedicated to the Greater Pittsburgh Convention and Visitors Bureau as the tourist promotion agency for Allegheny County, and the Public Auditorium Authority of Pittsburgh and Allegheny County for the operation of the David L. Lawrence Convention Center. The Convention and Visitors Bureau receives one-third of the revenues. Each one percent generates approximately \$1.2 million in revenues. About half of the revenues can be attributed to hotels and motels in Pittsburgh. None of these funds is used to support the arts or cultural facilities.

In addition to the local hotel room rental tax, hotel occupancy is subject to the six percent sales tax in Pennsylvania. The sales tax as it is applied to hotel room rents is called a hotel occupancy tax in the state's regulations. Hotels and motels, as businesses, are also subject to local business privilege taxes. In Pittsburgh, the business privilege tax rate is .6 percent on the gross receipts from the business.

Property Taxes

In a few instances, property taxes have been earmarked for the support of the arts. Usually this is done through special

districts. The districts are granted taxing powers, often as a result of a referendum, and the proceeds are used to support the arts.

The best-known special property tax district is probably the St. Louis Zoo-Museum District. The District was created within the City itself to support the zoo and two museums. In 1983, the District was extended to include the surrounding county and support was extended to the Botanical Garden and the Science Center.

Chicago has one of the earliest special tax districts with part of the revenues going for the support of the arts. The district was created by the state legislature in 1934. While most of the revenues support parks and recreational facilities, eight museums on district land receive support from a special museum property tax. The tax returns over \$25 million to the museums.

On a smaller scale, Aspen, Colorado, levies a special assessment on real estate transfers to support the Wheeler Opera House.

Special Property Taxes in Pennsylvania

Counties and municipalities in Pennsylvania have long been granted the power to levy special millages on property for the support of specific purposes. The support of libraries and community colleges are among these purposes.

Special purpose property taxes are regularly levied by Pennsylvania municipalities. Locally, Allegheny County levies a special millage to support the Community College of Allegheny County.

In general, these special purpose property taxes can be levied only by municipalities, school districts and counties. Municipalities can establish special districts which can collect assessments on the properties within the districts. The districts can be established only for downtown business district improvements and local transportation improvements. There are no special taxing districts or authorities in Pennsylvania like the St. Louis Zoo-Museum District.

In most instances the special taxes are added into all of the taxes levied by the municipality and the taxpayers are unaware of the existence of the tax. Taxes for the support of libraries in boroughs, however, have to be approved by voter referendum. Taxes for libraries in cities and townships do not have to be approved by voters.

In Pittsburgh, these special taxes have lost their meaning. The City, as a home rule municipality, is not under millage

ceilings set by the state legislature. The special levies, therefore, are unnecessary. Allegheny County consolidated all of its millages a number of years ago and can levy property taxes for general purposes, and for the Institution District and the Community College.

Sales Taxes

In a number of states, sales taxes can be levied at the local level. In some instances, the enabling legislation dedicates the revenues to specific purposes. When this is done, the taxes are often earmarked for mass transit, the retirement of debt on major capital projects and the like. In at least one instance, the revenues have been earmarked for the arts.

In 1987, the Colorado state legislature authorized the creation of the Denver Scientific and Cultural Facilities District. The District includes five counties. The District was given taxing powers, subject to voter approval. The voters gave their approval in 1988.

The proceeds from the one percent sales tax are to be divided three ways. Sixty-five percent of the proceeds are to go to the Denver museums of art and natural history, and to the Denver zoological and botanical gardens.

Twenty-five percent of the proceeds are to go to large organizations within the District. The distribution is to be made primarily on the basis of annual operating income and annual paid attendance. "Large" is defined as having an annual operating budget of over \$700,000. Ten percent of the proceeds are to go to other cultural and scientific organizations not covered in the first two groups.

The proceeds from this tax will be substantial. The Denver Symphony Association is projecting potential gross revenues to the Association of \$900,000 to \$1,000,000 per year. In Allegheny County, a similar, one percent sales tax could produce revenues in excess of \$75 million.

Allegheny County may soon be able to levy a one percent sales tax as part of the local tax reform package. One quarter of the proceeds could go to local governments within the County. The remaining funds would be used by the County. These funds could be earmarked by the County.

Percent for Arts Programs

A number of states have Percent for Arts legislation. The legislation provides that a portion of state capital construction expenditures, often one percent, be used to commission and purchase art. In some states, the legislation is permissive, not mandatory. There are now 25 state programs.

Three were started in 1988. Among Pennsylvania's neighboring states, only New Jersey and Ohio have Percent for Arts programs. Pennsylvania does not have a state Percent for Arts legislation.

Local governments have also adopted Percent for Arts programs. Approximately fifty cities have adopted Percent for Arts programs. Pittsburgh has a Percent for Art program.

The inclusion of works of art in government construction is probably as old as government construction itself. Legislation creating formal programs dates from the early twentieth century in both Europe and America. The first Percent for Arts ordinance was enacted in Philadelphia in 1959. The program was copied elsewhere because it offers a systematic approach to integrating art into public construction.

The Percent for Arts programs have the potential for generating substantial funds. In fiscal year 1988, the Illinois program provided \$990,000 in artists' fees and arts expenditures. Most state programs, however, provide between \$100,000 and \$500,000.

Capital Projects, Federal and State Grants and Debt

Government is regularly seen as a source of capital funding for major facility construction and renovation. Local government has a number of ways to turn in raising capital.

The federal government has been a major source of grant and loan funds. A number of cities have used funds from the Economic Development Administration, the Housing and Urban Development Department's Community Development Block Grant program and the Urban Development Action Grant program. These funds, however, have been cut and eliminated in the last few years.

State governments have also been the source of grant and loan funds. It is not unusual for a capital project of a regional nature to receive state funds. In Pittsburgh, the David L. Lawrence Convention Center and the Buhl Science Center were built, in part, with state funds. In Philadelphia, the Symphony Hall renovations, may be paid for, in part, with state funds.

The funding method of last resort has been local debt paid off by local taxpayers. In almost every major city, there are examples of local taxpayers assuming the responsibility for all manner of arts, convention and civic centers.

In many instances, local governments have to turn to the voters for approval of the loans for these activities. Voters approved \$40 million in bonds for the Dallas Arts District. The

major investment program in Seattle which has included the whole range of civic facilities from transit to the arts has been approved by voters.

In Pennsylvania, most municipalities are in a position to issue debt without voter approval. Because the debt ceilings established by the state are fairly high, the real limitation on issuing debt is the ability to find underwriters.

The repayment of debt in Pennsylvania can be made with special property taxes. Counties, school districts and municipalities in Pennsylvania can levy an unlimited property tax millage for debt repayment. This is done in some instances. Allegheny County levies a special property tax millage for debt service. The City of Pittsburgh does not do this. Transfers from general funds can also be used to retire debt.

Tax Payments by Arts Organizations

Pittsburgh arts organizations pay a number of local taxes even though they are exempt from most forms of taxation. They also collect local taxes - the sales tax and the amusement tax - from patrons.

Under certain circumstances, arts organizations make property tax payments and institution and service privilege tax payments. The institution and service privilege tax is a tax of .6 percent on gross receipts from the sale of goods and services by nonprofit organizations. They may also make sales tax payments on purchases if they have not applied for exemption with the Pennsylvania Department of Revenue.

Arts organizations collect the amusement tax for the City and the sales tax for the state. In these instances, the organizations serve as agents for government in collecting the taxes on ticket and concession sales. Arts organizations, as employers, also collect all of the payroll taxes and make the employer's contribution on social security payments.

The Amusement Tax

The amusement tax is the major tax collected by arts organizations in Pittsburgh. The state allows municipalities and school districts to levy a tax of up to 10 percent of the price of admission. It is levied at the maximum rate in Pittsburgh. The City views this tax, along with the ten dollar occupation privilege tax and the 25 percent parking tax, as important sources of revenue from nonresidents.

There are some exemptions to the amusement tax in state law. The most important is the exemption of movie theatres. This exemption does not apply to Pittsburgh, and the City does

tax movie theatre tickets. Municipalities which impose the tax can exempt specific forms of amusement from the tax. The City of Pittsburgh, by ordinance, has excluded "private annual affairs sponsored by non-profit organizations for members and their guests at which the admission charges or contributions equal or approximate the expenses."

The City of Philadelphia, by ordinance, has excluded from the term amusement "any form of entertainment, regardless of the nature thereof, where the proceeds thereof, after payment of reasonable expenses, inure...exclusively to the benefit of...organizations conducted for the sole purpose of maintaining symphony orchestras, opera performances, and artistic presentations...." Motion picture and legitimate theatres are also excluded.

In addition to these exemption, based on the nature of the organization providing the amusement, both cities give exemptions to special groups of patrons. In Pittsburgh the groups include children under twelve, disabled veterans, and members of the armed services.

The amusement tax is not levied in most municipalities in Pennsylvania. Because of the exemption for movie theatres, there are few municipalities with commercial amusements within their limits. It is levied, however, in municipalities containing amusement parks, ski resorts and golf courses.

In Allegheny County, the amusement tax is levied by a number of municipalities and school districts. Seven municipalities levy the tax at the full 10 percent rate. Nine levy it at 5 percent, one at 3 percent, three at 2.5 percent and one at 2 percent. Five school districts levy it at 5 percent and one at 2.5 percent.

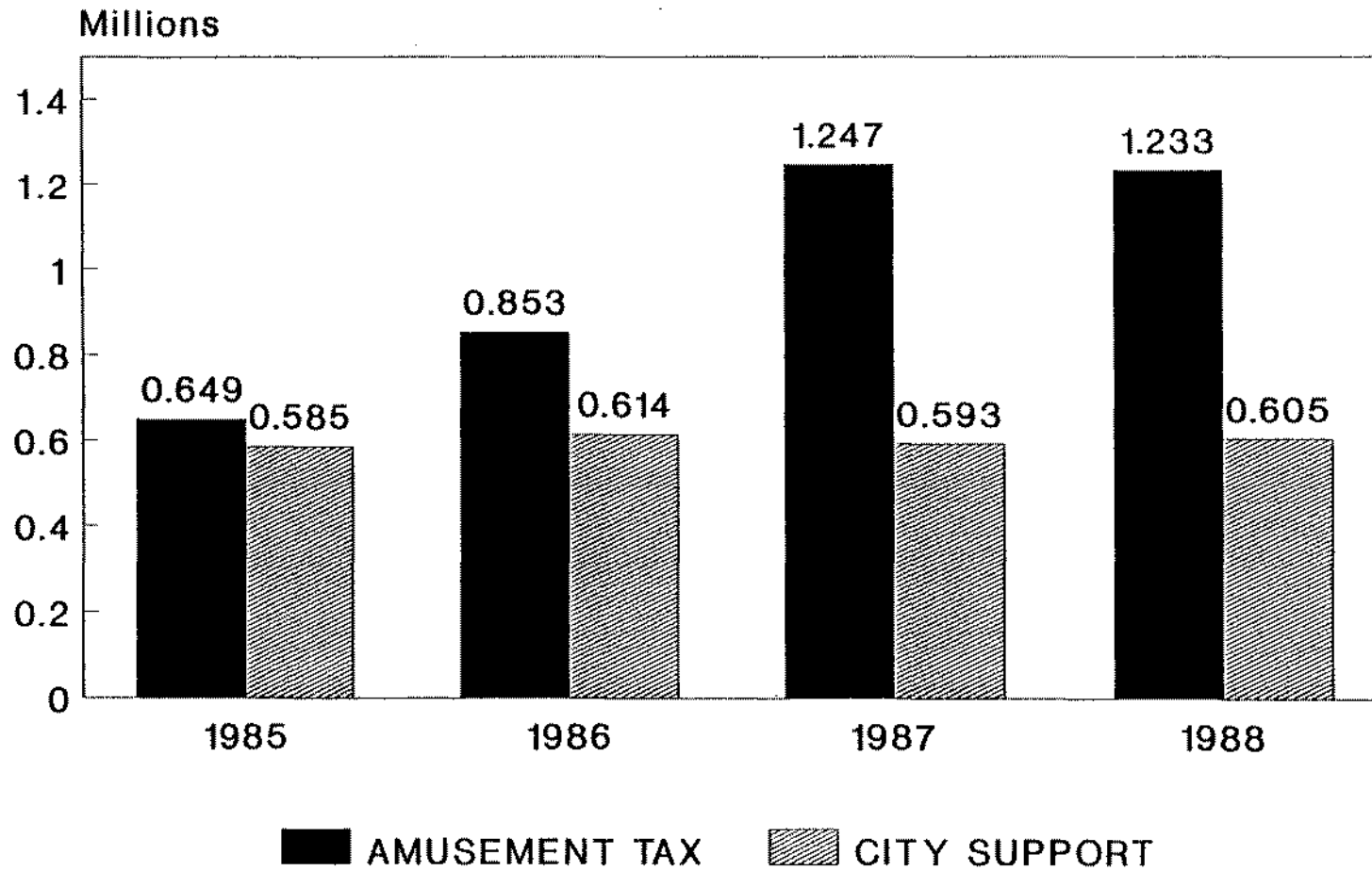
Amusement Tax Collections

The amusement tax is an important revenue source for the City of Pittsburgh. As part of this study, the League obtained amusement tax collection figures from the City Treasurer's Office. In 1987, the City collected \$5,639,119. Approximately one-half of the collections were on ticket sales to sporting events. Ticket sales to nonprofit events generated significant revenues. The City expects to collect \$7.3 million in 1989. Much of the increase is due to the success of the Pirates.

IN 1987, THE CITY COLLECTED \$1,720,573 ON TICKET SALES BY NONPROFIT ORGANIZATIONS. OF THIS, \$1,247,409 CAME FROM ARTS ORGANIZATIONS.

IN 1988, THE CITY COLLECTED \$1,737,027 FROM NONPROFIT ORGANIZATIONS. OF THIS, \$1,233,051 CAME FROM ARTS ORGANIZATIONS.

CITY TAXES ON AND LINE ITEM SUPPORT OF ARTS ORGANIZATIONS



The receipts from arts organizations have been growing. In 1985, they paid \$649,295 and in 1986, \$852,643.

FROM 1985 TO 1988, AMUSEMENT TAX RECEIPTS FROM ARTS ORGANIZATIONS HAVE INCREASED BY 90 PERCENT.

These figures do not include collections on ticket sales for arts events at colleges and universities, so the City Theatre Company, the Three Rivers Shakespeare Festival and some other groups are not included in the totals. The taxes on these ticket sales are paid along with the taxes on tickets to sporting events and other non-arts activities by the colleges and universities.

The bulk of the receipts come from a few organizations. In 1988, five arts organizations collected and paid more than \$100,000 each to the City. They were the Civic Light Opera, the Pittsburgh Ballet, the Pittsburgh Public Theatre, the Pittsburgh Cultural Trust and the Pittsburgh Symphony Society. One paid over \$500,000. Most groups, because they do not have the admission revenues that the major arts organizations have, pay lesser amounts to the City.

Amusement and Admission Taxes in Other States

Taxes on ticket sales are levied in 30 states at the state level. The taxes are levied as admission and amusement taxes, as sales taxes and as gross receipts taxes. In most instances, there are exclusions. The exclusions usually include some forms of nonprofit activity.

The taxes are levied in four states at the state level as amusement or admission taxes. In the remaining 26 states, taxes on ticket sales are levied as part of the general sales, use and gross receipts taxes. In many of these states, there are exemptions for purchases by and sales by tax exempt organizations.

Admission and amusement taxes are levied at the local level in a number of states. In some instances, the taxes are levied under specific state legislation which defines the types of admissions which can be taxed and the rates at which they can be taxed. A number of local governments, including Baltimore, have imposed the tax. In other instances, however, the tax is levied without specific state legislation. Pennsylvania is one of these states. The types of admissions which are taxed and the rates which are imposed in these states can vary greatly from municipality to municipality.

There are a few notable examples of the local amusement and admission tax which fall, at least in part, on nonprofit activities. The City of Chicago and a number of other Illinois municipalities levy taxes on all admissions. The rate is four percent in Chicago. Minneapolis has a three percent

entertainment tax on sales of admissions, amusements and hotel rooms. St. Louis has a five percent tax on gross receipts from admissions. New Orleans has a two percent tax on movie and theatre admissions and a five percent tax on all other amusements.

General Observations

Arts organizations, as nonprofit entities, are exempt from most forms of taxation in most cities. The amusement tax and the sales tax are the major forms of taxation which can fall on arts organizations. Where amusement taxes and sales taxes are levied, ticket sales by nonprofit organizations are usually exempt. There are, however, exceptions to this.

PENNSYLVANIA, WITH ITS LIMITED EXEMPTIONS AND HIGH RATE, PLACES THE GREATEST BURDEN IN THE COUNTRY ON THE ARTS WITH ITS AMUSEMENT TAX. PITTSBURGH, BECAUSE THE TAX IS LEVIED ALMOST WITHOUT EXCEPTION AND AT THE MAXIMUM RATE, PLACES THE MAXIMUM POSSIBLE BURDEN ON THE ARTS.

Even though Pittsburgh arts organizations are subject to a high amusement tax on ticket sales, there are other states where there are few exemptions from state and local sales taxes, and ticket sales by arts organizations are subject to these taxes.

THE SALES TAX RATES IN OTHER STATES DO NOT EXCEED THE AMUSEMENT TAX RATE IN PITTSBURGH.

Governments across the country levy taxes on the arts and they levy taxes for the benefit of the arts. The taxes on the arts are few in number. In some cities, like Pittsburgh, admissions to arts events are taxed. Sales by nonprofit organizations may be taxed. In some states, sales taxes include ticket sales. In some cities, again like Pittsburgh, nonprofit organizations may also be taxed on some forms of business revenues.

These forms of taxation fall primarily on earned income, the income from ticket sales, concessions and the like. These taxes do not fall on donations, membership fees and other forms of contributions. The result is that performance organizations are more likely to pay taxes than museums, galleries and festivals because they depend heavily on earned income. This is particularly true for performance organizations with a sizable portion of revenues in earned revenues.

It probably can be said without too many qualifications that libraries, museums and public performance facilities receive more support from local government than individual performing arts organizations. This is the case in Pittsburgh. The Carnegie, including the Library and Buhl, receives far more support from the City and County than individual performing organizations receive.

It also can be said without too many qualifications that even though larger organizations receive the larger dollar amounts in government support, smaller organizations benefit more in terms of the percent of expenses covered by government funds. This is also the case in Pittsburgh.

LARGER ORGANIZATIONS IN PITTSBURGH COVER AN AVERAGE OF 8 PERCENT OF THEIR EXPENSES WITH SUPPORT FROM ALL LEVELS OF GOVERNMENT; MEDIUM SIZED ORGANIZATIONS AVERAGE ABOUT 20 PERCENT.

This redistribution should not be surprising. Because museums, libraries and smaller performance organizations have less earned income, they need more contributed income from all sources, including government. Because they have less earned income, there is less for government to tax.

In Pittsburgh, the amusement tax is the main contributor to the redistribution from larger, more successful performance organizations to smaller performance organizations, museums and libraries. The amusement tax takes more out of the larger organizations than they receive in government support.

The redistribution is not intentional. The amusement tax is not a dedicated tax. The revenues go into the City's general fund and are not earmarked for the arts.

THE REVENUES FROM THE TAX ON ARTS ORGANIZATIONS, HOWEVER, EXCEED THE CITY'S SUPPORT FOR INDIVIDUAL ARTS ORGANIZATIONS. IN 1988, THE CITY RECEIVED \$1,233,051 IN AMUSEMENT TAX REVENUES FROM ARTS ORGANIZATIONS AND APPROPRIATED \$658,900 TO ARTS ORGANIZATIONS, THE CARNEGIE MUSEUM AND THE BUHL.

Local Government Support in Other Cities

The League examined local government funding in four cities. The League also reviewed the coordination of public funding with private funding in these cities and the role local arts agencies can play in the support for the arts.

The governments of most larger cities provide operating support for arts organizations, purchase arts services for programs and festivals in local parks and provide capital support for arts organizations. The levels of support and the ways in which the support is provided vary greatly from city to city.

The League examined levels of support and the ways in which the support is provided in four cities.

St. Louis

St. Louis, Missouri, is the center of a Metropolitan Statistical Area with a population, in 1986, of 2,438,000. This

is somewhat larger than the Pittsburgh region's population of 2,123,000. The City was ranked nineteenth in terms of the arts by the Rand McNally Places Rated Almanac.

Local Government Funding for the Arts

Local government funding for the arts is in the hands of the Regional Cultural and Performing Arts Development Commission. The Commission serves both the City of St. Louis and St. Louis County. The Commission was created in 1985, replacing separate City and County bodies.

The Commission's principal source of funding is the three and three-quarters percent hotel and motel tax levied in the City and the County. The proceeds from the combined tax are split between the Regional Cultural and Performing Arts Development Commission and the Convention and Visitors Commission. The former receives four-fifteenths of the revenue, the equivalent of a one percent tax, while the latter receives eleven-fifteenths of the revenue, the equivalent of a two and three-quarters percent tax.

THE TRANSIENT TAX IN ST. LOUIS HAS BEEN ABLE TO GENERATE \$1,740,035 IN 1986 FOR THE ARTS AND OVER \$4.0 MILLION TO SUPPORT THE CONVENTION AND VISITORS COMMISSION.

In addition to the Commission, the St. Louis region has a Metropolitan Zoological Park and Museum District which is supported by City and County property taxes. The District includes the Zoo, the Art Museum, the Museum of Science and Natural History and the National Museum of Transportation. The four institutions were included in the District by special state legislation and were given special tax support only after the issue was put to referendum. The four institutions are not eligible for support from the Regional Cultural and Performing Arts Development Commission.

The District was given voter approval in 1971 to provide needed support for the zoo and art museum. The two institutions had received support from the City budget but the City was unable to provide the needed support. The District, with its own property tax, spread the burden of supporting these institutions to suburban St. Louis County.

IN 1985, THE ART MUSEUM RECEIVED ONE-THIRD OF THE PROCEEDS FROM THE TAX, OR OVER \$5 MILLION.

Taxes and the Arts

The arts are not the subject of any special taxation in St. Louis. They are, however, supported by special taxation. Missouri has a three and one-eighth percent sales tax but most nonprofit activities are exempted from the tax. In addition to the state sales tax, local governments can levy an additional

sales tax. This has been done in St. Louis at a rate of one and three-eighths percent. St. Louis County and a local transportation district also levy sales taxes. Most nonprofit activities are exempt from the local taxes.

St. Louis has a tradition of creating special districts and commissions and dedicating special taxes to their support. The City has a Metropolitan Sewer District and a Bi-State Transportation District in addition to the Zoo and Museum District and the two Commissions supported by the transient tax. The power to create these special commissions is the product of legislation, but the ability to levy the special taxes is subject to the approval of the voters in referenda.

Seattle

The City of Seattle is in King County in the western part of the State of Washington. Seattle shares with Pittsburgh some population characteristics. In the last two decades, both cities have lost population and are less than one-half million in size. Pittsburgh's region is somewhat larger than Seattle's, with a Primary Metropolitan Statistical Area population of 2,123,000 in 1986, while Seattle's PMSA population was 1,751,000.

Seattle has a long tradition of public support for the arts. The City began investing in public art works in 1912 and began a Percent for Arts program in 1973. Over the last 25 years, Seattle has grown culturally. The Places Rated Almanac ranked Seattle seventeenth in the arts, five places behind Pittsburgh.

The Seattle Arts Commission

The Seattle Arts Commission was established in 1971 by the City of Seattle as a City agency with the responsibility for promoting the arts. The Commission purchases art works and art services from artists and arts organizations, provides technical assistance and information related to the arts and advises the City on the arts. The Commission consists of volunteers appointed by the Mayor and confirmed by City Council and is staffed with a full-time director and staff.

The Commission is a powerful force in the Seattle arts community because it provides major funding for the arts.

IN 1987, THE SEATTLE ARTS COMMISSION HAD REVENUES OF \$2,133,790. THE CITY'S GENERAL FUND PROVIDED \$1,422,135, THE NATIONAL ENDOWMENT FOR THE ARTS, \$125,000, THE CITY'S 1% FOR ART PROGRAM, \$566,655 AND THE KING COUNTY ARTS COMMISSION AND THE WASHINGTON STATE ARTS COMMISSION \$10,000 EACH.

The 1% for Art program is funded by setting aside one percent of City capital improvement funds for the purchase and commissioning of art works for City-owned public places.

The Commission has three primary divisions - Arts Funding, Art in Public Places and Administration. The Arts Funding Division, in turn, has three programs - Arts Organization Funding, Individual Artists' Original Works and Arts in Education. The definition of the arts is broad and includes literature, music, dance, theatre, film and video.

As is the case in Pennsylvania, government agencies in Washington are prohibited by the State Constitution from giving money to any but the indigent. Government funds, however, can be used to purchase arts services and works of art. The Commission's funds are used to underwrite productions and projects by a variety of arts organizations and individuals, to fund projects in public schools, and to purchase individual art works for public places. The underwriting ranges from sponsorship of concerts by the Seattle Symphony and of free days at the Seattle Art Museum, to commissioning new dance works and presenting poetry readings.

Arts organizations were the main recipients of funds. These organizations received \$1,024,990 from the Commission. This amounted to 48 percent of the Commission's total expenditures. The largest recipient was the Seattle Symphony Orchestra, which received \$132,119 for two concert series. The Opera Association received \$117,001 to sponsor two performance series, the Pacific Northwest Ballet received \$111,085 to support 15 performances, and the Seattle Repertory Theatre received \$110,428 to support two productions. The other recipients received less than \$100,000 each.

The Art in Public Places accounted for \$554,186, or 26 percent of the Commission's expenditures, for purchases and collection management. The remaining 26 percent was spent primarily on administration (\$411,032), with smaller amounts going to the Individual Artists' Funding Program (\$55,000), Arts in Education (\$55,000), and technical assistance and information (\$32,582).

The range of support provided by the Commission is worth noting.

IN 1987, THE COMMISSION PROVIDED SUPPORT TO 14 MAJOR ARTS ORGANIZATIONS, 44 SMALLER PROFESSIONAL ORGANIZATIONS, 19 FOLK AND ETHNIC GROUPS AND NINE NEIGHBORHOOD GROUPS. THE COMMISSION ALSO PROVIDED SUPPORT FOR 24 INDIVIDUAL ARTISTS FOR THE CREATION OF NEW WORKS.

Capital Support for the Arts

In addition to purchasing works of art and arts services, the City of Seattle serves as a landlord for a number of arts organizations. A number of arts organizations in Seattle reside in public buildings. The lease arrangements are favorable to the arts organizations in that the City assumes some of the capital and operating costs for the facilities and, in effect, provides a subsidy to the arts organizations. Because of the constitutional prohibition on giving money to arts organizations, some of the leases are structured as purchase of service arrangements.

The Bagley Wright Theatre has housed the Seattle Repertory Theatre since 1984. The theatre cost \$8 million to build with half of the costs in public bond funds and half in private donations. The City has retained ownership of the building and leases it to the repertory company under a 26 year lease arrangement. The company pays rent of between \$75,000 and \$100,00 per year. The maintenance costs are the responsibility of the City.

The City also owns the Intiman Playhouse which houses the Intiman Theatre. The Playhouse, as the Seattle Center, had housed the Seattle Repertory Theatre before 1984. The Intiman Theatre has a 22 year lease with the City at \$1,000 a year. The Theatre, however, invested more than \$1,000,000 in the Playhouse in renovations. The Theatre is also responsible for routine maintenance, with the City retaining responsibility for major repairs.

The Seattle Children's Theatre is presently in temporary space under a purchase of services arrangement while a more permanent place is found for the Theatre. The Theatre pays no rent but provides services instead.

Other arts organizations, including the Pacific Arts Center at Seattle Center and the Bathhouse Theatre, are in public facilities but they rent space under "fairly standard lease agreements."

Seattle also has a "bonus space" provision for developers who incorporate performing arts theatres, museums, urban plazas or public atriums into their projects. The City has established eligibility requirements for the incorporated features. For example, an eligible theatre must include at least 200 seats and an eligible museum must be at least 2,500 square feet in size. In addition to the size requirements, there are access, operations and design guidelines which are intended to make these spaces readily available for public use.

In return for incorporating these public spaces, the developers are given modifications in the City's zoning regulations. For example, a developer built a small theatre and

leased it for \$100 a year to A Contemporary Theatre. The developer was allowed to increase the height of a new office building beyond the limits in the zoning regulations.

The King County Arts Commission

The King County Arts Commission was established as a County agency by King County in 1967 to promote the arts. The Commission is part of the Department of Parks, Planning and Resources. The County Commission is similar to the City's Commission in that it has a 1% for Art program and programs to support arts groups and individual performers. The 1% for Art program sets aside one percent of certain County construction budgets for the purchase or commission of art works.

In 1987, the Commission had a \$1,290,100 budget for support of organizations and individuals. In addition to this, it had \$500,000 in the 1% for Arts program.

FOR 1988, THE KING COUNTY ARTS COMMISSION HAD A BUDGET OF \$1,010,350 PLUS 1% FOR ART FUNDS.

The Commission funds were used to support a variety of programs including a special allocation of \$220,000 to the Seattle Symphony, \$253,650 for other performing groups, \$144,703 for programs in local communities throughout the County, \$799,220 for visual arts in addition to the 1% for Art funds, and \$32,000 for the literary arts. The Commission also celebrated its twentieth anniversary with Performa '87: A Festival of New Works. The festival was supported with \$300,000 in County funds and \$150,000 from the National Endowment for the Arts' Local Test Program.

The County Arts Commission supported the major regional organizations as well as smaller performing groups and individual arts. Some of the support is in programs directed to local communities. These Community Programs include programs for special populations, the ethnic arts, and ethnic artists in the schools. The Commission also supports touring workshops and performances throughout the County.

The Arts and Local Taxation

The arts are supported with City funds through the 1% for Arts program and by a hotel and motel tax. A portion of the receipts from the hotel and motel tax is directed to the support of the arts organizations and sports teams. The City of Seattle levies the tax at five percent and King County levies the tax at two percent on transient lodging outside of the City.

The arts in Seattle are not subject to any special form of taxation as is the case in Pennsylvania with the amusement tax. The City of Seattle levies a five percent admissions tax. In 1973, nonprofit organizations were exempted from the amusement

tax. Sales taxes, which are levied at both the local and state levels in Washington, are broadly based and cover ticket sales to nonprofit events. In the City of Seattle and in the rest of King County, ticket sales are subject to a combined sales tax of 8.1 percent.

San Diego

San Diego is located in southern California in San Diego County. The population of the San Diego Metropolitan Statistical Area was 2,201,000 in 1986. The MSA includes the County and surrounding areas as well as the City. This is slightly larger than the 2,123,000 in the Pittsburgh Primary Metropolitan Statistical Area. Rand McNally ranked San Diego twentieth in terms of the arts in the Places Rated Almanac.

Funding for the arts in San Diego has been in the hands of three organizations. At the County level, the Public Arts Advisory Council (PAAC) advises the County Board of Supervisors and distributes funds to arts organizations for the County. The County's Percent for Art program, similar to Seattle's 1% for Art program, is administered by PAAC.

At the City level, the Public Arts Advisory Board (PAAB) provides advice to the Mayor and City Council on the arts. These responsibilities are being assumed by the Commission for Arts and Culture beginning in fiscal year 1990. Private sector support for the arts is coordinated by The Combined Arts and Education Council of San Diego (COMBO). COMBO was founded in 1964 as a united arts fundraising agency. COMBO also served as the administrator of the arts dollars from the City's transient occupancy tax. In the past, about half of COMBO's budget has been made up from City funds. The remaining funds were generated from contributions and earned income.

City Support

The City has provided substantial support for the arts.

IN 1987, TOTAL CITY SUPPORT WAS \$3,817,671.

PAAB had a budget of \$262,000, COMBO received \$999,579 from the City, museums received \$1,434,671 and arts organizations received \$1,120,760 for a total of \$3,817,010. For 1988 this increased to a total of \$3,877,629, with \$4,757,875 budgeted for 1989.

The support provided to COMBO by the City was for the financial support for the arts, to promote the development and growth of the arts, to further neighborhood revitalization, economic growth, tourism and job creation and to enrich local communities. Part of the support also constitutes the local match for a three-year National Endowment for the Arts grant for

the support of smaller visual and performing arts organizations and individual artists.

For fiscal year 1989, the City is no longer providing major support for COMBO. COMBO is budgeted by the City to receive only \$150,000. Instead of channeling City funds through COMBO, allocations to individual arts organizations are now made directly by the City Council. COMBO is returning to its original mission as a united arts fund raising agency.

The City's support for the arts is provided primarily from the receipts of the transient occupancy tax. The receipts from the tax have been increasing yearly and the tax rate itself has been increased a number of times. The tax was first established in 1964 at six percent. The tax was increased by one percent in 1984 and again in 1988. An additional percent has been approved for 1989, bringing the tax to nine percent. This has allowed the City to plan for steadily growing support for the arts in the coming years.

A portion of the net revenues from this tax is dedicated to the promotion of the City and is placed in a Special Promotional Programs Budget. This budget is used to support capital facility improvements, promotion through the Convention and Visitors Bureau, museums, City-administered tourist programs, arts organizations and civic events. For fiscal year 1988, the arts and museums received \$3,877,629 or 21 percent of the entire \$18,483,924 budget.

County Support for the Arts

The County has also provided support for the arts. In 1987-1988, the County's community enhancement funds provided \$205,900 in support for arts organizations, \$339,200 for museums and libraries and \$80,500 for historical societies and historic restorations. The support for arts organizations includes a \$75,000 grant to COMBO and \$35,000 for PAAC.

The County is currently revitalizing the Voluntary Fund for the Arts. The Funds was established a number of years ago by the County Commissioners to solicit funds from the property tax payers in the County. The Fund has not been successful in the past. The Fund has recently been put into the hands of PAAC and is expected to be more successful in the future. The Fund solicits support with inserts added to the County's property tax mailings.

Importance of Local Government Support

The major arts organizations in San Diego depend on the usual combination of earned income, contributions and government funds for their support. PAAC provided the League with a breakdown of income sources for the eight largest art institutions in the City. The list includes COMBO.

Earned income provided major support for three theatre organizations and the San Diego Symphony, while the two museums on the list and the San Diego Opera depended on contributed support for more than half of their income. For all of the organizations, except COMBO, local government support made up only a small portion of total income, less than 10 percent in most cases. Because it acts as a granting organization working with local government, COMBO received more than half of its income in government funds.

SAN DIEGO ARTS ORGANIZATIONS
Income Sources

<u>Organization</u>	<u>Budget (\$M)</u>	<u>Earned Income</u>	<u>Local Government</u>	<u>Contributions</u>
Old Globe Theatre	\$7.4	27%	3%	24%
San Diego Symphony	5.7	65	3	32
San Diego Opera	3.5	43	6	51
San Diego Museum of Art	3.0	20	17	63
San Diego Repertory Theatre	2.8	60	3	33
La Jolla Playhouse	2.5	58	5	37
La Jolla Museum of Contemporary Art	1.9	24	5	56
COMBO	1.6		51	43

Other sources of income include endowment income and City and Federal funds in the NEA Local Test Program grant to COMBO.

The City also provides facility support for the Old Globe Theatre and the San Diego Museum of Art and capital support for the Symphony's refurbishment program in the form of \$1.5 million over three years.

Capital Facilities

In addition to the operating support provided by the City, arts organizations also use City-owned facilities at reduced or no rent. In 1987, the City estimated that it provided \$852,608 in subsidized space to arts organizations using Balboa Park facilities and another \$4,044,000 to museums and arts organizations housed in Balboa Park buildings.

The City also estimated that it provided a subsidy of \$276,399.51 in reduced rent for COMBO arts organizations at the Convention and Performing Arts Center. The Center is supported, in part, with transient occupancy tax funds. Through the Center City Development Corporation, the City has provided \$7,451,000 in capital funds for the Lyceum Theatre.

The City is undertaking major renovations of the Balboa Park facilities. The renovations will be supported out of a \$45 million bond issue which was approved by the voters in November 1987. The renovations will proceed well into the 1990s.

Taxation

The City of San Diego does not levy any special tax on the arts. It does levy a tax on transients and a portion of the revenues from this tax is used to support the arts.

Phoenix

Phoenix is a growing city. In 1980, Maricopa County, which includes Phoenix, had a population of 1,509,052. In 1985, the County had an estimated population of 1,846,600. There is a realization on the part of City government and the arts community that the growth has to include the arts.

Because the City is new, it has a lot of catching up to do. This catching up can be seen in major new civic construction in the City and in the Percent for Arts program. Phoenix ranked sixty-fifth in the arts in the Places Rated Almanac. Public funding for the arts at the local level is in the hands of the City. County government does not fund the arts.

Public Funding

Public funding for the arts in the City of Phoenix is directed by the Phoenix Arts Commission. The Commission was created in 1985 to advise the Phoenix Mayor and Council on the arts and to administer the City's arts programs. The Commission administers a grants program which is funded with City general funds and state lottery funds. The Commission also administers the City's Percent for Arts Program. The Percent for Arts Program coordinates the use of City capital funds in the purchase of art works.

**IN 1988, THE PHOENIX ARTS COMMISSION PROVIDED \$535,000
IN GRANTS TO 74 ARTS ORGANIZATIONS WITHIN THE CITY.**

The Executive Director of the Commission estimates that this is probably three to five percent of the total public and private funding for the arts in the City.

In addition to providing some operating support for the arts, the Commission is using a National Endowment for the Arts local government challenge grant to undertake a two-year planning process for the arts, develop an arts in education program at the City level and develop a marketing program for the City's arts organizations. The grant, \$183,000 over three years, has to be matched on a two-to-one basis with new money locally.

The City provides capital support for arts organizations. The Phoenix Civic Center currently houses the Phoenix Central Public Library, a City department, and two nonprofit groups, the Phoenix Art Museum and the Phoenix Little Theatre. The City provides the space rent and maintenance free. The Library will be moving out in a few years and the building will be renovated by the City for the two tenants.

The Phoenix Civic Plaza houses Symphony Hall in addition to the Convention Center. The Hall is rented by the City to the Symphony, the Opera and the Ballet. The Symphony is currently under a rent waiver because of its financial problems.

The City is building the Herberger Theatre Complex which will contain an 800 seat theatre and a 300 seat theatre. One half of the funds for the construction is being provided by the City with the other half raised from private sources by a nonprofit corporation. This corporation will manage the theatre complex, while the City will continue to retain ownership.

The City also has a number of smaller facilities which are used by arts organizations. The Orpheum Theatre, a 1929 motion picture palace, is owned by the City and will be undergoing renovation with City funds. The City has a small theatre and classroom complex which is operated by the Department of Parks, Recreation and Libraries. The City operates the Shemer Arts Center. The Center is a restored historic house which has been leased to the City under a long-term lease.

Much of the current renovation and construction activity is being funded out a billion dollar City bond issue. Two hundred million is being used for culture, parks and libraries. Of this, \$61 million is going for the renovations for the Art Museum and the Little Theatre at the Phoenix Arts Center, for the Orpheum Theatre renovations, for some improvements at the Symphony Hall and for two new museums. The new museums are a science and technology museum and a history museum. The new Central Public Library will cost \$40 million, allowing the Little Theatre and the Art Museum to move into the space currently occupied by the Library.

THE CITY PERCENT FOR ARTS PROGRAM WILL BENEFIT FROM THE CITY'S BILLION DOLLAR CAPITAL PROGRAM. THIS HAS ALREADY MADE \$4.1 MILLION AVAILABLE FOR THE ARTS.

The City has involved artists in the design of public buildings and structures so that the art can be "built in" and the maintenance of the art becomes part of the general maintenance and not an ongoing responsibility for the Percent for Arts program.

The Arts Commission hopes that the use of capital funds for renovations and construction and the Percent for Arts program can change the way the City looks.

FIVE CITY SUMMARY

SUPPORT FOR ARTS ORGANIZATIONS AND MUSEUMS
(Support for Libraries excluded
except where noted)

Pittsburgh (1988)

Regional Population:	2,123,000
City Support:	\$ 215,100 for arts organizations \$ 443,800 for the Carnegie Museum and Buhl \$ 216,859 for program support \$ 500,000 Benedum loan <u>\$1,375,759 total</u>
County Support:	\$ 243,726 for arts organizations \$ 375,000 for the Carnegie Museum and Buhl \$ 613,979 for program support \$ 500,000 for Benedum loan <u>\$1,732,705 total</u>
Tax for the Arts:	None
Percent for Arts:	City program
Taxation of the Arts:	10 percent City amusement tax

Seattle (1987)

Regional Population:	1,751,000
City Support:	\$1,567,135
County Support:	\$1,290,100
Tax for the Arts:	Hotel/Motel Tax
Percent for Art:	\$ 566,655 in City program \$ 500,000 in County program
Taxation of the Arts:	Ticket sales subject to state and local sales taxes

San Diego (1988)

Regional Population: 2,201,000
City Support: \$3,817,010
County Support: \$ 545,100 includes support for libraries
Tax for the Arts: Approximately one-fifth of local 8 percent hotel/motel tax, increased to 9 percent in 1989
Percent for the Art: None
Taxation of the Arts: None

St. Louis (1985)

Regional Population: 2,438,000
Regional Commission Support: \$1,740,035
Metropolitan District Support: \$5,000,000 for the art museum
Tax for the Arts: 1 percent Hotel/Motel tax
Property tax for Metropolitan District
Percent for Art: None
Taxation of the Arts: None

Phoenix (1988)

Regional Population: 1,846,600
City Support: \$ 535,000
County Support: Not significant
Tax for the Arts: Hotel/Motel tax revenues are not used for the arts
Percent for Art: Percent has generated \$4.1 million, City in midst of \$1 billion capital improvement program
Taxation of the Arts: None

Taxation and the Arts

The City has a hotel/motel tax. The tax revenues go to the Phoenix Civic Plaza, the City's convention center, and are used to support tourism and convention activities. The revenues are not used to support the arts. The State sales tax is levied on ticket sales, but ticket sales by nonprofit organizations are exempt.

Conclusions

The arts in these four cities are well-treated by local government. Seattle and St. Louis have fairly venerable traditions of arts support. San Diego and Phoenix are, in many ways, newer cities and they are beginning to develop their own traditions of solid support for the arts. Local government support for the arts in these cities has been increasing.

There are some similarities among these cities. Each city has a hotel tax. In three of the cities, part of the revenues are dedicated to the arts. Two of the cities, Seattle and San Diego, have Percent for Arts programs. In St. Louis, there is a special property taxing district for the support of specific arts organizations. These dedicated revenue sources have provided fairly stable funding for arts organizations.

Each city has a different type of local arts agency within its respective local government. These agencies have had both advisory and operating responsibilities. In the case of St. Louis, the agency represents both the City and the surrounding suburban County. In 1985, the Regional Cultural and Performing Arts Development Commission was established to administer the local hotel tax funds. In San Diego County and King County surrounding Seattle there are also local arts agencies within government. In the case of Phoenix, the surrounding county is not active.

Two of the cities, San Diego and St. Louis, have had private groups which functioned as local arts agencies in addition to the government groups. In San Diego, the agency, COMBO, receives government funds as well as private funds. There has been a recent reorganization in government funding in San Diego with the creation of the Commission for Arts and Culture to take over the government funding functions from the Public Arts Advisory Board and COMBO.

The creation of stable funding sources and local arts agencies has not been without effort. The arts community in Seattle has to defend its share of the hotel tax fund against other interests with claims on the fund. In San Diego there have been regular efforts to increase the hotel tax rate and therefore provide more funds for the arts.

There are some, but not many, similarities between these cities and Pittsburgh. At the County level, the Bureau of Cultural Affairs functions as a local arts agency with both operating and funding responsibilities. The Bureau's grants, however, are made by the County Commissioners, with the Bureau acting in an advisory capacity. Citiparks has less authority because grants to arts organizations are made entirely by City Council.

With the creation of the Pittsburgh Cultural Trust, there is a private local arts agency in the City. The Trust, however, receives local government support only for the operation of the Tix Booth. All other operating deficits are covered with funds from other sources.

The similarities end here. In Pittsburgh there are no local taxes dedicated to the arts. The City itself levies a high tax on ticket sales by arts agencies. The League has been unable to identify a higher amusement or sales tax on ticket sales by nonprofit arts organizations.

Local support for the arts in Pittsburgh, unlike support in the other four cities, has not been growing. The County and the County have been able to maintain a fairly even level of support, but support has not been increasing. Because the support comes out of general revenues, tight times have limited the funds available to the arts.

Future Roles for Local Government

The City and the County, however, still play important roles in providing support for the arts. The primary role has been to provide facilities for arts organizations. Hartwood Acres, the Center for the Arts, the City and County participation in the Cultural District, and the Hazlett Theatre are examples of this form of local government support for the arts.

An equally important role is in presenting the arts to populations which normally would not be exposed to the arts. This is, in effect, the service the arts organizations provide in return for operating support. The service is an important one from the City's and County's point of view, for it improves the quality of life for City residents, and from the arts organizations' point of view, for it can expand and build future audiences.

There is a third role local government, primarily the City, can play. This is as a promoter of the City and the arts community within the City to the outside world. In a number of cities, support for tourism and conventions is joined with support for the arts. In some cases, the revenues from taxes on hotel and motel occupancy are used to support both functions.

This is not the case in Pittsburgh. A portion of the hotel and motel tax revenues is turned over to the Public Auditorium Authority of Pittsburgh and Allegheny County for the support of the David L. Lawrence Convention Center. The Greater Pittsburgh Convention and Visitors Bureau also receives some support from the tax. None of the funds goes to arts organizations, which provide on a not-for-profit basis a major quality-of-life attraction for the City.

¹ United States Conference of Mayors, How Mayors and City Governments Support the Arts: Innovative Financing Techniques and Strategies, September 1988.

SECTION FOUR

PRIVATE FUNDING FOR THE ARTS

During the summer and fall of 1988, the League interviewed executives at 12 family and corporate foundations and Grantmakers of Western Pennsylvania. In the interviews, the League focused on reasons for giving to the arts, past levels of giving to the arts and future plans. The League also reviewed the financial information on private funding for the arts in the Organizational Profiles for 36 Pittsburgh arts organizations.

Corporate and Foundation Giving

Foundation and corporate giving has played a major role in the arts in Pittsburgh. In 1986, Grantmakers of Western Pennsylvania and the Interested Funders Group surveyed 33 Pittsburgh foundations. The group included major family, corporate and community foundations with an interest in funding arts organizations. Twenty-six of the foundations responded to the survey.

**IN 1985, THE FOUNDATIONS MADE GRANTS TOTALLING
\$10,759,997 TO 73 PITTSBURGH AREA ARTS ORGANIZATIONS.**

Of this, \$5,759,507 was for general operating support, \$4,400,700 for capital and equipment, \$90,000 for endowments and \$503,820 for special projects. The capital grants include two major grants, \$3,000,000 to the Pittsburgh Cultural Trust for the Benedum renovations, and \$1,007,500 to WQED. Five major organizations, the CLO, Ballet, Opera, Pittsburgh Public Theater and Symphony, received \$1,447,690, and 68 smaller organizations received the remaining \$9,312,287. Giving to The Carnegie was not included in these totals.

Foundations and businesses support nonprofit activities because they are good for the community and, for businesses, because the support improves the quality of life for employees and generates positive community perceptions. A good way to accomplish this is to provide support for established organizations where the most return can be generated from the investment. This pattern of support minimizes risk and perpetuates the status quo.

Major arts organizations, those found in the first group, are stable and, therefore, likely to receive most of the support. Organizations in the second group are likely to receive less support. This support is usually tied to the foundation's or business's particular interest in an organization or in the local community where the organization is active. Business support for organizations in the third group is often tied to employee interest in a specific organization.

PRIVATE SUPPORT FOR THE ARTS
As a Percent of Total Expenses

<u>Organization</u>	<u>Foundation and Corporate Support</u>	<u>Total Private Support</u>
Group One		
Carnegie Museum of Art	21.7%	34.1%
Civic Light Opera	9.7	15.7
Pittsburgh Ballet	23.0	30.5
Pittsburgh Center for the Arts	17.9	32.6
Pittsburgh Dance Council	32.3	45.7
Pittsburgh Opera	15.7	50.1
Pittsburgh Public Theater	19.0	27.2
Pittsburgh Symphony Society	6.8	17.4
Pittsburgh Cultural Trust	58.9	58.9
River City Brass Band	22.8	30.8
Three Rivers Arts Festival	26.4	51.9
Group Average	23.2%	35.8%
Group Two		
Blatent Image/Silver Eye	18.2%	32.7%
City Theatre Company	18.0	31.1
CMU Art Gallery	13.5	66.5
Manchester Craftsmen's Guild	66.4	66.5
Mattress Factory	08.1	11.4
Mendelssohn Choir	30.3	38.3
New Music Ensemble	22.8	40.6
Pittsburgh Children's Festival	00.0	57.3
Pittsburgh Dance Alloy	19.0	44.6
Pittsburgh Filmmakers	11.7	17.6
Shakespeare Festival	15.8	24.2
Society for Art in Crafts	16.9	74.8
Stephen Foster Memorial	31.7	90.6
Y Music Society	8.4	20.2
Young People's Orchestra	36.4	71.2
Group Average	21.2%	45.8%
Group Three		
Associated Artists	24.5%	44.4%
Bach Choir of Pittsburgh	31.3	46.5
Chamber Music Society	01.5	21.7
Fund for Arts Education	118.1	165.0
Gateway to Music	27.3	37.5
Harambee of Pittsburgh	69.1	69.1
Kingsley Association	35.9	120.0
Pitt Poetry Series	00.0	00.0
Renaissance & Baroque Society	24.1	38.6
Summerfest	21.7	35.4
Group Average	35.3%	56.0%

PRIVATE SUPPORT FOR THE ARTS
NOTES

These figures were reported by most of the arts organizations on a cash basis and, therefore, include multi-year grants as income within one year.

For 22 of the organizations, the figures are for 1987, for 11, 1986, for two, 1988 and for one, 1985. Because four different years have been used, the results are for a "typical," not an actual year.

The group averages are not weighted for organization size. If the figures are weighted for organization size, they are:

Excluding the Symphony
35 Groups

<u>Group</u>	<u>Foundation & Corporate Support</u>	<u>Total Private Support</u>
One	20.1%	34.6%
Two	22.8	46.0
Three	25.6	40.7
All Three	21.6%	36.7%

Including the Symphony
36 Groups

<u>Group</u>	<u>Foundation & Corporate Support</u>	<u>Total Private Support</u>
One	14.3%	26.4%
Two	22.8	46.0
Three	25.6	40.7
All Three	15.5%	28.6%

The 36 Pittsburgh arts organizations in the League's total study group received a total of \$11,698,943 in private contributed support. Private support was 28.6 percent of total expenses from the organizations. Foundation and corporate support made up \$6,328,442 of the total. This support was 15.5 percent of total expenses. The remaining support came from parent organizations and individual giving. The parent organizations include the University of Pittsburgh and Carnegie Mellon University for organizations on those campuses.

The importance of the foundation and corporate support, in terms of the proportion of expenses covered by the support, varies from organization to organization.

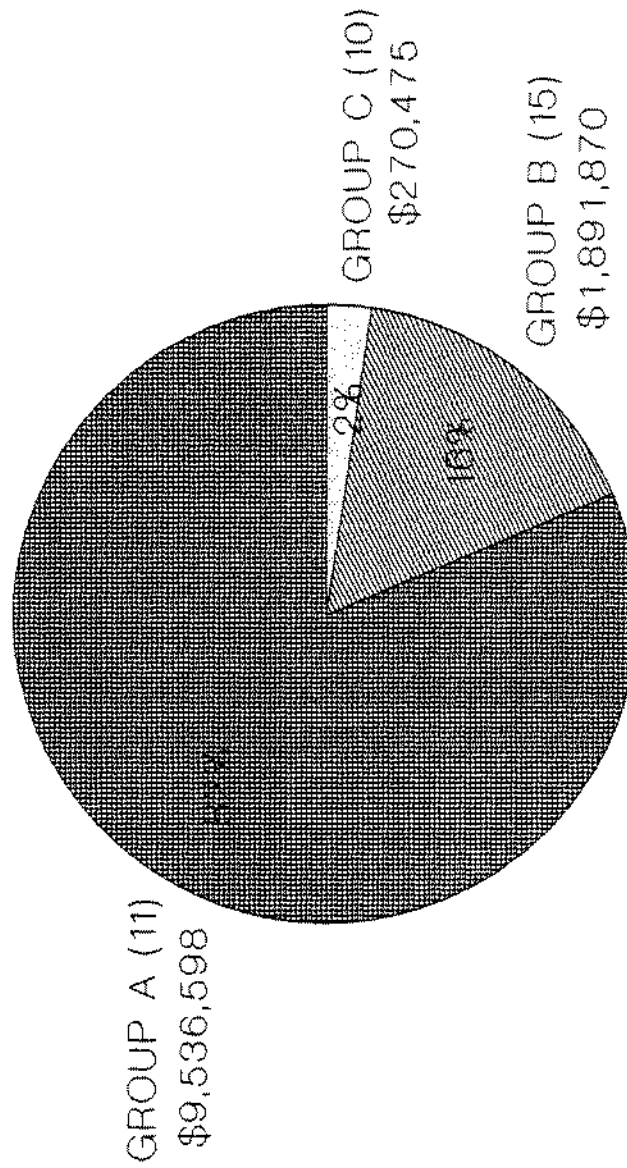
With few exceptions, the corporate and foundation support received by the 36 organizations is significant. For the second group of organizations, it is of greater importance than it is for the major organizations and the smaller organizations. The organizations in the first group, excluding the Symphony and the Cultural Trust, received 20.2 percent of their expenses in corporate and foundation funds, the organizations in the second group, 22.8 percent, and the organizations in the last group, 25.6 percent.

Most of the support, in dollar amounts, goes to the larger organizations. Nine larger organizations, excluding the Symphony and the Cultural Trust again, received \$3,569,599, or an average of \$396,622 per organization. The 15 organizations in the second group received less than one-third this amount. They received \$987,345, or \$65,823 per organization. The ten smaller organizations received only \$169,795, or \$16,980 per organization.

Most foundations and businesses follow this pattern of favoring major organizations in supporting the arts. For example, the CNG Foundation contributes the bulk of its arts support to groups with a national reputation - the Symphony, The Carnegie and WQED - and to the larger professional companies - the Opera, the Ballet, the Public Theater, the Dance Council, the River City Brass Band and the Civic Light Opera. A lesser portion of the CNG arts support is distributed to smaller organizations.

The same distinctions can be seen in giving by other foundations. In 1987, the PPG Industries Foundation made grants of \$10,000 or more to seven major arts-related organizations. They include The Carnegie (for the Three Rivers Arts Festival) and WQED as well as the Ballet, the Opera, the Symphony, the Public Theater and the River City Brass Band. The grants totalled \$118,000. Five smaller organizations received grants of \$5,000 to \$9,999 each. They were the American Waterways Wind Orchestra, the Mendelssohn Choir, the Children's Museum, the Pittsburgh Cultural Trust (for the Tix Booth), and the Three Rivers Shakespeare Festival.

DIVISION OF PRIVATE SUPPORT BETWEEN THE GROUPS



Private and community foundation giving also focused on major professional organizations. In 1987, the Richard King Mellon Foundation was providing support to six arts organizations. They were the American Waterways Wind Orchestra, The Carnegie, the Pittsburgh Ballet Theatre, the Pittsburgh Children's Museum, the Pittsburgh Public Theater and the Pittsburgh Symphony Society. In addition to these organizations, grants were made to the Buhl Science Center and WQED.

The Foundation's level of support for the arts has been substantial. In 1987, the Foundation approved grants totalling \$8,273,000, including \$8,000,000 for The Carnegie's capital campaign, and paid out \$1,083,000.

The Pittsburgh Foundation's giving followed a broader pattern, but the same focus is still evident. In 1987, from undesignated and field of interest funds, the Foundation made grants totalling \$439,000 to 43 arts organizations and groups. Thirteen organizations received grants of \$10,000 or more, for a total of \$325,000. Thirty organizations received smaller grants totalling \$114,000. Grants from restricted funds were focused more on major organizations. Grants from these funds totalled \$196,018. Four large organizations received \$177,152. Giving in large grants from both sources totalled \$502,152.

The Pittsburgh Foundation's large grant recipients included seven of the 11 organizations in the first group of Pittsburgh arts organizations and six of the 15 organizations in the second group. None of the organizations in the third group was a large grant recipient. The seven organizations in the first group received a total of \$233,298. The six organizations in the second group received \$98,854.

The A.W. Mellon Fund, one of many Pittsburgh Foundation Funds, directs its activities toward smaller arts organizations, defined as those with annual budgets of less than \$250,000. The Fund granted \$170,000 to these smaller organizations.

Many other foundations recognize this need to provide support for smaller arts organizations as well as larger organizations. These smaller organizations are perceived as providing diversity within the region's cultural life. The Alcoa Foundation, for example, made grants to 43 Pittsburgh area arts organizations in 1988. The grants were made to smaller organizations as well as to larger organizations. This giving is actually a small portion of the Foundation's work. The Foundation makes 2,600 grants each year in all of the local communities where the Company is active.

Duquesne Light and PPG also support community arts organizations as a matter of policy. Duquesne Light supports arts organization outreach efforts, in keeping with its policy

of improving the quality of life for all the residents of the area. PPG is active in a number of parts of the country other than Pittsburgh and makes about 2,000 grants per year.

Two of the smaller family foundations contacted by the League, the Mary Hillman Jennings Foundation and the Laurel Foundation, concentrate on grants to smaller organizations and programs. The arts are not a priority for either foundation and neither has sufficient funds to have a significant impact on a major organization. Both feel that grants to smaller organizations can have a significant impact. The Laurel Foundation, in particular, has made fairly risky investments in new ventures in the arts and in other areas.

Although there is recognition of the need to support smaller arts organizations, the major organizations still receive the most attention.

THE 11 ORGANIZATIONS IN THE FIRST GROUP OF 36 PITTSBURGH ARTS ORGANIZATIONS RECEIVED \$5,171,902 IN CORPORATE AND FOUNDATION SUPPORT. THIS IS 82 PERCENT OF THE \$6,328,942 IN FOUNDATION AND CORPORATE SUPPORT RECEIVED BY ALL 36 ORGANIZATIONS.

THE REMAINING 25 ORGANIZATIONS IN THE SECOND AND THIRD GROUPS RECEIVED \$1,157,040, OR 18 PERCENT OF THE TOTAL.

From the donors' point of view, major organizations can provide a safer return on investments. For corporate foundations, association with a major arts organization can be part of a positive public image.

Future Foundation Giving

There is a general impression among the interviewed foundation executives that the level of foundation support has been flat in recent years and that there can be little growth in support for the arts from most foundations in the near future. The giving by individual foundations confirms this impression.

The loss of a number of corporate headquarters from Pittsburgh has reduced the number of corporate foundations. Fortunately, the losses which have occurred have been spread over a number of years. This has reduced the losses felt in any one year. Unfortunately, there may be additional losses with continuing acquisitions, mergers and departures. Newer firms are moving in, but it takes time for them to become significant supporters of the arts.

There has also been a change in emphasis with some of the foundations. With no increases in federal funds for social programs, the private sector has been asked to increase its

support for social, educational and welfare programs. This shift in emphasis has reduced arts giving.

A number of the foundation executives interviewed by the League felt that there is a need to re-examine and articulate the policies which govern their own giving, although they did not anticipate making any major changes in their giving policies in the next few years.

Part of that need to reexamine giving policies was ascribed to a lack of in-depth knowledge about the arts community and a lack of coordination between foundations. A number of foundation executives depend on Grantmakers to increase understanding and coordination. Grantmakers was credited with providing a much needed forum for communication between foundations.

Corporate and family foundation support will probably be fairly stable in the near term. None of the foundation executives interviewed indicated that there were plans to cut funding for the arts. Hopefully, these foundations will be able to continue to provide the funds to meet 20 to 25 percent of the total expenses of Pittsburgh arts organizations.

Foundation and Corporate Support Nationally

Arts organizations in Pittsburgh and across the nation, cannot depend on earned income alone. They have to cover up to 30 to 50 percent of their expenses with contributed support. Foundation, corporate and individual contributions typically cover 25 to 40 percent of expenses of major arts organizations.

The experience in Pittsburgh may not be in keeping with corporate and foundation support for the arts at the national level. Nationally, private foundations and corporations provide significant support for the arts. This support underwent considerable growth in the 1970s. The American Association of Fund-Raising Counsel estimates that private support for the arts and humanities, including education, increased from \$.6 billion in 1970 to \$3.0 billion in 1980. By 1985, private support for the arts and humanities had further increased to \$5.1 billion.

Nationwide, increases in giving to the arts has depended on increases in total spending. Funding for cultural activities has remained relatively constant as a percent of total giving. The Foundation Center reported that, in 1980, 459 major grant makers gave \$160,794,000 to the arts. This was 13.5 percent of the total foundation giving in that year.

The total dollar amount and the amount as a percent of total giving increased in the early 1980s to \$277,307,000 in 1983, which represented 15.4 percent of the total giving by these major foundations. In 1984, the amount decreased to \$229,020,000, but it increased in subsequent years. By 1986,

the amount had increased to \$327,031,000. This represented 14.7 percent of total giving.

Foundation giving for cultural activities in 1986 ranked behind giving for welfare (26.4 percent), health (20.5 percent), and education (21.9 percent).

The Foundation Center estimates that giving by this group of 459 major grant makers represents about 40 percent of total foundation giving. Total giving by all foundations for cultural activities in 1986, then, probably exceeded \$817 million.¹

Private Funding in Other Cities

In Pittsburgh, there is little formal coordination in either raising funds for the arts or funding individual arts organizations.

In a number of cities, nonprofit united arts funds and local arts agencies have provided formal coordination. Many of the united arts funds were patterned after the United Way as a means of coordinating local fund raising. The initiative for the creation of many local arts agencies was the creation of state arts agencies in the 1960s to take advantage of National Endowment for the Arts funding. In 1983, the National Endowment established the Local Programs to encourage the creation of local arts agencies.

There are over 900 professionally managed local arts agencies in American cities and counties today.² Some of these agencies are operating departments within local government, but three-quarters of them are private, nonprofit agencies. Many of these private agencies were established to work for local government in supporting the arts. Most of these agencies receive some sort of government support.

Some of these agencies, because they are private, nonprofit organizations, receive private as well as public funds. This type of arrangement can promote partnerships between the public and private sectors and can promote long-range planning for the arts. Some of the agencies represent more than one local government, often a county and the core city within the county. In some instances, these agencies have become managers of united arts funds.

The local arts agencies take funds from these sources and use them to provide grants and operating support for arts organizations, special programs and individual artists. In 1985, the Fulton County Arts Commission in Atlanta, Georgia, commissioned a study of local arts agencies.³ The study, completed in 1987, discovered a great diversity among the agencies. Thirty-four of the 60 agencies included in the study

provided operating support grants to major organizations, 32 provided operating grants to mid-sized organizations and 39 provided project grants to arts organizations. Smaller numbers of agencies purchased services, and made neighborhood arts grants, emerging organization grants and challenge grants. Only six of the agencies made no financial awards of any type.

The local arts agency as a focus for the support of the arts is more important than the funds the agency can provide to arts organizations. This focus is created with the establishment of the agency and with the retention of professional staff to operate the agency. Once funding for the arts has become institutionalized in the creation of the agency, and a staff with a vested interest in maintaining and expanding the agency's activities is in place, the arts have gained a prominent advocate.

In three of the four cities examined by the League in detail, there are agencies which have raised and distributed private funds to arts organizations. In one, San Diego, the agency also received substantial government funds.

St. Louis

St. Louis has a united arts funding organization, the Arts and Education Council of Greater St. Louis. The Council, founded in 1963, is composed of 148 cultural, artistic and educational member organizations. The Council raises money annually and provides regular support for eight "funded" members and makes CAMELOT/Special Project grants to other organizations. The funded organizations include both performing arts and educational organizations. The funds are raised through employee campaigns similar to the United Way campaigns, through the CAMELOT Auction and through a phonethon. All of the organizations seek funds from other sources as well.

The eight funded organizations received \$1,765,000 in 1987 and \$2,201,400 in 1988 for operating support. In 1987, 63 member organizations received \$277,000 in CAMELOT/Special Project grants; in 1988, 62 organizations received \$248,600. In addition to the grants made in 1987, the Council made a special grant of \$48,180 to the School Partnership Program to bring music, dance, theater and art to students in city and county schools.

The Council, in addition to raising funds, has actively supported the arts in St. Louis by publicizing arts events, by producing the St. Louis Arts Festival and by involving young business and civic leaders in arts activities. The Festival provides performing and visual arts programs throughout St. Louis County over a two-and-a-half week period in the fall.

There is one other private group in St. Louis which provides some coordination in private philanthropy. The Metropolitan Association for Philanthropy is made up of the executives from local corporations who are responsible for corporate giving. The Association does provide some coordination, on an informal basis. The Association's activities cover the whole range of corporate giving and are not limited to support for the arts.

San Diego

Private sector support for the arts in San Diego is coordinated by The Combined Arts and Education Council of San Diego (COMBO). COMBO was founded in 1964 as a united arts fundraising agency. Initially, COMBO raised funds for major arts organizations. Beginning in 1970, COMBO also served as the administrator of the arts dollars from the City's transient occupancy tax. In the past, about half of COMBO's budget has been made up from City funds. In 1987, COMBO received \$999,579 from the City. The remaining funds were generated from contributions and earned income. Only a portion of the City's support for the arts was sent through COMBO. In 1987, the City granted \$2.8 million directly to arts organizations.

The support provided to COMBO by the City was for the financial support of the arts, to promote the development and growth of the arts, to further neighborhood revitalization, economic growth, tourism and job creation and to enrich local communities. Part of the support also constitutes the local match for a three-year National Endowment for the Arts grant for the support of smaller visual and performing arts organizations and individual artists.

In 1985, COMBO and the City began a reexamination of how private and government agencies could work together and what role COMBO could play. COMBO emerged from the reorganization as a private agency again, with an emphasis on funding smaller arts organizations. COMBO also began to provide education and service for these smaller organizations.

For fiscal year 1989, the City is no longer providing major support for COMBO. COMBO is budgeted to receive \$150,000 in City funds as part of the three-year match. COMBO's total budget for 1989 is \$515,000.

Some private giving in San Diego is provided by the San Diego Community Foundation. The Foundation was established in 1974. In its initial years, as much as half of the Foundation's giving went to the arts. As the Foundation has grown, support for the arts has decreased as a percent of total giving to about 20 percent of total giving. Of course, because total giving has been increasing dramatically, dollar amounts for the arts have not dropped. In 1988, the Foundation provided \$281,000 for arts and culture out of total giving of \$1.5 million.

Control over most of the funds in the Foundation is still in the hands of advised fund donors. Most of the arts and cultural giving from these sources goes to major arts organizations. The Foundation has some discretionary funds. Because smaller arts organizations compete for these funds with social service programs, few of these arts organizations are successful. They are at a further disadvantage because the funds cannot be used to underwrite performances.

Seattle

In Seattle, private funding for the arts is partially coordinated through two organizations, the Corporate Council for the Arts and PONCHO, Patrons of Northwest Civic, Cultural and Charitable Organizations. The Corporate Council, established in 1975, is a group of about 470 corporate contributors. The Council operates as a united business campaign for the arts. Current support comes entirely from the businesses themselves. The Council is planning to begin direct employee solicitations in the future.

The Council raised \$1.4 million in 1988 and distributed \$1.15 million to 24 groups. Most of the funds were in sustaining grants to 17 major arts organizations, with seven special, non-recurring awards to smaller groups. Most of the sustaining grant recipients had budgets of over \$200,000 per year. Grants ranged in size from \$15,000 to \$206,000. The special awards are all small, in the \$1,000 to \$2,500 range. All of the funds are granted for operating support.

The Council is also administering the Arts Stabilization Fund. The Fund's mission is to eliminate deficits for 10 major arts organizations and to help them build up cash reserves equal to 25 percent of expenses over a five-year period. The Council has undergone a recent reorganization and is beginning to play a leadership role in arts funding in addition to serving as a conduit for a portion of corporate support for the arts.

PONCHO raises approximately \$1,000,000 each year through a gala auction. The funds are granted primarily to 10 or 11 major arts organizations. These organizations received 84 percent of the funds in 1988. The remaining funds were allocated to 20 or so smaller organizations. Organizations apply for these funds annually. The funds are granted primarily for capital and special projects.

Seattle has a community foundation, the Seattle Foundation, which has had some influence on arts funding beyond the funds provided by the Foundation from its constituent funds.

Arts organizations also go directly to corporations, foundations and individuals for funds. Many of the corporate supporters of the Corporate Council make direct capital and special program grants to arts organizations in addition to supporting the Council.

Phoenix

In Phoenix, most arts organizations are on their own in raising private funds. There is no united arts organization. There is one organization, COMPAS, which holds an auction every other year to raise funds for five major organizations: the Symphony, the Art Museum, the Zoo, the Botanical Garden and the Heard Museum. COMPAS does not raise funds for other purposes.

Much of the direction for funding the growing Phoenix arts life comes from the City and the Phoenix Arts Commission.

Conclusions

Foundation support, from community, family and corporate foundations, is important for Pittsburgh arts organizations. Coupled with private individual giving, the support makes up from one-quarter to one-half of most arts organizations' budgets.

Arts funding by foundations has not been increasing. Most organizations can depend on the foundations for maintaining past levels of support whenever possible. The obvious exceptions are for the support of major capital projects and special, one-time programs. Hopefully, foundations will be able to continue providing the funds necessary to meet 20 to 25 percent of the total expenses of Pittsburgh arts organizations.

The ability of Pittsburgh to provide the financial support needed by arts organizations was questioned by most of the foundation executives. With the community's demand for growth and artistic expansion, the increase in the number of facilities, new marketing techniques and increasingly professional management, many of the larger and smaller arts organizations are expanding the number of productions and performances. This expansion could tax the available financial resources.

There has been little formal coordination between foundations and between grants by individual foundations. Some of the foundation executives expressed a need for more rigorous review of funding priorities for foundations and other givers as a group. Most of the foundations do not have the resources for this type of review. The Pittsburgh Foundation, Grantmakers or the Cultural Trust were seen as sources for possible guidance in these matters.

The experience in the other cities provides examples of what can be done to provide private support for the arts. In three of the cities, St. Louis, San Diego and Seattle, there are arts united fund organizations. These funds have tended to favor major organizations over smaller arts organizations. The situation in San Diego has changed recently. COMBO has redefined its mission as providing funds and arts services to smaller organizations.

In all four cities, there is extensive public support for the arts. Some of this is in the form of dedicated taxes or Percent for Art programs. There are also fairly strong local arts agencies in local government to advise on and administer government support programs.

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- 1 The Foundation Center, The Foundation Directory (1987), Table 35.
 - 2 United States Conference of Mayors, How Mayors and City Governments Support the Arts: Innovative Financing Techniques and Strategies, September 1988.
 - 3 Opinion Research Associates, Inc., 50 Cities, Local Government and the Arts, Madison, Wisconsin, 1987.

SECTION FIVE

GENERAL CONCERNS AND CONCLUDING OBSERVATIONS

The Pennsylvania Economy League examined the finances of 36 Pittsburgh arts organizations and their impact on the Pittsburgh economy. The group of eleven major organizations among the 36 Pittsburgh arts organizations are well managed and financially stable. Revenues for most of these organizations come close to or match expenses. Organizations with past financial problems are solving these problems. Some of these organizations lack the financial reserves to successfully weather future problems.

There is less stability in the group of 15 medium-sized arts organizations. These organizations often lack the professional management the larger organizations have, they often are heavily dependent on contributions from foundations and corporations, and they do not have the financial reserves some of the major organizations enjoy. These arts organizations are at greatest risk.

Most of the 10 small organizations in the third group do not have paid staff and depend on volunteers. They do not have major continuing financial obligations and are, therefore, able to adjust their expenses to match their revenues. The life of most of these organizations is dependent on the good will of volunteers and small contributors. A few depend heavily on contributed support.

The community of Pittsburgh arts organizations may be healthy, but there are concerns which must be addressed. Earned income and endowment support covers only 62 percent of the expenses of arts organizations in Pittsburgh. Pittsburgh arts organizations, as a group, have to raise funds to cover 38 percent of their expenses each year. They have to raise over \$15 million each year.

Most of the major and many of the smaller arts organizations are attempting to grow. Activity is increasing in the Cultural District and elsewhere in the City. A few arts organizations throughout the City have been unable to meet the demand for tickets to some performances. With the opening of the Benedum, the Ballet, Opera, Civic Light Opera and Dance Council have increased their overall number of productions and performances. More touring companies have been booked into Pittsburgh. There are plans for providing even more performance space in Pittsburgh and in the region.

There is a concern that the Pittsburgh region may not be able to provide the audience and financial support this growth will require. The ability of downtown Pittsburgh to attract

audiences to a growing number of major events, some running on the same nights, has been called into question. Mergers, acquisitions and departures have changed the nature of corporate support for the arts. The arts also have growing competition for foundation support.

These concerns can be expressed in a few simple questions. How much do the arts cost Pittsburgh? Can Pittsburgh afford to cover this growing cost? Is the need for contributed support growing?

**THE RESULTS OF THE LEAGUE'S STUDY INDICATE THAT
PITTSBURGH CAN MEET THE GROWING COST.**

The Cost of the Arts in Pittsburgh

Arts organizations, to meet their expenses, draw income from a number of sources. Some of these sources are partially under the control of the organizations themselves. These are primarily earned income from subscription and single ticket sales, from concessions and other related activities, from individual giving which is often tied to subscription sales, and from endowments.

Some of these sources are in the hands of others. These are government, foundation and corporate giving. These sources have to make up the shortfall between the revenues that the organizations can produce themselves and their total expenses.

The following profit and loss statement for the 36 arts organizations is intended to estimate the cost of the arts in Pittsburgh. Because the income and expense figures for each arts organization are not based on a single fiscal year, the statement does not represent the experiences for a particular year. The statement, however, does approximate a typical annual experience for these 36 organizations, as a group, in the late 1980s.

For the 36 Pittsburgh arts organizations, the annual shortfall was \$15,563,512. The arts, in this hypothetical year, cost Pittsburgh \$15,563,512. The cost was reduced by \$14,737,179 through government, individual, corporate and foundation giving. The contributed income came close to covering the cost, although a deficit of \$826,332 remained.

This shortfall, the cost of the arts to Pittsburgh, is increasing as increases in salaries, utility costs and the like drive budgets upwards. The shortfalls can also increase as arts organizations expand their activities.

PROFIT AND LOSS STATEMENT
36 Pittsburgh Arts Organizations

Total Expenses		\$40,860,783	100%
Regular Income			
Earned Income	\$19,991,239		49
Endowment	5,306,032		13
Total		<u>25,297,271</u>	62
Shortfall		\$15,563,512	38
Contributed Support			
Government	3,038,236		7
Corporations	1,624,623		4
Foundations	3,503,616		9
Individuals	2,632,513		6
Other	3,938,191		10
Total		<u>14,737,179</u>	36
Deficit		<u>\$ 826,332</u>	2

Note: Other category includes parent organization support, and corporate, foundation and individual contributions for some organizations.

Paradoxically, increases in audience size can increase the gap between earned income and expenses. Because the cost of the ticket, even supplemented with individual contributions, does not cover the cost of the seat, increases in audience size from new productions may also increase losses.

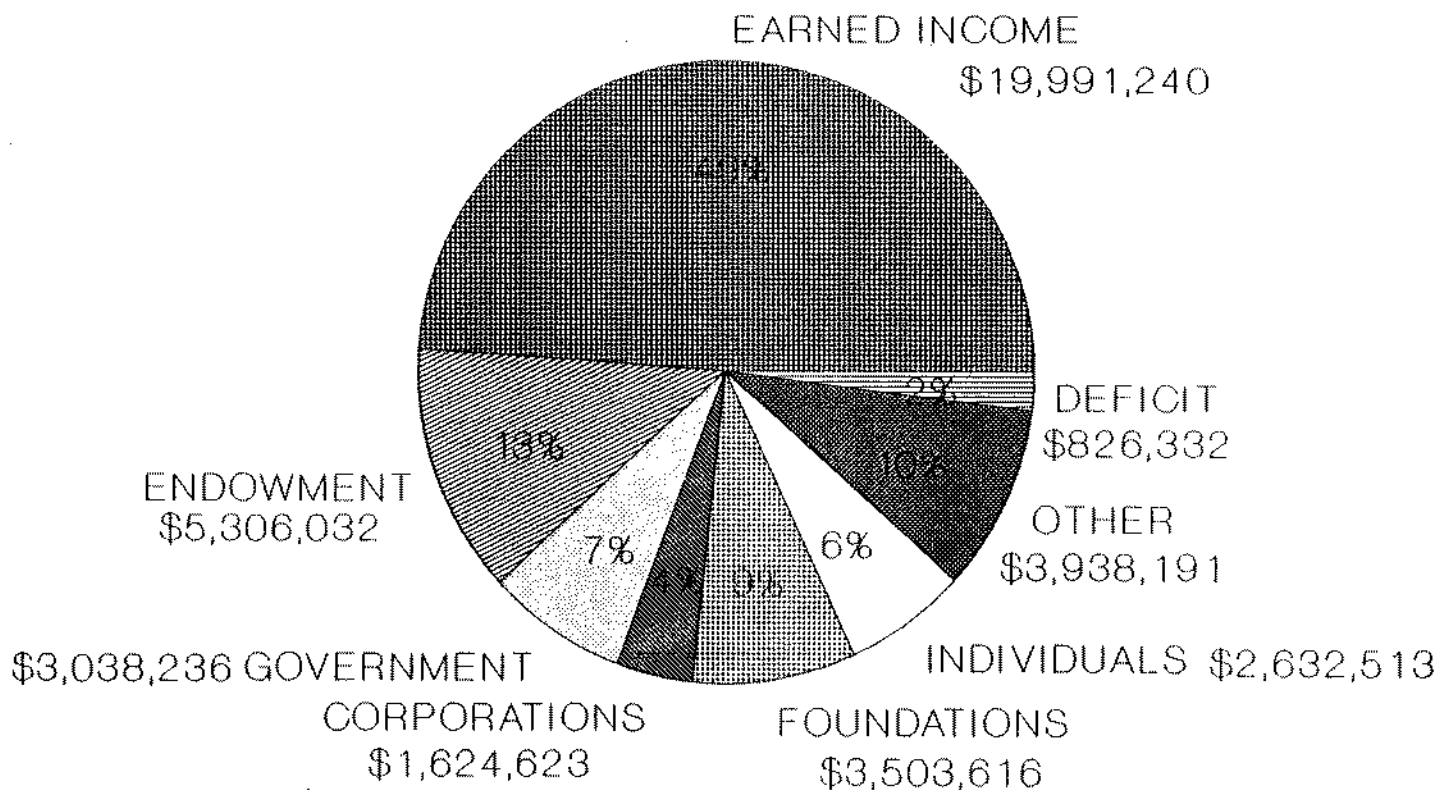
The Economic Impact of the Arts on Pittsburgh

The arts may cost Pittsburgh over \$15.5 million a year, but the arts also contribute to Pittsburgh. The obvious contributions are artistic. The Pittsburgh arts organizations can claim part of the credit for the City's number one ranking. The contributions are also economic.

The 36 arts organizations spend \$40 million on salaries and for goods and services. Much of this goes into the local economy. The League's survey of arts organizations' employees revealed that half of the employees live within the City and another 44 percent in the rest of Allegheny County outside of the City. Arts organizations also typically spend at least 75 percent of their non-payroll budgets locally.

The 36 arts organizations had 466 full-time employees and another 791 part-time employees. The full-time equivalent employment was 699. In addition to this direct employment, the

INCOME AS PERCENT OF EXPENSES 36 ARTS ORGANIZATIONS



League estimates that spending by arts organization employees and by the arts organizations themselves generated another 858 full-time local jobs.

Arts events draw people into the City and they spend money. The League's audience surveys revealed that only 24 percent of the arts audience comes from Pittsburgh. An additional 52 percent comes from the rest of Allegheny County outside of Pittsburgh and the remaining 24 percent from outside of Allegheny County.

Each audience member spends an average of \$19.93 beside the cost of the ticket during the course of the excursion to the event. The total annual attendance for the 36 arts organizations was 2,802,821. Based on the average per person spending and this total attendance, the League estimates that arts audiences spent \$55,860,223. This level of spending can generate 1,060 full-time local jobs.

The total primary and secondary employment due to arts organization and audience expenditures is impressive. Arts activity generates the equivalent of 2,617 full-time, local jobs. The total dollar amount is equally impressive. The League estimates that directly and indirectly, the 36 arts organizations generate \$121,732,301 in the local economy.

Meeting the Cost of Arts in Pittsburgh

The burden of meeting the cost of the arts in Pittsburgh falls on the organizations themselves, on government and on private and corporate giving. All have contributed in the past and will have to contribute in the future to control and meet shortfalls.

The Role of Arts Organizations

There are a number of ways that the arts organizations themselves can reduce the cost of the arts in Pittsburgh. They can attempt to match increases in expenses with similar increases in earned income. They can attempt to increase individual contributions from audience members. They can reduce costs.

The increase in the professionalism in arts management in Pittsburgh is a clear indication that all of these approaches are being tried. The larger performance organizations, in particular, have the specialized personnel necessary to increase revenues and control costs.

A key factor in increasing earned and audience-related contributed income is the size of the audience itself. A number of organizations have successful, long-term efforts underway

directed at increasing the size of their own audiences. There is also a "spill over" effect. Residents of the area who attend one arts event are likely to attend additional arts events.

Increasing the size of the total Pittsburgh arts audience can benefit all organizations. The future growth of arts activity in Pittsburgh is dependent on the ability of arts organizations throughout the City to develop the audience they need to fill seats and galleries.

Most members of the Pittsburgh arts audience do not come from Pittsburgh. Seventy-one percent of the audience comes from outside of the City. Twenty-four percent comes from outside of Allegheny County. Those members of the audience who do reside in the City come primarily from east-end neighborhoods.

This pattern is encouraging. Pittsburgh arts organizations have demonstrated their ability to attract large numbers of people into the City. Geographically, the market for the arts extends far beyond the City's limits and even beyond the County's limits. The efforts of the Opera, the River City Brass Band, The Carnegie and other arts organizations to market themselves outside of the City can only continue to meet with a positive response.

This pattern is also discouraging. Pittsburgh arts organizations have not been able to attract large numbers of people from many of the City's neighborhoods. This has not been for want of effort. Arts organizations perform regularly throughout the City in return for financial support from the City. Citiparks also schedules cultural activities for the City's parks. The Carnegie has been bringing every Pittsburgh school child to the Museum for decades.

It is beyond the capacity of any one arts organization to market Pittsburgh and the arts to all of the residents of Pittsburgh and of the region. There are organizations which can help in this matter. The City of Pittsburgh and the Cultural Trust have an obvious interest in doing so. There are other organizations with substantial interests in Pittsburgh. These include the Golden Triangle Association, the Building Owners and Managers Association, the Convention and Visitors Bureau and other, smaller groups.

The Role of Government

Local government funding has been fairly stable over the last few years. The recent decline in operating support from the City has been partially made up by increases from the County, while state support has been significantly increased. There is little reason to expect, however, that government support will undergo major increases in the near future.

Government support for the arts in Pittsburgh is tempered by government taxes on arts activities. The amusement tax brings more funds to the City than the City provides in operating support for arts activities.

THE ELIMINATION OF THE AMUSEMENT TAX WOULD KEEP WELL OVER ONE MILLION DOLLARS IN TICKET REVENUES IN THE CULTURAL DISTRICT AND OVER \$1.2 MILLION IN THE ENTIRE NONPROFIT ARTS COMMUNITY. LOCAL TAX REFORM MAY PROVIDE THE CITY WITH AN OPPORTUNITY TO CUT, IF NOT TO ELIMINATE, THE AMUSEMENT TAX.

Unless the amusement tax rate is lowered or the tax eliminated entirely for non-profit organizations, Pittsburgh arts organizations probably cannot expect additional government assistance, and the ability of these organizations to grow will be limited. Increases in the shortfall between revenues and expenditures, the cost of the arts to Pittsburgh, will have to be met from other sources.

THE AMUSEMENT TAX PLACES A SUBSTANTIAL BURDEN ON THE ARTS IN PITTSBURGH. THE TAX CONSTITUTES OVER THREE PERCENT OF THE EXPENSES OF THE 36 ARTS ORGANIZATIONS, WHILE CITY SUPPORT CONSTITUTES LESS THAN ONE PERCENT OF THE REVENUES FOR THESE ORGANIZATIONS.

The Role of Corporations and Foundations

Foundation and corporate support for the arts in Pittsburgh has been fairly stable. Unfortunately, the need for private support is increasing as arts activity increases and inflation drives costs upward. Nationally, private giving has kept up. Pittsburgh, with the continuing round of mergers, acquisitions and departures, has lagged behind.

Private support has tended to favor larger organizations. The 11 major organizations among the 36 Pittsburgh arts organizations received a total of \$9,436,598 in private support while the remaining 25 smaller organizations received a total of only \$2,162,345.

Even though the major organizations received more private support, this private support is more significant for smaller organizations. Because they lack the earned income the larger organizations are able to attract, they are more dependent on contributed support. These smaller organizations are at greater risk than the larger organizations

Corporate and foundation givers have a special responsibility in tending for these smaller organizations. If private support for the arts cannot be increased in the face of increasing demand for private funding, the smaller organizations

cannot be left out of the allocations. Attention has to be given to these smaller organizations by corporate and foundation givers.

Arts organizations, generally, receive private funds from a number of sources. No single source can claim all of the responsibility and the credit for providing the private support. At the same time, however, all of the sources, collectively, are responsible for providing the support. Unfortunately, the decisions concerning funding are not made collectively. A single organization could suffer as a result of a number of uncoordinated decisions by private givers.

Private and corporate foundation managers have expressed a need for more coordination and more focus among the foundations. Some of this has been emerging with Grantmakers of Western Pennsylvania. There will be an increasing need for this coordination in the future.

The Role of All Participants

During the course of interviews with foundation and arts organization managers, the managers expressed concerns with the lack of a clear focus in overall support for the arts. Some felt that foundations and local governments were not making their allocation decisions based a review of the present needs of individual arts organizations or the arts community as a whole. In this view, the direction in support for the arts is a product of repetition and not critical review.

The lack of focus was also seen in the lack of coordination among foundations and government arts agencies and in the decision makers' lack of in-depth information about the arts community.

The structure of support for the arts in Pittsburgh is an informal one. At times, individuals and individual organizations may come to the fore, as has been the case with the Cultural District and the Cultural Trust, but there is no formal coordination for the arts in Pittsburgh.

There are a number of obvious candidates for this position. In a number of cities, government arts agencies have taken leadership roles. Both the County's Bureau of Cultural Affairs and Citiparks are engaged in a wide range of activities touching on support for individual organizations, production of arts events, and development of capital facilities. Both agencies, however, have limited resources and authority.

In other cities, private agencies have coordinated support for the arts. In Pittsburgh, the now defunct Pittsburgh/Allegheny County Cultural Alliance and the Pittsburgh Cultural

Trust have played part of this role. The Trust, however, has a fairly well defined mission which is primarily focused on the Cultural District. The Trust also has limited resources.

The benefits which could be derived from a coordinating agency can be seen in the development of the Cultural District to date and the work which remains to keep Pittsburgh a center of cultural activity.

The continued growth of many of Pittsburgh's major arts organizations is dependent on the ability of the downtown to be attractive for arts audiences, shoppers, restaurant diners and others. These arts organizations are not capable of sustaining the downtown as an evening entertainment and recreational center by themselves.

The Cultural District is intended to benefit the arts and to increase the attractiveness of downtown Pittsburgh. The creation of the District is an excellent example of the public-private partnerships which have worked well in Pittsburgh. Future growth in the Cultural District and in surrounding areas can only be accomplished by strengthening this partnership.

Pittsburgh's cultural life, however, is not bound by the Golden Triangle; it is spread throughout the City. Southside, Oakland and the Northside are centers of cultural activity. Continued growth for all of Pittsburgh's arts organizations, the 36 studied here as well as those not examined, can only benefit from increased public-private partnerships and greater cooperation.

The League strongly recommends, therefore, that the Cultural Trust convene a public-private task force to fully examine the issues raised in this report, including the need for future partnerships, and to recommend appropriate action steps to address these issues.

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APPENDIX I

SURVEY FORMS

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		APPLICATION INSTRUCTIONS		

CONTRACT COMPLIANCE PROCEDURES

Under the Pennsylvania Human Relations Act of October 27, 1955, which forbids discrimination in employment because of race, color, religious creed, ancestry, national origin, handicap or disability, age or sex, organizations that receive grants are required annually to submit a signed copy of the Pennsylvania Code "Nondiscrimination Clause," and a "Work Force Analysis," indicating the composition of the agency's paid work force, including minority members, if any. These forms will be mailed with grant award letters.

INSTRUCTIONS FOR COMPLETING THE ORGANIZATIONAL PROFILE

WHEN TO SUBMIT

Submit this form with your application. It will remain actively on file with the Council for the entire grant year. Individual artists do not need to complete this form.

SPECIFIC INSTRUCTIONS

Note:

- Large multi-disciplined organizations, such as colleges and universities, should furnish information only on the department making the application.
- Nonprofit organizations (arts councils, centers, and other community organizations) should complete the entire form. School districts and intermediate units should complete only the boxed portions of the form.
- Budget figures included on this form must agree with the information submitted in enclosures.
- Most of the information requested is self-explanatory; however, some definitions and explanatory statements have been provided on the form. Terms generally applicable to both the Application and the Organizational Profile are defined within the Application Instructions. Notes pertinent to the clear identity of the organization are provided below.
- Confine your answers to the space provided. DO NOT attach additional pages.

Address — This is the permanent address of your organization. If your organization has no permanent address or P.O. Box number, enter the name and address where your mail currently should be sent.

Organization Phone — Be sure to include your area code.

Fed I.D. No. — IRS will assign your organization a nine-digit Federal I.D. number only if you apply for it. You may secure a number without being incorporated, or having paid staff. An organization with salaried employees must have a Federal I.D. Number. Consult your fiscal officer.

County — This is the county where your office is located, not the county or counties which your organization serves.

State Senate, State Rep., Congress Dist. No. — May be obtained from your County Courthouse or the League of Women Voters in your area. These numbers must be correct for the Council's report to legislators.

Population Category — Select the one category which most clearly describes the population served by your organization.

Nonprofit Incorporation — To receive direct grants-in-aid, organizations must be incorporated in Pennsylvania as nonprofit. Public school districts and local governments are nonprofit organizations.

Federal Tax Exemption — An organization must apply to the IRS to obtain tax-exempt status. Tax-exempt status is not required to receive a grant from the Council, except for General Support Grants. Public school districts and local governments are tax-exempt.

Commonwealth Commission on Charitable Organizations — The Council on the Arts does not require that your organization be registered to be eligible for a grant. This is not applicable to public school districts and local governments.

ORGANIZATIONAL PROFILE

PLEASE TYPE

- EVERY APPLICANT ORGANIZATION and EACH ORGANIZATION, GROUP or INDIVIDUAL ARTIST APPLYING THROUGH A CONDUIT must complete the entire form and submit this information ONCE DURING THE YEAR.
- Applicant organizations acting solely as conduits must complete only pages 1 and 2, "I. Background," on their organization. They must also submit the entire form for each organization for which they are serving as conduit.
- Applicant organizations which are not primarily arts organizations should furnish information only on their arts activities.
- Public or private schools, intermediate units and school districts need only complete the boxed areas on pages 1 and 2.
- Applicant organizations which are a part of large multi-disciplined institutions such as colleges and universities should furnish information only on the arts activities of their own department.
- Data must be based on actual, not estimated figures. Do not include in-kind contributions.
- COMPLETE ALL ITEMS ON THIS FORM; enter "N/A" or "0" for those which do not apply.
- Round off all money amounts to the nearest dollar. Enclose negative figures in parentheses.

Name of Organization _____		Date Prepared: _____	
Address _____	Chief Executive Officer _____		
City/State/Zip _____	Title _____		
Organization phone (____) _____	Phone: Business (____) _____		
Fed ID No. _____	_____		
County _____	State Sen. District No. _____	State Rep. District No. _____	Congress District No. _____
Population Category: (circle one) Large City (over 400,000)		Small City (over 40,000)	Suburban Rural
Information about this organization is provided by:			
Signature _____	Typed Name & Title _____		Date _____

I. BACKGROUND:

- A. Fiscal year for which information is given: From _____ to _____
 month/day/year month/day/year
- B. Three-Year Fiscal Summary:
 Income last complete fiscal year: \$ _____; Expenses: \$ _____
 Estimated Income current year: \$ _____; Expenses: \$ _____
 Estimated Income next year: \$ _____; Expenses: \$ _____
- C. Describe concisely the primary mission of your organization.

- D. Year founded _____ Are you independently incorporated non profit? Yes; or No. If "yes," give date of incorporation. _____
 If "no," name the organization through which you are applying. Name: _____
- Have you received federal tax exemption from IRS? Yes; or No. If "yes," give date. _____
 Date of registration with the Commonwealth Commission on Charitable Organizations. _____
 Is your organization formally under the auspices of a parent or sheltering organization? Yes; or No. If "yes," name the sheltering organization. Name: _____
- Does your organization function as a shelter for any affiliate organizations? Yes; or No. If "yes," give names: _____

Name of Organization	Date Prepared:
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I. BACKGROUND (Continued)

E. In EACH block below, check the ONE item which best describes your organization and its arts activities.

<p>1 STATUS</p> <p><input type="checkbox"/> 01 Individual</p> <p><input type="checkbox"/> 02 Organization-Nonprofit</p> <p><input type="checkbox"/> 03 Organization-Profit</p> <p><input type="checkbox"/> 04 Government Federal</p> <p><input type="checkbox"/> 05 Government State</p> <p><input type="checkbox"/> 06 Government Regional</p> <p><input type="checkbox"/> 07 Government County</p> <p><input type="checkbox"/> 08 Government Municipal</p> <p><input type="checkbox"/> 09 None of the above</p> <hr/> <p>2 DISCIPLINE</p> <p><input type="checkbox"/> 01 Dance</p> <p><input type="checkbox"/> 02 Music</p> <p><input type="checkbox"/> 03 Opera/Musical Theatre</p> <p><input type="checkbox"/> 04 Theatre</p> <p><input type="checkbox"/> 05 Visual Arts</p> <p><input type="checkbox"/> 06 Design Arts</p> <p><input type="checkbox"/> 07 Crafts</p> <p><input type="checkbox"/> 08 Photography</p> <p><input type="checkbox"/> 09 Media Arts</p> <p><input type="checkbox"/> 10 Literature</p> <p><input type="checkbox"/> 11 Interdisciplinary</p> <p><input type="checkbox"/> 12 Folk Arts</p> <p><input type="checkbox"/> 13 Humanities</p> <p><input type="checkbox"/> 14 Multi-disciplinary</p> <p><input type="checkbox"/> 15 Not Arts or Humanities</p>	<p>3 INSTITUTION</p> <p><input type="checkbox"/> 01 Individual Artist</p> <p><input type="checkbox"/> 02 Individual Non-Artist</p> <p><input type="checkbox"/> 03 Performing Group</p> <p><input type="checkbox"/> 04 Performing Group Coll./Univ.</p> <p><input type="checkbox"/> 05 Performing Group Community</p> <p><input type="checkbox"/> 06 Performing Group for Youth</p> <p><input type="checkbox"/> 07 Performance Facility</p> <p><input type="checkbox"/> 08 Museum Art</p> <p><input type="checkbox"/> 09 Museum Other</p> <p><input type="checkbox"/> 10 Gallery/Exhibition Space</p> <p><input type="checkbox"/> 11 Cinema</p> <p><input type="checkbox"/> 12 Small Press</p> <p><input type="checkbox"/> 13 Literary Magazine</p> <p><input type="checkbox"/> 14 Fair/Festival</p> <p><input type="checkbox"/> 15 Arts Center</p> <p><input type="checkbox"/> 16 Arts Council/Agency</p> <p><input type="checkbox"/> 17 Arts Service Organization</p> <p><input type="checkbox"/> 18 Union/Professional Assoc.</p> <p><input type="checkbox"/> 19 School District</p> <p><input type="checkbox"/> 20 School Parent/Teacher Assoc.</p> <p><input type="checkbox"/> 21 School-Elementary</p> <p><input type="checkbox"/> 22 School-Middle</p> <p><input type="checkbox"/> 23 School-Secondary</p> <p><input type="checkbox"/> 24 School-Voc./Technical</p> <p><input type="checkbox"/> 25 School-Other</p> <p><input type="checkbox"/> 26 College/University</p> <p><input type="checkbox"/> 27 Library</p> <p><input type="checkbox"/> 28 Historical Society/Commission</p> <p><input type="checkbox"/> 29 Humanities Council/Agency</p> <p><input type="checkbox"/> 30 Foundation</p> <p><input type="checkbox"/> 31 Corporation/Business</p> <p><input type="checkbox"/> 32 Community Service Organization</p> <p><input type="checkbox"/> 33 Correctional Institution</p> <p><input type="checkbox"/> 34 Health Care Facility</p> <p><input type="checkbox"/> 35 Religious Organization</p> <p><input type="checkbox"/> 36 Senior Citizen's Center</p> <p><input type="checkbox"/> 37 Parks and Recreation</p> <p><input type="checkbox"/> 38 Government Executive</p> <p><input type="checkbox"/> 39 Government Judicial</p> <p><input type="checkbox"/> 40 Government Legislative (House)</p> <p><input type="checkbox"/> 41 Government Legislative (Senate)</p> <p><input type="checkbox"/> 42 Media-Periodical</p> <p><input type="checkbox"/> 43 Media-Daily Newspaper</p> <p><input type="checkbox"/> 44 Media-Weekly Newspaper</p> <p><input type="checkbox"/> 45 Media-Radio</p> <p><input type="checkbox"/> 46 Media-Television</p> <p><input type="checkbox"/> 47 Cultural Series Organization</p> <p><input type="checkbox"/> 48 None of the above</p>
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F. Did your organization conduct any arts activities last fiscal year? Yes, or No. If "yes," summarize attendance at arts events:

	Number / Attendance		Number / Attendance
Performances:	/	Exhibits:	/
Lectures:	/	Courses:	/
Films:	/	Workshops:	/
Other (specify):	/	Shows:	/
		TOTALS:	/

G. State the circulation of your arts publications last year:

II. PERSONNEL

DEFINITIONS

STAFF - Persons, salaried or volunteer, utilized on either a full- or part-time basis. Salary is based on a predetermined work week; Federal income tax is withheld and paid regularly to IRS. Classify according to the following categories:

Administrative - executive, support, and clerical employees.

Artistic - artistic directors, conductors, curators, instructors, composers, choreographers, designers, video artists, filmmakers, painters, writers, dancers, musicians, actors, etc.

Technical/Production - technical directors, wardrobe, lighting and sound crew, stage hands, video and film technicians, conservators, exhibition installation staff, etc.

Maintenance/Security - custodians, building and grounds service workers, guard.

FULL TIME WORK WEEK/WORK YEAR - A full time work week is at least 35 hours long, a full time work year is at least 48 weeks long. Staff working less than either of these minimums are to be considered part-time.

OUTSIDE CONTRACTUAL PERSONNEL - Individuals or groups, hired and paid on a per-service basis and who have no taxes withheld. Classify according to the definitions of services performed:

Administrative - services such as fundraising, board development, management structuring, box office organization, subscription development, etc.

Professional - lawyers, accountants, etc. providing legal and financial services not necessarily related to artistic activity.

Artistic, Technical, and Maintenance/Security - services are defined under "Staff."

Name of Organization _____	Date Prepared: _____
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II. PERSONNEL

A. NUMBER OF STAFF: List the arts related staff in your organization, classified by the definitions on pg. 2.

	Salaried		Volunteer	
	Full time	Part time	Full time	Part time
Administrative	_____	_____	_____	_____
Artistic	_____	_____	_____	_____
Technical/Production	_____	_____	_____	_____
Maintenance/Security	_____	_____	_____	_____
Totals:	_____	_____	_____	_____
				Grand Total Staff: _____

B. HOURS WORKED ANNUALLY: Indicate the total number of hours worked by your staff annually. For full time staff, multiply the hours in a normal work week by the number of weeks worked by the number of full time personnel. For part time staff, total the actual hours worked.

Salaried	Full-time		Volunteer:	Full-time		Part-time
Totals:	_____	_____	_____	_____	_____	_____
Total Salaried Hours	_____		Total Volunteer Hours	_____		Grand Total Hours _____

C. PERSONNEL FISCAL INFORMATION:

1. Staff Payroll: Enter total amount paid yearly to staff as indicated on the chart below.

	Gross Salary	Fringes	Total Paid
Administrative	\$ _____	_____	_____
Artistic	\$ _____	_____	_____
Technical/Production	\$ _____	_____	_____
Maintenance/Security	\$ _____	_____	_____
Totals	\$ _____	_____	\$ _____
			Grand Total Payroll

2. Outside Contractual Fees: Indicate payments made to individuals and groups hired on a per-service basis, for arts-related activities.

a. Administrative Services:	Individuals \$ _____	Groups \$ _____	Total Administrative Services: \$ _____
b. Artistic Services:	Individuals \$ _____	Groups \$ _____	Total Artistic Services: \$ _____
c. Technical/Production:	Individuals \$ _____	Groups \$ _____	Total Technical/Production: \$ _____
d. Professional Services:	Individuals \$ _____	Groups \$ _____	Total Professional Services: \$ _____
e. Maintenance/Security:	Individuals \$ _____	Groups \$ _____	Total Maintenance/Security: \$ _____
			Grand total Outside Contractual Fees: \$ _____

III. FISCAL SUMMARY

A. TAXES PAID BY EMPLOYER:

Personnel Related:	
Workmen's Compensation	\$ _____
Unemployment Compensation	\$ _____
Social Security	\$ _____
Sales/Admissions tax	\$ _____
Property Tax	\$ _____
Entertainment tax	\$ _____
Other (specify):	_____
_____	\$ _____
_____	\$ _____
TOTAL TAXES:	\$ _____

Taxes Withheld from Employee Salaries (Do not include in "Total Taxes")	
Unemployment Compensation	\$ _____
Social Security	\$ _____
Federal Income Tax	\$ _____
State Income Tax	\$ _____
Municipal Income Tax	\$ _____
Other (specify):	_____
_____	\$ _____
_____	\$ _____
Total:	\$ _____

Name of Organization	Date Prepared:
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III. FISCAL SUMMARY (Continued)

B. CASH INCOME LAST COMPLETE FISCAL YEAR:

1. Earned Revenue:

- a. Admissions, ticket sales \$ _____
- b. Subscriptions \$ _____
- c. Membership fees \$ _____
- d. Contracted Services \$ _____
- e. Tuitions/class and workshop fees \$ _____
- f. Sales (shop, souvenirs, programs) \$ _____
- g. Food/beverage concessions \$ _____
- h. Space rental \$ _____
- i. Interest earnings \$ _____
- j. Advertising \$ _____
- k. Special fundraising events \$ _____
- l. Other (specify):
 _____ \$ _____
 _____ \$ _____

Grand Total Earned Revenue: \$ _____

2. Contributed Support

a. Government:

- Federal \$ _____
- State \$ _____
- County \$ _____
- Municipal \$ _____

Total Government Support: \$ _____

b. Private:

- Foundation \$ _____
- Corporate \$ _____
- Individual \$ _____
- Parent Organization (budget/allocated): \$ _____
- Other (specify):
 _____ \$ _____
 _____ \$ _____

Total Private Support: \$ _____

Grand Total Contributed Support: \$ _____

3. Endowment Income:

- a. Restricted: \$ _____
- b. Unrestricted: \$ _____

Grand Total Endowment Income: \$ _____

Grand Total Actual Cash Income: \$ _____

Name of Organization	Date Prepared:
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III. FISCAL SUMMARY (Continued)

C. EXPENSES LAST COMPLETE FISCAL YEAR:

1. Administration:

a. Personnel Costs (Bring totals forward from pg. 3):

(1) Total Staff Payroll \$ _____

(2) Total Contractual Fees \$ _____

b. Taxes (Bring total forward from pg. 3) \$ _____

c. Travel \$ _____

d. Loan Payments (excluding mortgages) \$ _____

e. Office equipment (purchase, lease, maintenance) \$ _____

f. Insurance (other than personnel or exhibits) \$ _____

g. Telephone \$ _____

h. Miscellaneous office expenses \$ _____

i. Other (specify) _____ \$ _____

_____ \$ _____

Total Administrative Expenses: \$ _____

2. Operations:

a. Programming/Production Costs (excluding personnel)

(1) Mounting Productions for performance \$ _____

(2) Mounting/renting exhibitions \$ _____

(3) Transportation/touring costs \$ _____

(4) Insurance-exhibitions \$ _____

(5) Equipment (purchase, lease, maintenance) \$ _____

b. Acquisitions for permanent arts collection \$ _____

c. Marketing, subscription, promotion \$ _____

d. Special fundraising events \$ _____

e. Other (specify) _____ \$ _____

_____ \$ _____

Total Operating Expenses: \$ _____

3. Facilities:

a. Space Rental \$ _____

b. Purchase of building, real estate, etc. \$ _____

c. Mortgage payment \$ _____

d. Utilities \$ _____

e. Building/grounds maintenance \$ _____

f. Other (specify) _____ \$ _____

_____ \$ _____

Total Facilities Expenses: \$ _____

Grand Total Expenses: \$ _____

Grand Total Revenue: \$ _____

YEAR'S ENDING BALANCE (DEFICIT): \$ _____

Name of Organization	Date Prepared:
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IV. CURRENT FINANCIAL STATUS

A. Accumulated: Surplus \$ _____ Deficit \$ _____

B. What is the value of your organization's fixed assets, i.e. building, real estate, etc., per your latest balance sheet? \$ _____

C. What is the appraised value of your collections; i.e. paintings, sculpture, costumes, instruments, films, etc.?

Specify the type of collection, value and appraisal date:

Type: _____	Appraised Value: \$ _____	Date: _____
Type: _____	Appraised Value: \$ _____	Date: _____
Type: _____	Appraised Value: \$ _____	Date: _____
Type: _____	Appraised Value: \$ _____	Date: _____

V. PROFESSIONAL AFFILIATIONS

List memberships in local, regional and national associations:

NOTES TO DATA PROVIDED:

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QUESTIONNAIRE

The Pennsylvania Economy League is assessing the financial health of arts organizations in the city and the economic impact these arts and cultural institutions have on the Pittsburgh Metropolitan Area. This study is commissioned by the Pittsburgh Trust for Cultural Resources; the results will be used to benefit Pittsburgh arts organizations.

The information you can provide is invaluable, and it is necessary to assure complete findings, so please take the time to answer the following questions.

INFORMATION IN YOUR SURVEY WILL REMAIN CONFIDENTIAL. PLEASE DO NOT IDENTIFY YOURSELF ANYWHERE ON THIS QUESTIONNAIRE. Your cooperation is appreciated.

PLEASE RETURN YOUR COMPLETED QUESTIONNAIRE TO _____ OFFICE IN THE ENVELOPE PROVIDED, NO LATER THAN OCTOBER 13, 1988.

If you are a full- or part-time employee with this institution, please answer Questions 1 through 10. If you are a visiting artist at this institution, please begin with Question 11.

1. Are you a full-time or part-time employee at this organization?
_____ full-time _____ part-time

2. Where is your residence?
City, Borough, Township _____
County _____
State _____
Zip Code _____

3. How many persons are in your household, including yourself? _____

4. How many of the children in your household attend public schools?
_____ elementary _____ secondary

5. In what type of housing do you now reside?
_____ rental _____ home you own or are buying

6. If you own your home or are buying, approximately what was your last annual property tax bill? \$_____

7. What is the total annual salary income before taxes and payroll deductions of ALL PERSONS (including yourself) who live in your household? \$_____

8. What is the total annual non-salary income (rents, interest, dividends, etc.) of ALL PERSONS (including yourself) who live in your household? \$_____
9. What percentage (0%, 10%, 20%.....100%) of your total household income, after taxes, do you estimate is spent within the:
- City, Borough, Township _____%
- County including the city _____%
- State including the city and the county _____%
10. For all the members of your household, please estimate the aggregate monthly average balance in state banks, credit unions, and savings and loans:
- \$_____ checking accounts
- \$_____ savings accounts

THE FOLLOWING QUESTIONS ARE FOR GUEST OR NON-RESIDENT ARTISTS ONLY

11. If you are a guest artist, how many days will you stay in the Pittsburgh Metropolitan Area on this visit? _____
12. Approximately how much will you, your family and those in your entourage spend while in the metropolitan area? \$_____
13. Approximately what percentage of this money will be spent in the city as opposed to the suburbs? _____%
14. Approximately how many visits a year do you make to Pittsburgh as a guest or non-resident artist? _____

THE PENNSYLVANIA ECONOMY LEAGUE THANKS YOU FOR YOUR TIME.

Pittsburgh Public Theater Audience Survey

The Public Theater and the Pennsylvania Economy League are interested in the characteristics of Arts audiences in Pittsburgh. While you're waiting for the show to begin, or during intermission, would you please take a couple of minutes to fill out this survey? Please return it to your usher, or drop it in our Survey Box in the lobby.

1. Where do you live?

Town _____
 State _____
 Zip _____

2. What is the main purpose of your trip? Please check one.

Attending this performance _____
 Business _____
 Visiting friends and relatives _____
 Shopping _____
 Sightseeing _____
 Other (Please specify) _____

If you are attending this performance with others, please have only one person in your party answer this question and include all expenses for your party.

3. How much do you expect to spend in Pittsburgh during this trip, excluding the cost of this performance.

On transportation _____ \$ _____
 (Include only actual outlays for gas, parking, fares, etc.)
 On meals _____
 On lodging _____
 On shopping _____
 On other entertainment _____
 On other items (Please specify) _____

How many people are covered by these expenditures? _____

4. Please check those which best describe you.

Age: Under 15 _____ 16-24 _____ 25-34 _____ 35-44 _____
 45-54 _____ 55-64 _____ 65 or older _____

Sex: Male _____ Female _____

Education: High school graduate _____ College graduate _____
 Masters _____ Doctorate _____ Other _____

Household income: Under \$5,000 _____ 5,000 to 9,999 _____
 10,000 to 19,999 _____ 20,000 to 24,999 _____
 25,000 to 29,999 _____ 30,000 to 39,999 _____
 40,000 to 49,999 _____ 50,000 or over _____

Is this a dual-income household? Yes ____ No ____

Occupation(s): Professional (medical, law, etc.) ____ Skilled craft or trade ____
Managerial, executive ____ Education, teaching ____
Administrative, clerical ____ Arts, artist, performer ____
Engineering, technical ____ Other, specify ____
Marketing, sales ____

Employment: Student ____ Employed full-time ____
Employed part-time ____ Self-employed ____
Retired ____ Housewife ____ Unemployed ____

5. How many arts events, performances, museums, festivals, etc. do you attend in Pittsburgh in a year? _____

6. What kinds of events?

Modern Dance _____ Ballet _____
Classical Music _____ Popular Music _____
Opera _____ Musical Theater _____
Theater _____ Gallery _____
Museum _____ Arts Festival _____
Film _____ Workshop _____
Lecture _____ Other _____

7. From most (1) to least (6) important, please rate the following subscriber benefits:

Exchange privileges _____
Restaurant/parking discounts _____
Discounted ticket price _____
Guaranteed seating _____
Ongoing support of the theater _____
Other _____

8. Please list the season subscriptions and memberships you have for arts events.

9. Please list the arts organizations you support through contributions and benefit ticket purchases.

10. Which radio station(s) do you listen to most often? _____

11. Please list 3 publications you depend on for current entertainment information.

COMMENTS: _____

THANK YOU FOR YOUR INTEREST AND SUPPORT. YOUR PARTICIPATION IN OUR SURVEY IS VERY IMPORTANT TO US.

PLEASE RETURN THIS TO YOUR USHER, OR DROP IT IN THE SURVEY BOX IN OUR LOBBY.



Together Again

Welcome to the 1988 Season of Pittsburgh's Civic Light Opera.....
Where Broadway Spends the Summer!!

We here at CLO are very interested in YOU and your thoughts regarding our organization. While you are waiting for the show to begin, or during intermission, please take a moment to answer the following questions. If you need a pencil, please ask one of the ushers in the lobby. Thank you for your interest and support.

1. Where do you live?

Borough, City or Township _____
State _____
Zip Code _____

If you are attending this performance with others, have only one person in your party answer question 2 and include all expenses for your party.

2. How much do you expect to spend in Pittsburgh during this trip, excluding the cost of this performance?

On transportation \$ _____
(include only actual outlays for gas, parking, fares, etc.)
On meals _____
On lodging _____
On shopping _____
On other entertainment _____
On other items, please specify _____

How many people are covered by these expenditures? _____

3. What is the main purpose of your trip? Check one.

Attending this performance Sight seeing
 Business Shopping
 Visiting friends and relatives Other (Please specify) _____

4. What radio station(s) do you listen to most often? _____

5. What newspaper(s) do you read? (Check all that apply.)

Pittsburgh Press Greensburg Tribune-Review Washington Star
 Pittsburgh Post-Gazette Beaver Valley Times Butler Eagle
 Other _____

6. Where did you first learn about this show? (check only one please.)

Newspaper Radio Direct mailing from CLO
 Poster Billboard/Buses Friends
 Other _____

7. Did you buy your tickets through:

Benedum box office Billboard/Buses Telephone
 Choice Seat outlets TIX Booth Mail Other _____

8. What type of ticket do you have?

Single performance Group
 Student discount Other
 Season subscription: 3-show OR 6-show

9. Did you go out to dinner before the show? () Yes () No

If yes, what was the name of the restaurant? _____

If you are a subscriber, did you use coupons from the subscriber guide?

() Yes () No

10. How important were each of the following to you in making the decision to attend this show?

	Extremely Unimportant	Somewhat Unimportant	Somewhat Important	Extremely Important
Who was in the cast..... 1		2	3	4
Cost of admission..... 1		2	3	4
Recommendation from others.....1		2	3	4
Husband, wife or friend attending with you.....1		2	3	4
Advertisements.....1		2	3	4
What critics have said.....1		2	3	4
Have seen the show before.....1		2	3	4
Reputation of playwright or composer..... 1		2	3	4
Reputation of Civic Light Opera.....1		2	3	4

Other (please specify) _____

11. How far in advance did you plan to attend this show?

() One or two hours () Two to four days
() One day or less () Five to ten days () More than ten days

12. About how many Civic Light Opera shows did you see in 1987?

() None () One () Two () Three () Four or more

13. Based on the show(s) you have seen, would you recommend CLO shows to a friend?

() Yes () No

If No, why not? _____

14. In general, do you feel the price of tickets to Civic Light Opera shows are:

() Too little () About right () Too much

15. What improvements, if any, could be made in methods for obtaining tickets? _____

16. Further comments/suggestions: _____

17. For statistical purposes only, please answer the following questions:

(Check those which best describe you.)

Age: () Under 18 () 18-24 () 25-34
() 35-49 () 50-64 () 65+

Sex: () Male () Female

Marital Status: () Single () Married () Other _____

Family Income before taxes:

() Under \$10,000 () \$10,000-\$14,999 () \$15,000-\$24,999
() \$25,000-\$34,999 () \$35,000-\$49,999 () \$50,000-\$74,999 () \$75,000+

What is your occupation? _____

Please drop completed survey in boxes located in main lobby, or if you need more time and would like to mail us your survey, send it to: Surveys

Civic Light Opera
The Benedum
719 Liberty Avenue
Pittsburgh, PA 15222

Thank you very much for your interest!!

PITTSBURGH OPERA

After 50 Years, Reaching New Heights

Tito Capobianco, General Director

We Want To Know You Better!

We at the Pittsburgh Opera are conducting a survey to help us get to know you. We would be very appreciative if you would take a moment to complete it. Please deposit the completed survey into one of the boxes in our lobby. If you need a pencil, please ask your usher. It is very important to us to know you better so that we can serve you better. If you cannot complete the survey today, please mail it to us at:

Survey
Pittsburgh Opera
711 Penn Avenue, 8th Floor
Pittsburgh, PA 15222

Again, Thank you for your cooperation!

1. Where do you live?

Town _____
State _____
Zip _____

2. What is the main purpose of your trip to Pittsburgh?
(Check one)

Attending this performance
 Business
 Visiting friends and relatives
 Shopping
 Sight seeing
 Other (Please specify) _____

3. How much do you expect to spend in Pittsburgh during this trip, excluding the cost of this performance?

_____ On transportation (include only actual outlays for gas, parking, fares, etc.)
_____ On meals
_____ On lodging
_____ On shopping
_____ On other entertainment
_____ On other items (Please specify) _____

_____ How many people are covered by these expenditures?

4. Check those that best apply to you:

Age: Under 15 Sex: Male
 16 - 24 Female
 25 - 34
 35 - 44
 45 - 54
 55 - 64
 65 & over

Education: High school graduate
 College graduate Masters
 Doctorate Other

Household income:
 Under \$5,000 5,000 to 9,999
 10,000 to 19,999 20,000 to 24,999
 25,000 to 29,999 30,000 to 39,999
 40,000 to 49,999 \$50,000 & over

Is this a dual income household?

Yes No
Occupation: Professional (Medical, Law, etc.)
 Managerial, Executive
 Administrative, Clerical
 Engineering, Technical
 Marketing, Sales
 Skilled Craft or Trade
 Education, Teaching
 Arts, Artist or Performer
 Other (Please specify) _____

Employment: Student
 Employed part-time
 Employed full-time
 Self employed
 Unemployed
 Housewife
 Retired

5. How many arts events, performances, museums, festivals, etc. do you attend in Pittsburgh a year? _____

6. What kind of events?

(Check as many as are appropriate)
 Modern Dance Ballet
 Classical Music Popular Music
 Opera Musical Theatre
 Theatre Museum
 Gallery Film
 Arts Festival Lecture
 Workshop Other (Please List) _____

7. Could you list the season subscriptions and memberships you have for arts events?

8. Could you list the arts organizations you support through contributions and benefit ticket purchases?

9. Where have you seen/heard information about the Pittsburgh Opera?

Television: KDKA (2) WTAE (4)
 WPXI (11) WQED (13)
 WPGH (53)
Radio: WSHH (99.7) WLTJ (92.9)
 WDVE (102.5) WQED (89.3)
 WHTX (96.1) WMYG (96.9)
 WBZZ (93.7) WAMO (105.9)
 WWSW (94.5) WEDO
 KDKA (1020) WTKN (970)
 WTAE (1250)

Newspapers/Magazines

The Pittsburgh Press
 Pittsburgh Post Gazette
 Greensburg Tribune Review
 Washington Observer Reporter
 Pittsburgh Magazine
 In Pittsburgh
 Pittsburgh Business News

Outdoor Advertising:

Billboards Bus cards

9. Continued

Other: Friends
 Posters in stores
 Telemarketing Representatives
 Posters at the Benedum Center
 Summer performances
 Other (Please list) _____

10. How did you find out about this event?

Season subscriber WQED-TV
 Pittsburgh Press WQED-FM
 Pittsburgh Magazine WDUQ-FM
 Pittsburgh Post Carnegie Magazine
 Gazette Other (Please list) _____

11. Do you subscribe to the Pittsburgh Opera's 1988-1989 Season?

Yes If yes, how many years? ____
 No

12. Have you purchased a single ticket (e.g. non-subscription) this year? Yes No

If Yes, how many? ____
Do you plan to subscribe to the 1989-1990 season?
 Yes No

13. Who made the decision to attend this performance?

Yourself Spouse
 Friend Other

14. How many times in the past year have you attended each of these arts events?

Pittsburgh Symphony
 Pittsburgh Public Theatre
 Pittsburgh Ballet Theatre Art Galleries
 Pittsburgh Dance Council Art Museums
 Civic Light Opera Broadway
 Pittsburgh Opera Series
 International Poetry Forum Other

15. How far in advance do you purchase single tickets?

3 or more months ahead 2 weeks ahead
 1 - 2 months ahead 1 week ahead
 3 - 4 weeks ahead Same day

16. How do you come to the Opera?

Car Bus Subway Taxi Walk

17. Have you made a financial contribution to the Opera in the past year? Yes No

For the following Five (5) questions, please rank your answers using a scale from One(1) to Five(5). (1=Poor, 3=Fair, 5=Excellent). Please check appropriate rating.

18. Why do you subscribe to the Opera?

1 2 3 4 5 Choice of best seats
1 2 3 4 5 Sit with friends
1 2 3 4 5 To receive subscriber benefits
1 2 3 4 5 A discount ticket price
1 2 3 4 5 Support the opera
1 2 3 4 5 Other (Please list) _____

19. If you are a season subscriber, how was the service provided by the Opera office personnel?

1 2 3 4 5 Knowledgeable
1 2 3 4 5 Courteous
1 2 3 4 5 Efficient
1 2 3 4 5 Accurate

20. By the Benedum Center personnel?

1 2 3 4 5 Knowledgeable
1 2 3 4 5 Courteous
1 2 3 4 5 Efficient
1 2 3 4 5 Accurate

21. How did the Benedum Center ushers treat you while being shown to your seats?

1 2 3 4 5 Knowledgeable
1 2 3 4 5 Courteous
1 2 3 4 5 Efficient

22. What do you enjoy most about Pittsburgh Opera?

1 2 3 4 5 A chance to socialize/meet people
1 2 3 4 5 The music/singing
1 2 3 4 5 The sets/costumes
1 2 3 4 5 New experience
1 2 3 4 5 The acting
1 2 3 4 5 Self enrichment
1 2 3 4 5 Emotional uplift
1 2 3 4 5 Chance to "get out"

23. What type of Opera do you prefer to see

Italian French
 German Modern/Contemporary
 Other _____

24. What do you find to be the positive and negative aspects of attending a performance at The Benedum Center?

25. Did you go out to dinner before the show?

Yes No
If Yes, what was the name of the restaurant?

26. How many Pittsburgh Opera productions did you see during the 1987 - 1988 season?

None Two Four or more
 One Three

27. Based on the performances you have seen, would you recommend Pittsburgh Opera to a friend?

Yes No If No, why not?

28. In general, do you feel the price of the tickets to the Pittsburgh Opera are:

Too little About right Too much

29. What improvements, if any, could be made in methods for obtaining tickets?

30. As a subscriber, are you aware that ticket sales only cover 41% of the cost of producing an opera?

Yes No

31. When you call the Pittsburgh Opera office, are you able to get through on your first call?

Yes No

32. Are you a Member of the Pittsburgh Opera Society?

Yes No If Yes, how many years?
If Yes, What persuaded you to join _____

No If No, Why not?

33. Do you think an annual reception should be held for the Pittsburgh Opera's Society Members?

Yes No

34. What additional benefits would you like to see Membership include?

1. _____
2. _____
3. _____
4. _____
5. _____

35. If you would like to be included on future mailing lists, Please complete the OPTIONAL information below

Name _____
Address _____
City _____ State _____ Zip _____
Home Phone _____

The
SOCIETY
 For **ART**
 In
CRAFTS

The Society for Art in Crafts and the Pennsylvania Economy League are interested in the characteristics of arts audiences in Pittsburgh.

1. Where do you live?

Town _____ State _____ Zip _____

2. What is the main purpose of your visit to the strip district? Check one.

Visiting The Society for Art in Crafts _____
 Business _____
 Visiting friends and relatives _____
 Shopping _____
 Sight seeing _____
 Other (Please specify) _____

3. What is the main purpose of your visit to The Society? Check one.

Visiting this exhibition _____
 Shopping at The Store _____
 Sight seeing _____
 Business _____
 Educational activities _____
 Other (Please specify) _____

4. Have you visited The Society previously? Yes _____ No _____

5. If so, how often have you been here in the past 12 months?

1-2 times _____ 3-4 times _____ 5-6 times _____ 7-8 times _____ more than 8 _____

6. Check those which describe you.

Age: Under 15 _____ 16-24 _____ 25-34 _____ 35-44 _____ 45-54 _____ 55-64 _____
 65 and older _____

Sex: Female _____ Male _____

Education: High school graduate _____ College Graduate _____ Masters _____
 Doctorate _____ Other _____

Household Income: Under \$5,000 _____ \$5,000 - \$9,999 _____ \$10,000-\$19,999 _____
 \$20,000 - \$29,000 _____ \$30,000 - \$39,999 _____
 \$40,000 - \$49,999 _____ \$50,000 - \$59,000 _____ \$50,000 and over _____

Is this a dual income household? Yes _____ No _____

Occupation: Professional (medicine, law, etc.) _____
 Managerial, executive _____
 Administrative, clerical _____
 Engineering, technical _____
 Marketing, sales _____
 Skilled craft, trade _____
 Arts, artist _____
 Education, teaching _____
 Other _____

Employment: Student _____ Employed full time _____
Employed part time _____ Self Employed _____ Retired _____
Housewife/househusband _____ Unemployed _____

7. How many arts events, performances, museums, festivals, etc. do you attend in Pittsburgh a year? _____

8. What kinds of event? Check as many as appropriate.

Modern dance _____ Ballet _____ Classical Music _____ Popular Music _____
Opera _____ Musical Theatre _____ Theater _____ Museum _____ Gallery _____
Film _____ Arts Festivals _____ Lectures _____ Workshops _____ Other _____

8. What other visual arts organization do you visit in Pittsburgh?

The Carnegie Museum of Art _____ The Pittsburgh Center for Arts _____
The Frick Art Museum _____ The Frick Gallery, University of Pittsburgh _____
CMU Art Gallery _____ The Mattress Factory _____ Other _____

10. Could you list the season subscriptions and memberships you have for arts events?

11. Could you list the arts organizations you support through contributions and benefit ticket purchases?

12. Which of the following do you frequently use to find out about arts events?

WQED FM _____ WQED TV _____ WDUQ FM _____ Pittsburgh Post Gazette _____
Pittsburgh Press _____ Pittsburgh Magazine _____ Carnegie Magazine _____
In Pittsburgh _____ Direct mailing from arts organization _____
Other: _____

13. How did you find out about this event?

Member of The Society for Art in Crafts _____ Mailing _____
WQED TV _____ WQED FM _____ WDUQ FM _____ Pittsburgh Press _____
Post-Gazette Calendar of Events _____ Post Gazette Arts Pittsburgh _____
In Pittsburgh _____ Carnegie Magazine _____ Pittsburgh Magazine _____
Other: _____

If you're attending The Society with others, have only one person in your party answer this question and include all expenses for your party.

How much do you expect to spend in Pittsburgh during this trip?

On transportation \$ _____
(Include only actual outlays for gas,
parking, fares, etc.)
On meals \$ _____
On lodging \$ _____
On shopping \$ _____
On other entertainment \$ _____
On other items, please specify \$ _____

How many people are covered by these expenditures? _____



The Three Rivers Shakespeare Festival and the Pennsylvania Economy League are interested in the characteristics of Arts audiences in Pittsburgh. Could you take a few minutes to fill out and return this survey?

1. How many arts events, performances, museums, festivals etc. do you attend in Pittsburgh a year? _____

2. What kinds of events? (Check as many as appropriate.)

- Modern Dance _____
- Ballet _____
- Classical Music _____
- Popular Music _____
- Opera _____
- Musical Theatre _____
- Theatre _____
- Museum _____
- Gallery _____
- Film _____
- Arts Festival _____
- Lecture _____
- Workshop _____
- Other (specify) _____

3. Please list the season subscriptions and memberships you have for arts events?

4. Please list the arts organizations you support through contributions and benefit ticket purchases?

12. Check the categories below which best describe you.

Age: Under 15 _____ Sex: Male _____ Female _____
16-24 _____
25-34 _____
35-44 _____
45-54 _____
55-64 _____
65 or older _____

Education: High school graduate _____
College graduate _____
Masters degree _____
Doctoral degree _____
Other _____

Household income under \$ 5,000 _____
5,000 to 9,999 _____
10,000 to 19,000 _____
20,000 to 24,999 _____
25,000 to 29,999 _____
30,000 to 39,999 _____
40,000 to 49,999 _____
50,000 and over _____

Is this a dual-income household? Yes _____ No _____

Occupation: Professional (med., law, etc.) _____
Managerial, executive _____
Administrative, clerical _____
Engineering, technical _____
Marketing, sales _____
Skilled craft or trade _____
Education, teaching _____
Arts, Artist, performer _____
Other (specify) _____

Employment: Student _____
Employed full-time _____
Employed Part-time _____
Self-employed _____
Retired _____
Homemaker _____
Unemployed _____

5. Which of the following do you frequently use to find out about arts events? (Check all that apply.)

WQED TV _____
WQED FM _____
WDUQ FM _____
Pittsburgh Post-Gazette _____
Pittsburgh Press _____
Pittsburgh Magazine _____
Carnegie Magazine _____
In Pittsburgh _____
Other (specify) _____
Direct mailing from arts organizations _____

6. How did you find out about this event?

WQED TV _____
WQED FM _____
WDUQ FM _____
Pittsburgh Post-Gazette _____
Pittsburgh Press _____
Pittsburgh Magazine _____
Carnegie Magazine _____
In Pittsburgh _____
Other (specify) _____
Direct mailing from arts organizations _____

7. Are you currently a subscriber to the Festival?

Yes _____ No _____

8. Based on tonight's experience, would you purchase a subscription to the Festival? Yes _____ No _____

9. Would you recommend this as a "must see" performance to your friends? Yes _____ No _____

10. Would you like to have the choice of seeing several different productions on consecutive evenings? Yes _____ No _____

11. How would you rate this performance compared to other local theatres (circle your answer)

1(poor) 2(fair) 3(average) 4(good) 5(best)

APPENDIX II

THE HOTEL TAX IN SAN FRANCISCO

The use of a hotel tax to support the arts has obvious benefits. There are also problems inherent in any system of government allocations to worthy causes. The history of the hotel tax in San Francisco illustrates both the benefits and the problems.

San Francisco has one of the oldest hotel taxes, with part of the revenues used for the support of the arts. The arts have received support from the tax since 1961. The tax was originally levied at three percent; it now is 11 percent. Seventeen percent of the revenues go to the arts through the City's Publicity and Advertising Fund, a component of the Hotel Tax Fund. The link between the tax and promotion and tourism is quite explicit. Arts groups must "advertise and promote the city of San Francisco" to become eligible for grants from the program.

The early history of the arts allocations in San Francisco raised a number of issues which have been raised in other cities as well. The issues include who should make the allocations, which types of groups should receive funds, how much should be earmarked for the arts and what other programs should be supported by the hotel tax funds.

In the debate leading up to the passage of the hotel tax in San Francisco, all of these issues came to the fore. One of the first issues to be resolved was the site of decision making concerning the fund. The resolution placed the funds in the hands of the City's non-elected administrator and, therefore, out of the hands of the Mayor and the City's Board of Supervisors.

In other cities, the allocation of hotel tax revenues has been removed from city council control and placed in the hands of private, nonprofit groups. In Columbus, Ohio, the Greater Columbus Arts Council has been designated as the agency to distribute funds by the City. In Houston, Texas, a similar agency, the Cultural Arts Council of Houston, distributes the City's hotel tax fund allocation to the arts.

The second issue, which types of organizations should receive the funds, was not resolved as quickly. In 1961, when the tax was first levied in San Francisco, all of the revenues from the tax were channeled through the promotion and advertising fund. Approximately one-fifth of these funds were then appropriated to arts organizations. The remaining four-fifths went primarily to the Convention and Visitors Bureau.

13. Where do you live?

Town _____
State _____
Zip Code _____

14. What is the main purpose of your trip? (Check One)

Attending this performance _____
Business _____
Visiting friends and relatives _____
Shopping _____
Sight seeing _____
Other (Please specify) _____

15. How much do you expect to spend in Pittsburgh during this trip, excluding the cost of this performance. (If you are attending this performance with others, have only one person in your party answer this question and include all expenses for your party.)

On transportation \$ _____
(include only actual outlays for gas, parking, fares, etc.)
On meals \$ _____
On lodging \$ _____
On shopping \$ _____
On other entertainment \$ _____
On other items \$ _____
(Please specify) _____

How many people are covered by these expenditures? _____

Thank you for taking the time to complete this survey. Please return the survey at the souvenir stand in the lobby as you leave this evening or mail it to the festival no later than August 26 at the address shown below:

Three Rivers Shakespeare Festival/PEL
B-39 Cathedral of Learning
University of Pittsburgh
Pittsburgh, PA 15260

Shortfalls in revenues have created problems in other cities as well. In 1977, the Texas state legislature authorized cities to divert a portion of their hotel tax revenues to the arts, humanities and historic preservation. In 1983, following the dramatic downturn in the oil business, the legislature placed a cap on the amount of hotel tax revenue any city could set aside for the arts. The intent of the legislation was to divert hotel tax revenues to city general funds and lessen demands for state assistance.

In San Francisco the fluctuations in funding continued until 1982 when 12 percent of the hotel tax revenues was earmarked for the arts. This was increased to 17 percent in 1984. The dedication of a fixed percentage of the revenues to the arts provided the stability the arts community needed.

A number of other cities have taken the same route to provide stability in funding. In Columbus, Ohio, the City Council has set aside one-fifth of the hotel tax revenues for the arts since 1977. The funds are turned over to the Greater Columbus Arts Council, a private, nonprofit group, for distribution to individual arts organizations.

In San Francisco, the arts now receive over \$6 million a year from the hotel tax fund. The fund is used to help support over 100 organizations and activities each year. Larger organizations may receive 2 to 3 percent of their total revenues from the fund, while smaller organizations may receive as much as 10 percent of their total revenues from the fund.

In addition to the support which goes directly to the arts, another ten percent of the proceeds from the hotel/motel tax is earmarked for the City's War Memorial Board. The Board oversees a number of City-owned arts facilities and, as such, is the landlord for the opera, symphony, ballet and museum. Between the grant program and the facility support, 27 percent of the proceeds of the hotel/motel tax are used to support the arts.

The City's administrative officer wished to support a wide variety of groups within the City because this variety characterized the City's art life. An advisory committee, appointed by the Mayor, wished to concentrate on major arts groups and exclude smaller groups altogether. In its first years, the funds were distributed to major arts organizations and to smaller groups, but the bulk of the funds went to the majors.

In subsequent years, the number of smaller organizations supported by the fund grew and the allocation to smaller organizations, as a proportion of total allocations increased. Smaller organizations now receive approximately half of the arts allocations.

The change from concentrated support of major organizations to support for a wide range of organizations was not accomplished smoothly. Major groups argued that the support of smaller groups did little to promote tourism and convention business, and smaller groups argued, in court as well as in public, that they were being neglected by the City. It was not until 1977 that distribution guidelines were established and a full-time staff was hired to handle the funds.

Other changes occurred as well. The fund originally had been used to support the Convention and Visitors Bureau and the arts. The fund, as with any government fund, became a target for other interest groups. By 1970, portions of the fund were being earmarked for other purposes, including improvements at Candlestick Park.

San Francisco is not the only city in which various interest groups have attempted to change the allocation of hotel tax funds. The allocation of revenues from Seattle's hotel tax has also been changed over the years. The funds are used for a number of purposes, including the support of the arts and local sports. There have been successful efforts to increase funding for local sports. In Allegheny County, Pennsylvania, an unsuccessful attempt was made to divert part of the County's hotel tax revenues to the support of the Expomart in Monroeville.

The fund in San Francisco also changed in the wake of Proposition 13, as a portion of the hotel tax receipts were diverted into the City's general fund to off-set lost property tax revenues. The arts were not seen as essential services which had to be maintained in the face of declining revenues. In 1978, a number of groups lost part or all of their funding. The City, using allocations from the state's surplus, was able to restore some of the cuts.

APPENDIX III

THE AMUSEMENT TAX

The amusement tax is the major tax on the arts in Pennsylvania. The City of Pittsburgh views this tax, along with the ten dollar occupation privilege tax and the 25 percent parking tax, as important sources of revenue from nonresidents.

Legal Basis for the Amusement Tax

The amusement tax can be levied by school districts and municipalities throughout Pennsylvania. In Philadelphia, the tax is levied under the Sterling Act (PL 45 of 1932) and, in the rest of the state, under the Local Tax Enabling Act (PL 1527 of 1965). The wording concerning the amusement tax is essentially identical in the two acts. Both acts empower political subdivisions to:

levy, assess and collect or provide for the levying, assessment and collection of such taxes as they shall determine on persons, transactions, occupations, privileges, subjects and personal property within the limits of such political subdivisions....

The Local Tax Enabling Act places some limitations on these broad powers, but specifically exempts the amusement tax from the limitations.

Such local authorities shall not have authority by virtue of this act:...

Except on sales of admission to places of amusement...to levy, assess or collect a tax on the privilege of employing such tangible property as is now or does hereafter become subject to a State taxes; and for the purposes of this clause, real property rented for camping purposes shall not be considered a place of amusement.

There are some additional limitations and exemptions in the Local Tax Enabling Act and in subsequent amendments and in court decisions. The maximum amusement tax rate has been set at ten percent of the admission price. In areas where the tax is levied by both the municipality and the school district, the combined rate cannot exceed ten percent. A maximum tax rate of four percent has been set for ski facilities, golf courses and bowling alleys. Movie theatres have been exempted from the tax in all municipalities except Pittsburgh. Exercise, fitness and health clubs have been exempted from the amusement tax. From time to time additional exemptions have been proposed in the form of bills before the legislature.

A number of court challenges have been made to the tax. Admissions to caverns have been exempted by the courts. The courts have also ruled that school districts cannot be required to collect the tax on admissions to sporting events. Taxes on admission to county fairs, however, have withstood court challenges.

Both Pittsburgh and Philadelphia have exempted specific forms of amusement from the tax. The City of Pittsburgh, by ordinance, has excluded "private annual affairs sponsored by non-profit organizations for members and their guests at which the admission charges or contributions equal or approximate the expenses."

The City of Philadelphia has excluded from the term amusement:

any form of entertainment, regardless of the nature thereof, where the proceeds thereof, after payment of reasonable expenses, inure:

exclusively to the benefit of religious, educational, and charitable institutions, societies, or organizations, societies or organizations for the prevention of cruelty to children or animals, or societies or organizations conducted for the sole purpose of maintaining symphony orchestras, opera performances, and artistic presentations...provided that these exemptions shall not apply to athletic games or contests between universities or colleges, or to wrestling matches, boxing, sparring or other pugilistic matches or exhibitions....

exclusively to the benefit of organizations or persons in the military or naval forces of the United States or of National Guard organizations, reserve officers' associations, or organizations, posts or associations of war veterans, or auxiliary units or societies of such posts or organizations....

exclusively to the benefit of organizations or associations created and maintained for the purpose of benefiting the members, or the dependents of, or the heirs of, members of the police, or any paid or volunteer fire department of any political subdivision of the Commonwealth.

motion picture shows.

legitimate theatre shows....

In addition to these exemption, based on the nature of the organization providing the amusement, both cities give exemptions to special groups of patrons. In Pittsburgh the groups include children under twelve, disabled veterans, and members of the armed services.

Amusement Taxes Elsewhere in Pennsylvania

The amusement tax is not levied in most municipalities in Pennsylvania. Because of the exemption for movie theatres, there are few municipalities with commercial amusements within their limits. It is levied, however, in municipalities containing amusement parks, ski resorts and golf courses.

In Allegheny County, the amusement tax is levied by a number of municipalities and school districts. Seven municipalities levy the tax at the full 10 percent rate. Nine levy it at 5 percent, one at 3 percent, three at 2.5 percent and one at 2 percent. Five school districts levy it at 5 percent and one at 2.5 percent.

In most instances, the tax was first levied to take advantage of an amusement park, golf course or similar facility. In some cases, the reason for the tax is long gone but the tax remains on the books. For these municipalities and school districts, the tax is not a productive source of revenue.

In 1983, all of the municipalities and school districts in Allegheny County collected \$4,716,624 in amusement taxes. In the same year, the City of Pittsburgh collected \$4,312,761. The remaining municipalities collected a total of \$403,863 with \$251,564 in West Mifflin, primarily from Kennywood Park. (The figures are from the Department of Community Affairs' Local Government Financial Statistics 1983 published in 1986.)

Amusement and Admission Taxes in Other States

The League reviewed the Commerce Clearing House State Tax Guide to collect information on taxes on admissions in other parts of the country. The guide is useful identifying the states where taxes are levied on ticket sales but not give sufficient detail to identify all of the states where there are exemptions for nonprofit arts organizations.

Taxes on ticket sales are levied in thirty states at the state level. The taxes are levied as admission and amusement taxes, as sales taxes and as gross receipts taxes. In most instances, there are exclusions. The exclusions usually include some forms of nonprofit activity.

Amusement Tax Rates and Collections
In Allegheny County

	<u>1987 Rates</u>	<u>1983 Rates</u>	<u>1983 Collections</u>
<u>Municipalities</u>			
Bellevue B.	5 percent		
Bethel Park	5	5 percent	\$ 25,225
Bridgeville B.	2		
Collier Twp.	5	5	8,992
Elizabeth Twp	2.5	2.5	29,245
Findlay Twp.		5	6,681
Forward Twp.	5	2.5	1,550
Franklin Park B.		5	4,933
Jefferson B.	10		
Leet Twp.	2.5	2.5	
Lincoln B.	5	5	14,224
McKees Rocks B.	10		
Moon Twp.	5	5	25,916
N. Fayette Twp.	5	5	12,098
Ohio Twp.	3	5	5,279
Pittsburgh Cty.	10	10	4,312,761
Pleasant Hills B.	10	10	
Scott Twp.	10	10	
S. Fayette Twp.		5	370
S. Park Twp.	5	5	1,629
Tarentum B.	10	10	
Thornburg B.	10	10	12,923
W. Mifflin B.	5	5	264,134
West Vue B.	2.5	2.5	
White Oak B.	10	5	
Total			\$4,716,624

School Districts

North Hills	5 percent	5 percent	
South Park	5	5	
West Allegheny	5	5	
Moon Area ^a	5	5/10	
Elizabeth-Forward	2.5	2.5	
Avonworth	5	5	
West Mifflin		5	
Total (1982-1983)			\$ 359,000
Grand Total			\$5,075,624

Note: Moon Area S.D. levied a 10 % amusement tax in Collier Twp. in 1983 and split the 10 % tax with the municipal governments in the other municipalities within the district. Detailed figures on school district collections are not published.

Sources: PEL, Tax Compilations; Dept. Of Commerce, 1985 Pennsylvania Abstract; Dept. of Community Affairs, Local Governmental Financial Statistics.

The taxes are levied in three states at the state level as amusement or admission taxes. These states are Connecticut, Mississippi, and South Carolina. In Connecticut and Maryland, the rate is as high as the rate in Pennsylvania, at ten percent of the admission price. In both of these states, however, there are exemptions for nonprofit institutions. An amusement tax is also levied in Rhode Island, but the tax is limited to admissions to pari-mutuel racing.

In the remaining twenty-six states, taxes on ticket sales are levied as part of the general sales, use and gross receipts taxes. In many of these states, there are exemptions for purchases by and sales by tax exempt organizations. In some states, however, ticket sales by nonprofit organizations are not exempted.

The tax rates are usually on the order of four to six percent. In some of the states with these sales taxes, there are local option sales taxes on top of the state sales taxes. Local sales taxes usually add another one percent. For example, ticket sales by arts organizations in Seattle are subject to an 8.1 percent combined state and local sales tax.

Admission and amusement taxes are levied at the local level in a number of states. In some instances, the taxes are levied under specific state legislation which defines the types of admissions which can be taxed and the rates at which they can be taxed. For example, in Maryland the legislature has authorized local governments to levy a tax of up to ten percent on ticket sales. The legislation exempts admissions receipts used for charitable, religious or educational purposes and gross receipts of nonprofit organizations presenting annual series of scheduled musical concerts and theatrical events. The legislation also allows the local taxing body to exempt additional nonprofit activities. A number of local governments, including Baltimore, have imposed the tax.

In other instances, however, the tax is levied without specific state legislation. Pennsylvania is one of these states. As in Pennsylvania, where there is legislation, the legislation imposes limits only on the taxation. The types of admissions which are taxed and the rates which are imposed in these states can vary greatly from municipality to municipality.

There are a few notable examples of the local amusement and admission tax which fall, at least in part, on nonprofit activities. The City of Chicago and a number of other Illinois municipalities levy taxes on all admissions. The rate is four percent in Chicago. Minneapolis has a three percent entertainment tax on sales of admissions, amusements and hotel rooms. St. Louis has a five percent tax on gross receipts from

admissions. New Orleans has a two percent tax on movie and theatre admissions and a five percent tax on all other amusements.

Pennsylvania, with its limited exemptions and high rate, places the greatest burden in the country on the arts with its amusement tax. Pittsburgh, because the tax is levied almost without exception and at the maximum rate, places the maximum possible burden on the arts.

Amusement taxes are levied at the local level in a number of other states. The rates are usually low, generally at three to five percent. In many of these states, there are exemptions for nonprofit institutions.