



HOW THE UNITED STATES FUNDS THE ARTS

NATIONAL ENDOWMENT FOR THE ARTS

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Third Edition



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Produced by the NEA's Office of Research & Analysis
Joanna Woronkiewicz, Senior Research Officer
Bonnie Nichols, Research Analyst
Sunil Iyengar, Director

First edition prepared by Tyler Cowen, Department of Economics,
George Mason University.

Second and third editions revised by the staff of the National
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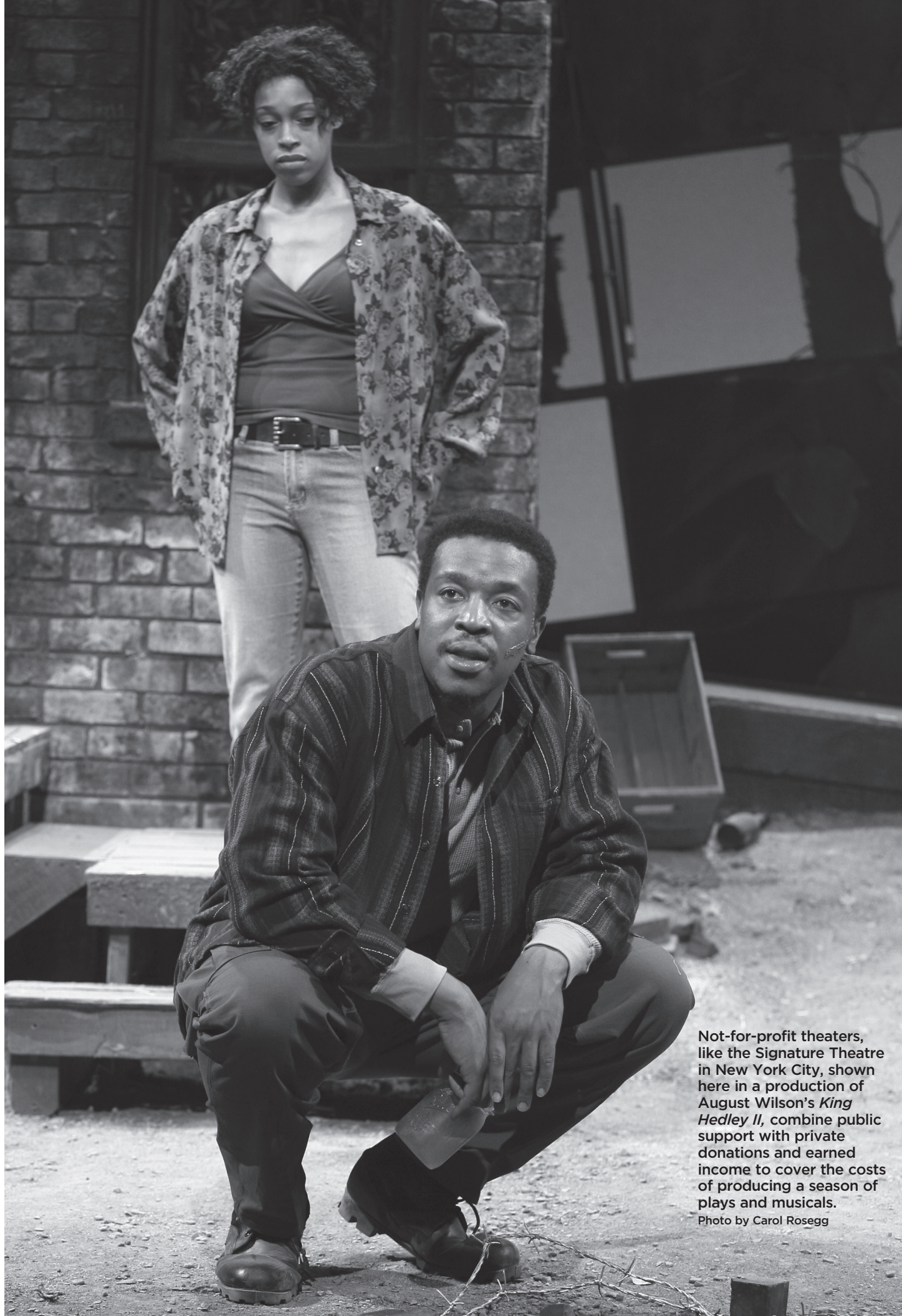


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Not-for-profit theaters, like the Signature Theatre in New York City, shown here in a production of August Wilson's *King Hedley II*, combine public support with private donations and earned income to cover the costs of producing a season of plays and musicals.
Photo by Carol Rosegg

I.

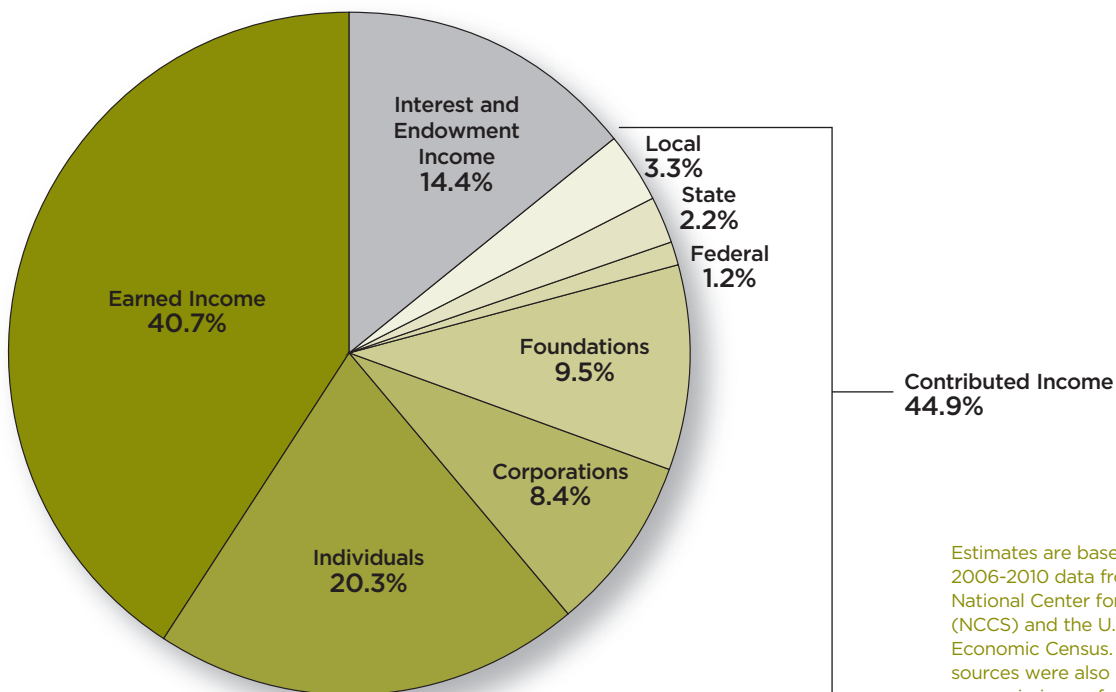
OVERVIEW

The infrastructure for arts and cultural support in the United States is complex and adaptive. Citizens who enjoy the arts can choose from a wide array of drama, visual and media arts, dance, music, and literature available in formal and informal settings—theaters, museums, and concert halls, but also libraries, schools, places of worship, open-air venues, restaurants or nightclubs, and, via technology, at home or on the move. In the last two decades, the number of arts and cultural organizations has grown, even as revenues from sales and attendance

Three Broad Categories Of U.S. Arts Funding

1. Direct public funding (NEA; state, regional, and local arts agencies)
2. Other public funding, direct and indirect (various federal departments and agencies)
3. Private sector contributions (individuals; foundations; corporations)

Revenue Sources of Not-For-Profit Performing Arts Groups and Museums in the U.S.



Estimates are based on an analysis of 2006-2010 data from the Urban Institute's National Center for Charitable Statistics (NCCS) and the U.S. Census Bureau's Economic Census. Various other data sources were also used where estimates were missing or for validation.

have risen to all-time high levels. These trends coincided with growth in publishing, broadcasting, and other media industries, and the arrival of new technology platforms for arts creation.

In recent years, arts managers not only have weathered an economic recession; they have been challenged to address evolving patterns of arts participation, which include a blurring of genres, categories, and traditions, as well as shifting boundaries between the professional and amateur arts sectors. To navigate this changing landscape, while working in a fiscally tough climate, U.S. artists and arts organizations must rely on a network of allied but independent funding sources.

In the following chapters, this monograph identifies three basic types of financial support for the arts: 1) direct public funds awarded by the National Endowment for the Arts (NEA) and

by state, regional, and local arts agencies; 2) funding from federal departments and agencies other than the NEA; and 3) private sector contributions, which make up the lion's share of contributed income for arts organizations. This third revenue stream flows from individual and corporate donors and from charity foundations, and it flows more smoothly because of incentives in the U.S. tax system.

Regarding the not-for-profit arts sector, an analysis of performing arts groups and art museums alone shows that roughly 45 percent of their funding, in aggregate, comes from government and private sector contributions. The remaining 55 percent of these organizations' total revenue can be assigned to earned income (ticket sales, subscriptions, etc.) and interest from investments, such as an endowment. (See pie chart on page 1.)

Earned or contributed, both means of income are unpredictable. Consequently, arts organizations face a two-sided challenge. On the one hand, they must cope with rising expenditures for artists, artworks, productions, and educational projects. On the other, they must forecast the revenue needed to support their program goals.

Given this dual responsibility, it is easy to understand how, for people outside the American art world, the nation's funding system might appear labyrinthine in scope. After all, the U.S. system is comprised of public and private entities, tax policies, legislative allocations, donated bequests, restricted endowments, education mandates, and social agendas. The hierarchy of government agencies, composed of city, county, state, regional, and federal strata, is itself a dizzying scheme, especially to people whose own nations have highly centralized, state-directed systems. It's no wonder, then, that the financial mechanisms of American arts policy and practice are poorly understood.



2012 NEA grantee Dakshina dance company, featuring founder Daniel Phoenix Singh with Melissa Greco Liu in *Frida*.

Photo by Stephen Barnovics, courtesy of Dakshina

II.

DIRECT PUBLIC FUNDING FOR THE ARTS

The U.S. arts system has no single benefactor, no overarching arbiter or agency, no Ministry of Culture. Instead, a variety of government subsidies compose roughly 7 percent of the nation's total investment in not-for-profit arts groups. The NEA is the largest single funder of the arts across America, but the majority of direct public funding still flows from a combination of other federal, state, regional, and local agencies.

Direct public support is not used to impose arts policy. Instead, government decisions on arts funding tend to be driven by experts in a given field or discipline. Candidates for those funds are almost always subject to rigorous peer review, which ensures that the awards are based on merit, not on policy aims or on political favoritism. In any case, direct grants do not finance the bulk of artistic activity in the U.S.; they fill gaps, enhance arts education, nourish arts creation, assist in the presentation and delivery of artworks, and enable preservation. These grants thus complement, and do not replace, other means of arts funding. As an example, the NEA requires, for most grants, that the recipient organization couple the amount awarded with an equal or greater amount of other, nonfederal contributions, as will be seen in a brief overview of the NEA.

A. National Endowment for the Arts

Established by Congress in 1965 as an independent federal agency, the NEA is

the designated arts organization of the U.S. government. The Arts Endowment is dedicated to advancing artistic excellence, creativity, and innovation for the benefit of American individuals and communities. It has played a substantial role in the development and preservation of dance, design, folk and traditional arts, literature, media arts, museums, music, opera, theater, and visual arts. Congressional consideration of the agency's annual funding occurs within the House and Senate Appropriations Committees—specifically, in the two subcommittees overseeing the U.S. Department of the Interior, Environment, and Related Agencies. In 2012, the agency's appropriation was \$146 million, of which 80 percent went toward grantmaking.

A Peer Review System

Grant applications submitted to the Arts Endowment are reviewed, in closed sessions, by advisory panelists. Each panel is organized around a specific discipline: artist communities; arts education; dance; design; folk & traditional arts; literature; local arts agencies; media arts; museums; music; opera; presenting; research; state and regional; theater and musical theater; and visual arts.

Panels are comprised of a diverse group of arts experts and other individuals, including at least one layperson, with broad knowledge of the areas under review. Membership changes regularly. Panels recommend projects to be supported, and Arts Endowment staff reconciles



Bulgarian-American saxophonist Yuri Yunakov leads his band during their performance at the 2011 NEA National Heritage Fellowship concert, where he was awarded the country's highest honor in the folk and traditional arts.

Photo by Michael G. Stewart

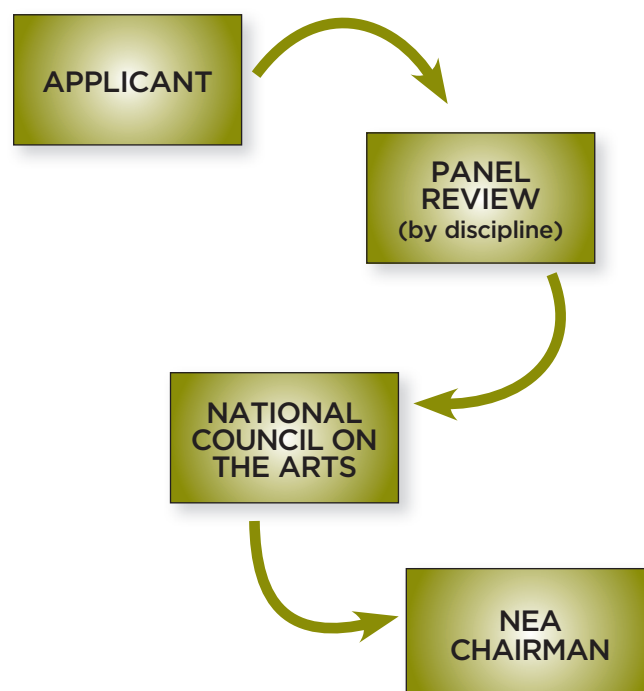
these recommendations with available funds.

Next, the panel recommendations are forwarded to the National Council on the Arts, which consists of 18 renowned artists, arts administrators, scholars, and arts patrons appointed by the President and confirmed by the U.S. Senate. Six members of Congress serve on the council in a non-voting capacity. These ex officio members serve two-year terms, while the remaining council members serve staggered terms of six years each.

The council convenes three times a year to review panel recommendations and make their own recommendations to the NEA chairman. The chairman, then, reviews the recommendations for grants and makes the final decision on all grant awards.

In Fiscal Year (FY) 2012, the agency made 2,158 awards, ranging from \$5,000 to \$150,000 per award; the most commonly awarded amount was \$10,000. It is estimated that for each \$100 the Arts Endowment awarded in FY 2012, arts groups raised an estimated \$910 in contributions and earned revenue.

NEA Grant Review Process



Types of NEA Funding

The NEA awards most grants through its Grants for Arts Projects program, which has two categories: Art Works and Challenge America Fast-Track. Art Works supports the creation of art that meets the highest standards of excellence, public engagement with diverse and excellent art, lifelong learning in the arts, and strengthening communities through the arts. Activities for which the NEA makes awards include the commissioning and development of new work, the presentation of performances or exhibitions at home or on tour, arts education projects (including standards-based learning activities for children and youth), the preservation of significant artworks, and the innovative uses of new models or technology to create work or engage audiences. Art Works grants generally range from \$10,000 to \$100,000.

Challenge America Fast-Track grants help organizations extend the reach of the arts to underserved populations whose opportunities to experience the arts are limited by geography, ethnicity, economics, or disability. These grants focus on simple, straightforward local projects including festivals, exhibits, performances, public murals and sculptures, environmental art, and cultural tourism. The review process for Challenge America Fast Track applications is expedited and all grants in this category are for the amount of \$10,000.

In 2011, the NEA started awarding Our Town grants to support creative placemaking projects, which contribute to the livability of communities and place the arts at their core. These grants support projects that may include planning, design, and arts engagement activities, and which reflect the distinctive qualities of their communities. Grants awarded in this category must involve two primary partners (a not-for-profit organization and a local government entity) and usually range

THE ARTS AND THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

In February 2009, President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA) to create and protect jobs in the aftermath of the 2007-2009 economic recession. ARRA recognized the not-for-profit arts industry as an important sector of the economy and, consequently, the NEA distributed \$50 million in recovery funds to preserve arts-related jobs threatened by the decline of philanthropic support during the recession. Through ARRA, the NEA awarded 637 one-time grants totaling \$30 million; the remaining \$20 million in ARRA funding was distributed through state and regional arts organizations.

from \$25,000 to \$150,000.

Another recent category of grants is Research: Art Works, which currently provides \$10,000 to \$30,000 to support analyses of data on the value and impact of the arts in the U.S.

The NEA also bestows individual fellowships in literature, and lifetime achievement awards in jazz and folk and traditional arts. In addition, the NEA funds various arts initiatives through strategic partnerships, including those with other federal agencies.

As further evidence that the Arts Endowment's grants portfolio is diversified, it is important to note that 40 percent of the agency's funds are required by law to go to the 50 states' and six U.S. jurisdictions' arts agencies, as well as to the nation's six regional arts organizations, thereby providing indirect support for arts projects in thousands of communities nationwide.

B. State/Regional Arts Agencies

The NEA and the state and regional arts agencies are partners in funding the arts. When, in 1965, Congress established the Arts Endowment, 23 states had official arts agencies or councils. Since the NEA was required to apportion funds to any state that established an arts agency, it is no coincidence that within a few years of 1965, nearly every state had an arts agency.

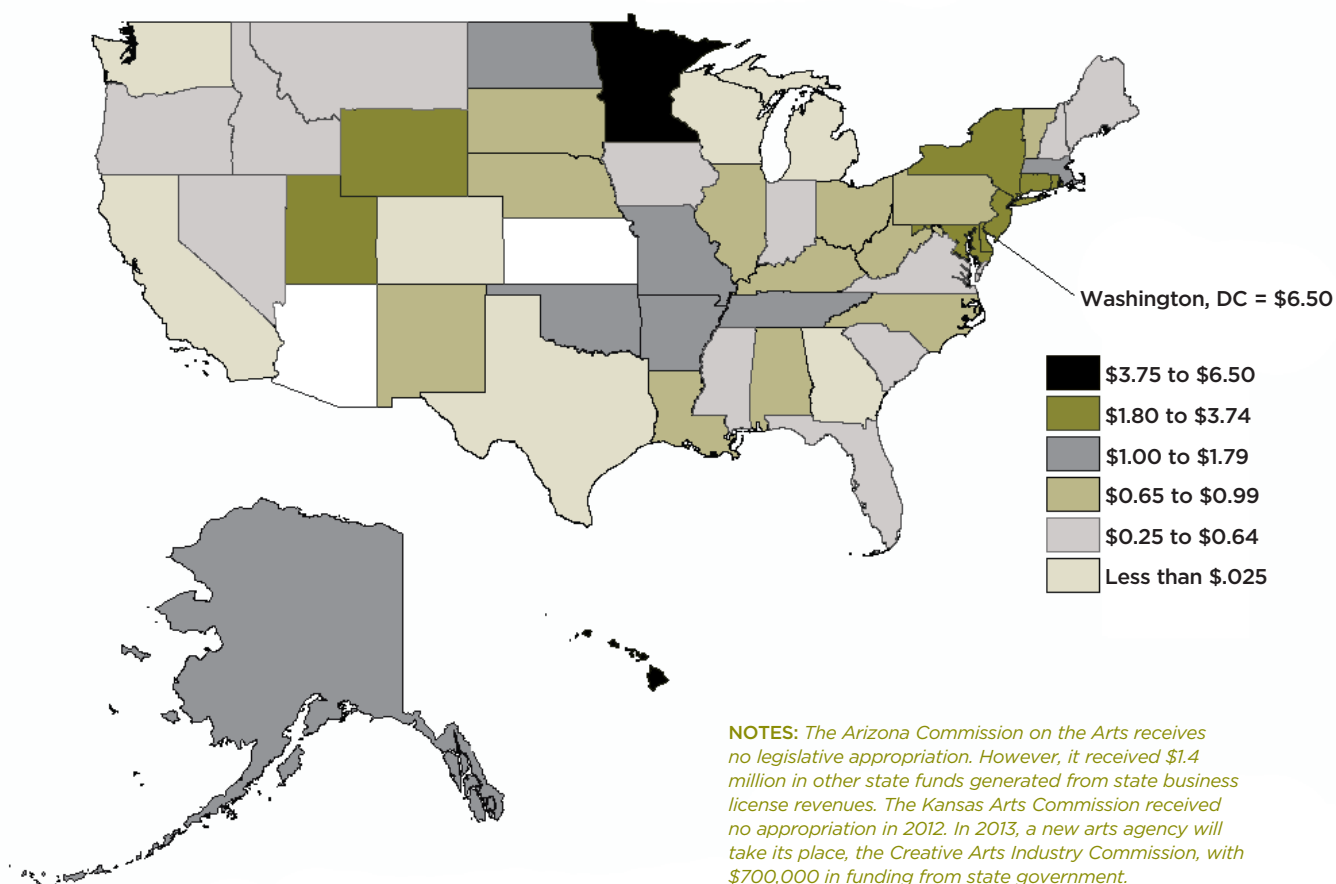
The New York State Arts Council (NYSCA) was founded in 1960 and provided an early model for other state arts agencies and for the Arts Endowment itself. In terms of total legislative appropriations, NYSCA is the largest

state agency—its FY 2012 appropriation was \$36.2 million. On a per capita basis, New York still ranks high in terms of its appropriations as compared to other states; in FY 2012, however, states such as Minnesota, Hawaii, Rhode Island, Wyoming, and Maryland surpassed New York in terms of per capita arts appropriations.

Federal appropriations to the Arts Endowment exceeded state legislative appropriations to state agencies until the mid-1980s. In 1979, the NEA appropriation was nearly 90 percent greater than state appropriations to arts agencies. The year 1986 was the first in which state funding surpassed NEA appropriations, and state appropriations have remained greater than the NEA's in each

Per Capita State Arts Agency Appropriations, Fiscal Year 2012

Based on an analysis of data from the National Assembly of State Arts Agencies





Golden Dragon Acrobats at a school performance for nearly 1,500 students, followed by a public performance for more than 1,000 people, in Aberdeen, South Dakota, as part of the NEA Regional Arts Touring Program through a grant by regional arts organization Arts Midwest.

Photo by Dawn Sahli Photography

MINNESOTA'S CLEAN WATER, LAND, AND LEGACY AMENDMENT

In addition to legislative appropriations, states use various other means to fund the arts. In 2008, voters in Minnesota passed the Clean Water, Land, and Legacy Amendment to its state constitution. The amendment permits the state to levy a 0.375 percent state sales tax (less than 4 cents on a \$10 purchase), which is expected to generate \$7.5 billion in statewide support for clean water sources, wildlife habitat, and parks and trails for over 25 years. The amendment also allows the state to allot nearly 20 percent of its proceeds to the Minnesota State Arts Board (and the state's regional arts councils) to fund arts education partnerships, state touring and festivals, public access to arts events, and new opportunities for artists. As a result of the amendment, in 2009 the Minnesota state legislature appropriated \$93 million in funding to support arts and cultural projects between July 2009 and July 2011.

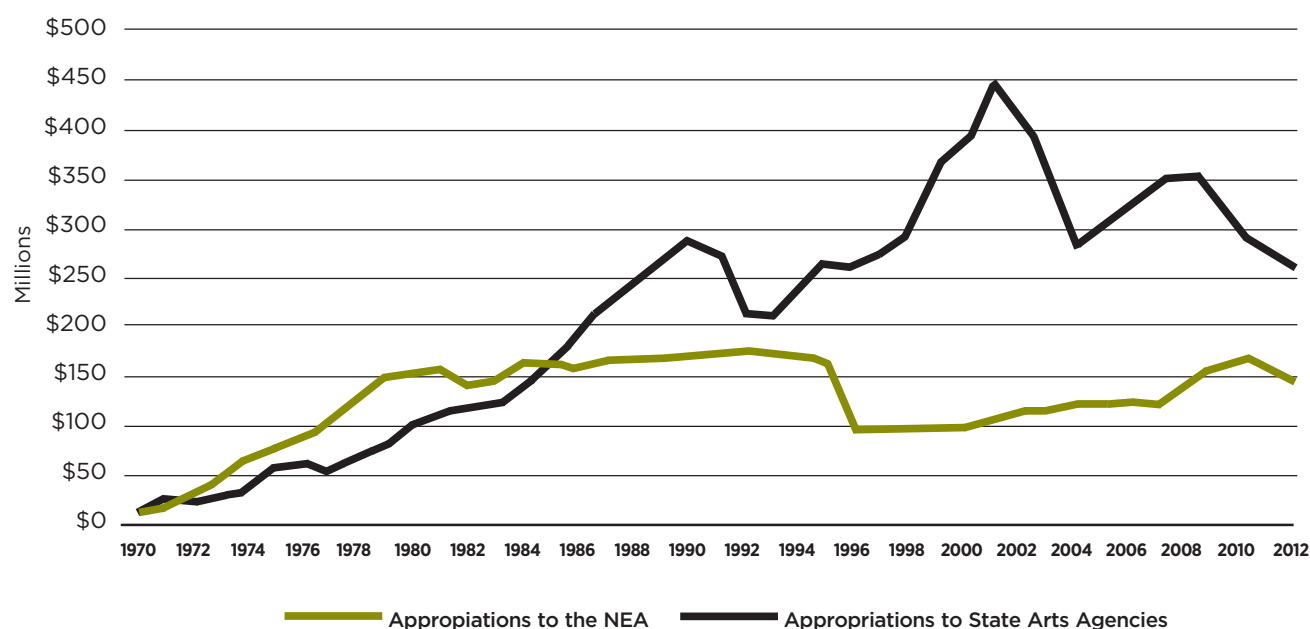
subsequent year. State arts funding reached its peak year in 2001 when appropriations to state arts agencies exceeded federal appropriations to the NEA by 77 percent.

State arts agencies use NEA-provided Partnership Agreement funds in conjunction with state-appropriated funds to support locally determined initiatives. Each state arts agency receiving NEA support is required to develop a statewide plan that ensures appropriate use of state agency grants. Planning is inclusive and responsive, reflecting the goals and activities determined to be most important to that state. Provided that state arts agencies meet these

planning requirements, close to 90 percent of NEA state partnership funding is allocated via formulas that reflect state populations and equal state proportions. The remaining funds—roughly 10 percent of NEA state partnership outlays—are awarded to states competitively. In aggregate, state arts agencies received \$260.1 million from FY 2012 state legislative appropriations. For the same time period, the Arts Endowment's contribution to the agencies was \$32.9 million.

The Arts Endowment and state arts agencies also collaborate via six regional arts organizations whose members are the state

Total Appropriations to the NEA and State Arts Agencies, 1970-2012



Note: Figures are in current dollars.
Based on an analysis of data from the National Assembly of State Arts Agencies

STATE ARTS AGENCY APPROPRIATIONS AND THE 2007-2009 RECESSION

Both federal and state government appropriations to the arts have declined since the 2007-2009 economic recession. In 2009 and 2010, the NEA's annual appropriations increased by \$10.3 and \$12.8 million, respectively, but were then reduced in 2011 by \$12.8 million and in 2012 by \$8.7 million. Annual appropriations to state arts agencies have continued to decline in recent years. In 2009, appropriations declined by \$25 million, and were again reduced by \$37 million in 2010, \$17.9 million in 2011, and \$13.9 million in 2012.

Consequently, several state arts agencies have had to contend with major restructuring or elimination proposals. In FY 2012, for example, all state funding for the Kansas Arts Commission was eliminated, and in the following year, the duties of the Kansas Arts Commission were transferred to the new Creative Arts Industry Commission within Kansas' Department of Commerce.

In Wisconsin, state legislators approved a 68 percent reduction in funding to the Wisconsin Arts Board (WAB) and an altogether elimination of the WAB's Percent for Art program, which placed artwork in state government buildings. Furthermore, the WAB was consolidated into the state's Department of Tourism.



Recycled bicycle art by Troy Neiman sits adjacent to the arts organization, Bicycle Inter-Community Art and Salvage (BICAS), which is part of Tucson's Historic Warehouse Art District undergoing cultural asset mapping by the local arts agency Tucson Pima Arts Council, supported by an NEA Our Town grant.

Photo by Sally Krommes for the Tucson Pima Arts Council

arts agencies: Arts Midwest; Mid-America Arts Alliance; Mid Atlantic Arts Foundation; New England Foundation for the Arts; South Arts; and Western States Arts Federation. In 2011, the total budget of these groups was \$42.2 million. The NEA awards regional partnership grants to these organizations; in FY 2012 such awards totaled \$6.5 million.

C. Local Arts Agencies

Perhaps nowhere is the decentralization of the U.S. arts funding system better reflected than in the range and influence of local arts agencies. Currently, there exist about 5,000 local arts agencies operating across the nation in cities, towns, counties, and regions. They function as councils or commissions, or as city departments, and are funded by various sources: the NEA; state arts agencies, municipal budgets, and private donations. Many of the

larger local arts agencies are now funded through a dedicated revenue stream, such as hotel/motel tax revenues.

In FY 2012, the NEA awarded 37 grants to local arts agencies, totaling \$1.2 million through its Locals program. In addition, nearly two-thirds of the Arts Endowment's FY 2012 Our Town awards were made to projects in which a local arts agency was either a lead applicant or a primary partner. The NEA also supports local arts agencies through grants in arts education and folk and traditional arts.

As with state-level grants, local and city-level grants and investments preceded establishment of the NEA. After the success of the Chicago World's Fair in 1893, many American cities set up art commissions as part of their urban planning policies. Frequently their budgets were no more than a few thousand dollars, but they had authority to commission public improvements and artworks. In some cases,

these institutions provided independent support for the arts instead of solely commissioning works for public buildings and spaces.

As a nationwide influence, the Works Progress Administration in the 1930s is often credited as the precursor to the local arts agency movement. Thousands of murals and artworks emerged from cities and towns across the nation, integrating art into everyday life, and creating greater community interest in the arts. Urban involvement in the arts grew steadily after the Second World War. Illinois' Quincy Society of Fine Arts (founded in 1947) and North Carolina's Winston Salem Arts Council (founded in 1949) were among the first local arts agencies in the U.S.

In the latter part of the twentieth century, many American cities decided to expand their presence as regional arts centers and magnets for tourists. This tendency gained momentum when, in 1974, the NEA invited "governmental units, including cities, counties, and villages" to apply for a grant to participate in an American Bicentennial initiative called "City Spirit." Gradually, city governments moved toward subsidizing a wide variety of artistic institutions

including museums, art spaces, historic buildings and neighborhoods, and symphony orchestras. In 1982, the NEA initiated the Locals program, which offered competitive grants that were highly leveraged at the local level. The program's purpose is, and continues to be, to stabilize and support local arts agencies.

The importance of local arts agencies lies in their ability to adapt to changing conditions on the ground. In addition to administering grant programs, local agencies serve as advocates and help attract a wide range of community resources to support arts and culture. Thus, local arts agencies might host professional development workshops for artists, coordinate marketing efforts for local arts groups, or conduct and publish research on the arts. Many local agencies have also become increasingly involved in cultural tourism initiatives or serve as partners in neighborhood economic revitalization efforts. Alternatively, such agencies might organize public performances, festivals, or exhibitions, oversee a community's public art program, or even own and manage a local cultural facility.

III.

OTHER PUBLIC FUNDING FOR ARTS AND CULTURE

Either independently or in partnership with the NEA, other federal departments and agencies also support arts and culture. Some have the ability to direct funds to artists and arts or cultural organizations, while others specialize in producing, archiving, or exhibiting artworks or performances for the public's benefit. Still other federal entities use arts and culture to boost a broader strategic mission, goal, or initiative.

A. Direct Funding Sources

Apart from the NEA, there are a number of other federal agencies and programs that fund artistic or cultural activities. An example is the Arts Endowment's sister agency, the National

Endowment for the Humanities (NEH), which promotes and provides funding for scholarly research and public programs in history, philosophy, literature, religion, ethics, and jurisprudence. In FY 2012, the NEH's federal appropriation was \$146 million.

Recent projects funded by the NEH include the Digital Public Library of America; the first facsimile of Igor Stravinsky's original score to his 1923 ballet, *Les Noces*; digital preservation and access to the AIDS Memorial Quilt; and a documentary film-screening on American popular music. The NEH also funds programs for public television, makes grants to museums for exhibits and the preservation of art and artifacts, and supports scholarship on the humanities and history.

A digital display of the AIDS Memorial Quilt, here shown on display in Washington, DC in 2000, was built with an NEH grant to allow users to view and interact with individual panels.

Photo courtesy of the NAMES Project Foundation



Preservation and museum support coincide with the role of another independent federal agency, the Institute of Museum and Library Services (IMLS). Created in 1976 as the Institute of Museum Services, IMLS funds institutions as varied as museums, zoos, botanical gardens, and libraries. In FY 2012, IMLS' appropriation was \$232 million. Of this total, \$29 million was allocated to museums, while most of the remainder went to libraries.

Cultural programming, meanwhile, is made available to the American people on public television and radio. The Corporation for Public Broadcasting (CPB), founded in 1967, is a private not-for-profit corporation, whose board members are chosen by Presidential appointment. CPB provides funds to local public television and radio stations as well as to content producers and distributors, such as the Public Broadcasting Service (PBS), National Public Radio (NPR), American Public Media (APM), and Public Radio International (PRI).

CPB's appropriation for 2012 was \$444 million. Seventy percent of the funds go directly to individual local television and radio stations, as required by law. In total, CPB supports 350 local public television stations and more than 900 local public radio stations. In FY 2012, CPB allocated \$222 million in public television station grants, and \$69 million in public radio station grants. Public *television* broadcasting draws roughly equal parts of its funding from government (federal, state, and local) and the private sector (viewer memberships and corporate and foundation support). By contrast, government (all levels) provides only 25 percent of funding for public *radio* broadcasting.

In addition to awarding direct grants and contracts, some federal programs offer resources or services to arts organizations. For example, the Federal Council on the Arts and the Humanities—administered by the

NEA—oversees the Arts and Artifacts Indemnity Program, which insures foreign and domestic objects exhibited in American museums.

The Arts and Artifacts Indemnity Program was created by Congress in 1975 for the purpose of minimizing the cost of insuring international exhibitions. In 2007, Congress expanded eligibility under the program to include coverage of works of art owned by U.S. entities while on exhibition in the U.S. Since its inception, the program has indemnified more than 1,100 exhibitions, saving U.S. museums more than \$365 million in insurance premiums. The international indemnity program provides up to \$10 billion in total coverage at any one time, while the domestic indemnity program, which started in 2007, provides up to \$5 billion in total coverage at any one time.

B. Federal Museums and Performing Arts Centers

Still other agencies and programs operate their own public libraries, museums, or performing arts venues. Some of the more prominent ones appear in this section.

Since 1976, the Library of Congress and its American Folklife Center have been active in gathering the records of diverse cultures. The folk archives collection has grown tremendously, both in number of items and in breadth of coverage, and includes a wide range of folklife expressions dating from the end of the nineteenth century through the early twenty-first. Today there are more than three million items of ethnographic documentation in the archive, representing over a hundred years of fieldwork. Issues critical to the center include digital preservation, Web access, and archive management.

Founded in 1846, the Smithsonian Institution consists of 19 museums and galleries, the



The National Gallery of Art is supported by the federal government, but its world-famous collection has come from private donations.

Photo courtesy of the National Gallery of Art

National Zoological Park, and nine research facilities. The Smithsonian is an independent institution within the federal government. A Board of Regents, comprised of the Chief Justice of the Supreme Court, the Vice President, six members of Congress, and nine citizens, governs the institution. Regular appropriations come from Congress, and totaled \$811.5 million in FY 2012. Its private endowment stood at \$1 billion.

The Smithsonian includes the Hirshhorn Museum and Sculpture Garden, the National Portrait Gallery, the National Museum of American Art, the Renwick Gallery, the Cooper-Hewitt Museum of Decorative Arts and Design, and the National Museum of the American

Indian. In 2003, Congress established the National Museum of African American History and Culture, making it the 19th Smithsonian Institution museum. Construction is expected to be completed in 2015.

The National Gallery of Art (NGA), one of the world's premier art museums, received a Congressional appropriation of \$128 million in 2012. The NGA's history exemplifies the private/public partnerships that are the hallmark of American arts institutions. Opening on the National Mall in 1941, the gallery and its first West Building were conceived and funded by donations from the A.W. Mellon Educational and Charitable Trust—the family foundation

2012 APPROPRIATIONS FOR SELECTED FEDERAL ENTITIES FUNDING ARTS AND CULTURE

(IN MILLIONS)

Smithsonian Institution	\$812
Corporation for Public Broadcasting	\$444
Institute of Museum and Library Services	\$232
National Endowment for the Arts	\$146
National Endowment for the Humanities	\$146
National Gallery of Art	\$128
Department of Education	\$25
Kennedy Center for the Performing Arts...	\$23
Presidio Trust	\$12
Institute of American Indian and Alaska Native American Culture and Arts Development	\$8
Advisory Council on Historic Preservation...	\$6
Commission of Fine Arts	\$2

of Andrew Mellon, banker, industrialist, and a former U.S. Secretary of the Treasury. Major donations of art also came from Samuel H. Kress, Joseph Widener, and Bernice Chrysler Garbisch, among others. Designed by architect I.M. Pei, the East Building opened in 1978. It houses much of the NGA's modern art, as well as a research center and library. A sculpture garden opened in 1999 and provides the museum's setting for works of modern and contemporary sculpture.

The John F. Kennedy Center for the Performing Arts receives a direct appropriation from Congress (\$23 million in FY 2012), as does the U.S. Commission of Fine Arts (CFA) (\$2.4 million in FY 2012). The CFA's primary function is to advise the U.S. and District of Columbia governments on matters of design and aesthetics

insofar as they affect the federal interest and preserve the dignity of the nation's capital.

Also notable is the U.S. Department of Education's Arts in Education program, which funds Kennedy Center educational programs for children and youth, and awards grants to VSA—the international organization on arts and disability. The FY 2012 Arts in Education budget was nearly \$25 million.

C. Other Arts-Related Programs within the Federal Government

Many federal departments and agencies use the arts as a way to advance their own distinct strategic missions. Relative to the total appropriations of these agencies and departments, the amount of funding for these programs is often quite small. Even so, the range of federal programs incorporating the arts is an important part of the story that reflects the highly diversified nature of arts funding in the U.S.

Take, for instance, the United States Geological Survey (USGS), which conducts research on the U.S. landscape, its resources, and natural hazards. As part of its mission, USGS uses Landsat satellite technology to produce color-enhanced images of Earth through its Earth as Art series, a joint initiative with NASA. In addition to posting these images on its website, the USGS has displayed them on the windows of its building and as part of an exhibition at the Library of Congress.

The Department of Defense (DoD) uses the arts in various ways to help boost the morale of the nation's armed forces and their families. Funding for the nation's military bands (i.e., Air Force, Marine Corps, Army, Navy, and Coast Guard) totaled \$388 million in FY 2012. Each year, Armed Forces Entertainment, DoD's agency for providing entertainment to

U.S. military personnel overseas, hosts more than 1,200 shows at 270 military installations around the world. Tops in Blue, a program within the U.S. Air Force, allows troops and their families stationed worldwide to be entertained by an expeditionary group of performers. Air Force members compete annually to be part of the group comprised of vocalists, musicians, dancers, comedians, magicians, and dramatists. Similarly, keeping in the tradition of “Entertainment for the Soldier, By the Soldier”—a phrase coined by Irving Berlin—the

The U.S. Marine Band performing at a wreath-laying ceremony at the Marine Corps Memorial in Virginia.
Photo courtesy of the Marine Band



Army Festival of the Arts features a broad range of performances produced and developed by servicemen and women.

The U.S. Army, Air Force, Marine Corps, Navy, and Coast Guard all hold extensive art collections focused on recording the history of America at war. The Army’s premier collection of 12,000 works of art includes not only works by popular artists such as Norman Rockwell, but also those created by American soldiers and which capture their own personal stories about military life.

The Bureau of Educational and Cultural Affairs (ECA) at the U.S. Department of State fosters mutual understanding between the people of the U.S. and those of other countries by means of educational and cultural exchange. The ECA accomplishes its mission through a range of programs, including American Music Abroad, which sends musicians from the United States to more than 40 nations annually; Museums Connect, which connects American communities with communities abroad through museum-based collaborations; DanceMotion USA, a series of dance company programs to showcase the diversity of American dance; and Arts Envoys, which sends a variety of American artists to perform for audiences abroad.

For nearly 40 years, the General Service Administration’s (GSA) Art-in-Architecture program has commissioned artworks for new federal buildings nationwide. The program has completed over 350 commissions since its inception in the early 1970s. Through the program, the GSA reserves one-half of one percent of the estimated construction costs for federal buildings to commission American artists to create site-specific artworks. The Fine Arts Collection is also administered by the GSA. One of the nation’s oldest and largest public art collections, it consists of mural paintings, sculpture, architectural or

environmental works of art, and works on paper dating from 1850 to the present. These civic works of art are in federal buildings and courthouses across the country. In addition, more than 20,000 small moveable New Deal works of art are on long-term loan to museums and other not-for-profit institutions.

SELECTED U.S. DEPARTMENTS OR AGENCIES USING THE ARTS IN THEIR PROGRAMS

Federal department, agency, or bureau	Sample programs that use the arts
U.S. Geological Survey	Earth as Art
Department of Defense	Military bands Armed Forces Entertainment Air Force Tops in Blue Army Festival of the Arts Military art collections
Department of State/Bureau of Educational and Cultural Affairs	Various literary and performing arts programs, e.g., American Music Abroad, DanceMotion USA, and Arts Envoys
General Service Administration	Art in Architecture Fine Arts Collection
Department of Housing and Urban Development	Sustainable Communities
National Forest Service	Discover the Forest Dance and theater programs for children
National Park Service	Cultural Resource Stewardship Artists-in-Residence Expressions of Freedom

Through its Sustainable Communities Initiative, the U.S. Department of Housing and Urban Development (HUD) awards grants to create strong, sustainable communities by connecting housing to jobs, fostering local innovation, and helping to build a clean energy economy. In 2010, HUD awarded a handful of grants to communities with art-related purposes. Examples include projects by the Colorado Department of Local Affairs to revive its African-American jazz and cultural heritage as an economic development strategy, and by Radford, Virginia, to develop a regional plan focusing on arts and cultural heritage. In FY 2011, HUD allocated \$100 million for the program in total.

Many national parks house and preserve collections of artworks and artifacts and support residency programs for artists, under the aegis of the Department of the Interior. In FY 2012, the U.S. National Park Service (NPS) allocated \$109 million for the stewardship of cultural resources, which includes the preservation of cultural landscapes and maintenance of a museum collection filled with artworks and artifacts. NPS' Artist-in-Residency (A-IR) program offers writers, visual artists, and performing artists the opportunity to create and interact with visitors in 397 national parks and historic sites around the U.S.

Through the use of photography, programs within the U.S. Forest Service, such as Discover the Forest and Get to Know Your Forest, have encouraged the public to respect the nation's forests, partly through recognizing their beauty. In FY 2011 the Forest Service spent over \$1.5 million on these programs alone.

The programs listed at left help to illustrate how some departments and agencies within the federal government use the arts to advance their respective missions. There are also many partnerships between the NEA and other

agencies and departments that exist within the federal government.

In 2011, the Arts Endowment partnered with 13 agencies and departments including the Department of Education, the National Science Foundation, the Institute of Museum and Library Services, various National Institutes of Health units, and leadership from the U.S. Department of Health and Human Services (HHS).

Representatives from each of these agencies and departments serve on the Interagency Task Force on the Arts and Human and Development. The group's mission is to catalyze new research opportunities, partnerships, and information-sharing to advance public knowledge about the arts' role in human development.

Formation of the group resulted from a 2011 research and policy forum and a subsequent white paper exploring the relationship between the arts and positive health and educational outcomes at various segments of the lifespan—from early childhood, to youth and adolescence, to older adult populations. The paper is titled *The Arts and Human Development: Framing a National Research Agenda for the Arts, Lifelong Learning, and Individual Well-Being*.

The Task Force convenes researchers and practitioners via webinar to discuss research and evidence-based programs on the arts and human development. In the spring of 2012, for instance, the Task Force hosted a webinar presentation on the use of digital storytelling in Native Aspirations, a project supported by HHS' Substance Abuse and Mental Health Services Administration that works with Native American and Alaska Native communities to help them build prevention programs to address youth violence, bullying, and suicide.

Other recent and ongoing Task Force activities include an NEA- and NIH-led literature review and gap-analysis of research

opportunities within the arts and human development, and a National Academies workshop on the relationship between the arts and health and well-being outcomes in older adults.

NATIONAL INTREPID CENTER OF EXCELLENCE (NICOE) AT WALTER REED NATIONAL MILITARY MEDICAL CENTER

In 2004, the NEA collaborated with the Department of Defense to launch Operation Homecoming: Writing the Wartime Experience to help U.S. troops and their families chronicle their wartime experiences through professional writing workshops held on military installations, writers' centers, and military medical centers. The project resulted in a published anthology of submitted works, educational resources on creative writing, as well as two award-winning documentaries.

In 2012, the NEA began a new phase of the project, this time in partnership with the National Intrepid Center of Excellence (NICoE) at the Walter Reed National Military Medical Center in Bethesda, Maryland. NICoE is a relatively new facility dedicated to providing care to service members and their families affected by traumatic brain injury and psychological health conditions. Over a year-long pilot phase, Operation Homecoming will offer expressive and creative writing workshops for troops as part of their clinical rehabilitation. The two agencies plan to work together on designing a research protocol to evaluate the effectiveness and impact of expressive writing as part of NICoE's interdisciplinary care setting.

IV.

PRIVATE GIVING AND TAX INCENTIVES

When an individual or corporation donates to the arts, there are often two distinct acts of charity involved. First there is the donor's financial gift. If the recipient is a tax-exempt not-for-profit group, however, one should consider—as a separate gift—the amount of additional revenue foregone by the U.S. government. This secondary benefit is realized as a tax deduction for the donor, and, along with the yearly tax payments waived for the not-for-profits themselves, it represents the most significant form of arts support in the United States. As a term, “tax incentive” is singularly appropriate; for every dollar the U.S. Treasury foregoes per tax deduction, donors are motivated to give private not-for-profits an additional donation in the range of 80 cents to \$1.30, according to recent estimates.

A. Individual Giving

Americans donated approximately \$13 billion to the category “Arts, Culture, and the Humanities” in 2011, the most recent year for which such data are available. In per capita terms, the total amounts to about \$42 for each individual in the U.S. Individual donors account for about three-quarters of all charitable giving, with bequests, foundations and corporations providing the balance.

Since 1917, any donation to a tax-exempt not-for-profit organization has qualified as a potential deduction for the tax-paying individual.

It is required only that the taxpayer itemizes his or her deductions, rather than take the standard deduction allowed by law. Today only about 36 percent of American taxpayers—the majority in the highest income brackets—itemize their tax deductions, but it is possible that many non-itemizers give as well. More than 75 percent of charitable contributions come from itemizers.

Individuals and households with larger incomes donate greater shares of that income to arts and cultural organizations. Among tax filers with adjusted gross incomes of \$200,000 or more in 2005, 15 percent of charitable donations went to arts and cultural organizations. That share was only 1 to 2 percent among households with smaller adjusted gross incomes. For individuals with adjusted gross incomes over \$200,000, the donation of a dollar to a not-for-profit institution reduces taxes between 33 and 35 percent, depending on whether the filing is individual or joint. Thus, the U.S. government foregoes \$0.33 to \$0.35 for every \$1 donated to a tax-exempt arts organization. In total, the U.S. government's foregone revenues from charitable donations are expected to reach \$230 billion between 2010 and 2014.

Donations to other tax-exempt, not-for-profit institutions—such as universities and churches—are also deductible. The U.S. tax system thus favors decentralization of not-for-profit activities, rather than any particular conception of what a not-for-profit should do. Not-for-profits with artistic programs may serve as talent spotters, direct producers of creative

Percent of Individual Charitable Contributions by Adjusted Gross Income, 2005

Recipient	Under \$100,000	\$100,000 to \$200,000	\$200,000 to \$1 million	Over \$1 million
Arts and cultural organizations	1%	2%	15%	15%
Religious organizations	67%	57%	23%	17%
Combined purpose funds ^a	9%	11%	11%	4%
Organizations devoted to helping meet basic needs	10%	12%	6%	4%
Health organizations	3%	6%	5%	25%
Education organizations	3%	6%	32%	25%
Other	7%	6%	8%	10%

^a Organizations that pool funding to support a coalition of charities. Examples include the United Way and the Combined Federal Campaign.
Source: Congressional Budget Office

outputs, donors, marketers, educators, event organizers, or preservers of the past. Many not-for-profits are small and informal, such as volunteer community groups.

More than one million public charities (the category covering most not-for-profit arts, cultural and humanities organizations in the U.S.) registered with the Internal Revenue Service in 2011. They are the engines of philanthropy, both as donors and recipients. To claim tax-exempt status under the U.S. tax code, not-for-profits must have one or more of the following characteristics: “charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, [or] the prevention of cruelty to children or animals.” They cannot serve private interests, and are restricted in their amount of political lobbying. Because by definition they cannot operate for profit, such groups often devote considerable time and resources to fundraising. Arts, cultural, and

humanities organizations made up 10.9 percent of all public charities that filed tax forms in the year 2009.

Indeed, donations of volunteer time—equal in scope to over 38,000 full-time volunteers per year—are a large part of philanthropy in the U.S. In 2011, 1.3 million adults in the U.S. volunteered a total of 65 million hours to arts and cultural organizations. Volunteers tended to be highly educated and mainly female. Thus, by applying the average hourly earnings (\$25) of a full-time, college-educated woman in 2011 to the total number of hours volunteered that year, it is possible to estimate the value of arts and cultural volunteering at more than \$1.6 billion.

B. Foundation and Corporate Giving

In the U.S., American foundations are significant in their size and scope. Recent estimates put foundation assets at around \$583 billion. The

CROWD-FUNDING FOR THE ARTS

In recent years, an alternative method of arts support has emerged through crowd-funding, a term used to describe the collective efforts of individuals who network to pool financial support for individuals and organizations. Crowd-funding typically applies micro-giving, or many small donations made through an online platform. In addition to raising funds for the arts, crowd-funding has been used to support activities such as citizen journalism, political campaigns, and scientific research, to name just a few.

ArtistShare, for example, is the first fan-funded Internet-based record label. Launched in 2000, ArtistShare has produced the Grammy Award-winning *Concert in the Garden* by jazz musician Maria Schneider as well as albums by comedian Rick Moranis and by Phish guitarist Trey Anastasio.

Since its inception in 2009, **Kickstarter** has raised \$283 million for nearly 29,000 creative projects ranging from film, music, visual arts, theater, and dance to publishing, design, fashion, and technology. In August 2012, the Lyric Cinema, an independent film theater in Fort Collins, Colorado, used Kickstarter to raise more than \$158,000 to upgrade to digital projection equipment; and 99% Invisible raised \$170,000 for its award-winning radio program about design and architecture.

Crowd-funding for the arts is not limited to private-sector servers such as ArtistShare and Kickstarter. In 2011, the Arts & Science Council (ASC) of Charlotte, North Carolina, began the crowd-funder **Power2Give.org**, which supports projects by ASC grantees. By October of that year, Power2Give had fully funded 37 projects at arts organizations, including \$10,000 to the North Carolina Dance Theatre for its production of the ballet, *Bolero*.

creation of new foundations is ongoing, yet at a slower rate than before the 2008 economic recession. From 1990 to 1999, 35 percent of the nation's currently active, larger foundations (with assets over \$1 million) were established, and 23 percent were established between 2000 and 2009. Between 2007 and 2008, however, the number of these foundations grew at a 0.5 percent clip—the slowest annual rate since 1981.

The foundation sector consists of more than just a few major institutions. A 2009 estimate has the top 10 institutions accounting for roughly 48 percent of foundation arts funding; the rest come from widely scattered sources. The Ford Foundation is one of the largest in terms of assets; in 2011, its \$10.3 billion endowment generated more than \$50.8 million for the arts and culture. Ranked by amount donated, however, the American Art Foundation, Inc., in New York was the top arts foundation of 2009, giving \$111 million to this category. In 2011 the Walton Family Foundation gave \$800 million to the Crystal Bridges Museum of Art—the largest cash donation ever made to a U.S. art museum.

The Ford, Mellon, and Carnegie Foundations, among many others, have supported a wide variety of cultural enterprises. Support from the Ford Foundation, for example, helped to establish the Corporation for Public Broadcasting and the American Film Institute, both founded in 1967; and the Rockefeller Foundation supported the establishment of Lincoln Center (1956) and the Museum of Modern Art (1929).

In addition to these larger entities, small private or family foundations also give significant amounts to the arts. The legal and institutional environment of the U.S. supports the number and diversity of these foundations. Some institutions foster more mainstream projects, while others specialize in supporting the avant-garde. Small foundations can be

well-suited at identifying and addressing unmet community needs, and they can assist in identifying additional funding sources for undercapitalized projects.

Different kinds of foundations offer distinct advantages as donor models. Legacy foundations allow an individual to make a gift during his or her lifetime and receive a tax deduction in the current year. The gift is not passed along until the individual dies; meanwhile, the individual can receive income from the gift assets. Family foundations allow the board of directors to be comprised of family members only.

While in 2010 foundations donated over \$2.2 billion to arts and culture, foundation giving has been on the decline since the economic recession—with a 29 percent drop in the amount donated from 2008 to 2010. Foundation giving, in general, has experienced a modest uptick since 2010.

Corporate giving is also more decentralized than commonly believed. Almost three-quarters of arts spending comes from smaller companies with revenues of less than \$50 million. Ninety percent of that money goes to local arts organizations. Data from 2010 show that 28 percent of all businesses surveyed gave money to the arts, and that businesses devoted an average of 5 percent of their philanthropic budgets to the arts.

Corporate giving, like private and foundation giving, has been influenced by public policy decisions. Corporations have received tax breaks for supporting the arts since 1936. As with individuals, corporations give more to the arts when they receive tax benefits for doing so. Many of the tax benefits for the arts are piecemeal in nature; they are not easily measured in aggregate. For instance, artistic institutions benefit from local tax breaks and legal provisions, often under the guise of urban

ARTPLACE

ArtPlace is a collaboration of 10 leading foundations and six of the nation's largest banks to accelerate creative placemaking across the U.S.

Participating foundations include the Bloomberg Philanthropies, the Ford Foundation, the James Irvine Foundation, the John S. and James L. Knight Foundation, the Kresge Foundation, the McKnight Foundation, the Andrew W. Mellon Foundation, the William Penn Foundation, the Rockefeller Foundation, and the Rasmuson Foundation. Participating financial institutions are Bank of America, Citi, Deutsche Bank, Chase, MetLife, and Morgan Stanley.

ArtPlace also has invited eight federal agencies to serve as advisors and offer lessons from those agencies' own place-based funding efforts: the NEA; the departments of Housing and Urban Development, Health and Human Services, Agriculture, Education, and Transportation; and the White House Office of Management and Budget and Domestic Policy Council.

In 2011, ArtPlace granted \$11.5 million to arts organizations across the country with the goal of supporting economic development in those communities. Examples include ZERO1—an arts and technology network in San Jose, California, that works to promote creative thinking; Food Chain, a program led by the organization ArtPlace, in which artists and farmers work together to create vibrant marketplaces of food, art, and ideas in southern Wisconsin; and Artsipelago, an initiative led by the Tides Institute & Museum of Art in Eastport, Maine, that helps strengthen connections between related arts and cultural initiatives to stimulate ideas for creative placemaking.



Northern Warehouse Artists' Cooperative in St. Paul, Minnesota, is a former warehouse turned into artists' studios by Minneapolis's Artspace.

Photo by Jeffrey Hanson

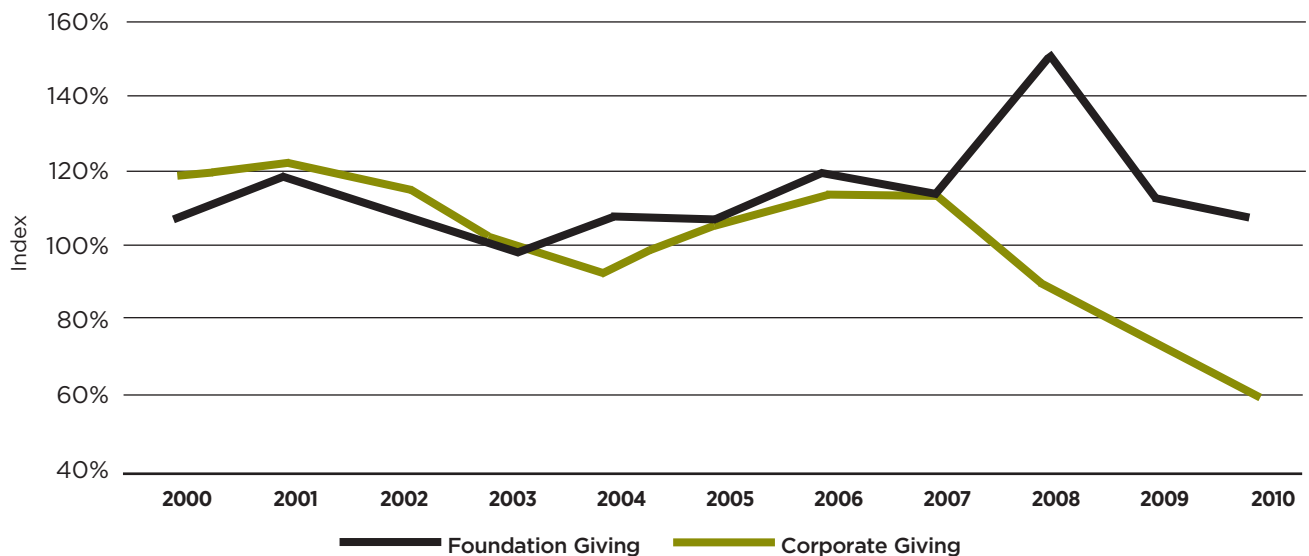
renewal. Skillful artistic entrepreneurs can put together packages of direct and indirect subsidies, drawing on a wide variety of sources.

Consider one example. The Minneapolis Artspace organization wanted to renovate a decrepit warehouse and turn it into artists'

apartments and studios. The organization started by going to the State Housing Finance Agency and applying for Low Income Tax Credits available for renovation projects. These credits are paid for by the federal government but allocated through state governments.

Foundation and Corporate Giving to Arts and Culture, 2000–2010

Index Year: 2003 = 100%



Source: Index data come directly from Americans for the Arts' (AFTA) National Arts Index. To calculate the indices, AFTA used data from the Conference Board and the Foundation Center.

Note: An index is a standardized measure that tracks change in a variable from a defined point in time. For example, the graph shows that total foundation giving in 2006 was 119% of total foundation giving in 2003; and total corporate giving in 2004 was 93% of total corporate giving in 2003.

The project had an estimated value of \$20 million, which meant that the available tax credit was about \$900,000 per year. This sum is paid out yearly for 10 years, or \$9 million in total. Artspace used these tax credits to get a bank loan of \$7 million, and then set up a corporate partnership, in essence “selling” the tax credits to the corporate partner for cash.

Artspace also financed 20 percent of the \$20 million cost from the Historic Tax Credits available through the U.S. Department of the Interior, again “selling” these tax credits for 93 cents on the dollar. Of the \$20 million total, \$11 million was now in hand, and construction could begin. County and state tax programs served to complete financing, and the remainder was raised from private foundations, again with an implicit tax break for the donations. Other inventive designs for supporting the arts likely will follow in coming years.

Another novel approach is that of the Arts Council Silicon Valley. The Council recognizes that organizations must work within an environment that provides financial incentives for businesses to donate to the arts. Therefore, it has devised inventive programs for employers and corporations to create efficient donation

strategies beneficial to their portfolios.

As with foundations, corporate giving to the arts has been on the wane since the economic recession. In contrast to individual and foundation giving, however, donations to the arts from corporations have fallen more precipitously. Between 2006 and 2010, the amount of corporate giving to the arts and culture fell by 48 percent.

D. International Comparisons

Regarding arts and cultural funding, direct comparisons between the U.S. and other countries are awkward because of several factors: varying forms of indirect support for the arts through foregone taxes; varying definitions of what constitutes art; and exchange rate conversions that may not reflect real differences in cost of living. Nonetheless, it is possible to make a few generalizations, particularly with respect to European and U.S. models.

Similar to the U.S., other countries implement arm’s length or arts council models to allocate government funding for the arts. Some of these countries also have ministries or departments of culture to set cultural policy.

Comparison of Funding by Selected Arts Councils and Agencies

	Budget per capita (U.S. dollars)	Data year
Arts Council of Wales	\$17.80	2012/2013
Arts Council (Ireland)	\$16.96	2012
Scottish Arts Council	\$14.52	2009/2010
Arts Council of England	\$13.54	2010
Arts Council of Northern Ireland	\$12.36	2011/2012
Australian Council	\$8.16	2010/2011
Canada Council for the Arts	\$5.19	2011
Creative New Zealand	\$2.98	2009/2010
National Endowment for the Arts	\$0.47	2012

LOTTERY-BASED FUNDING IN THE EUROPEAN UNION

In many EU countries, lottery funds for culture are an important source of private investment in culture. Although a rather new measure, the use of lottery funds is gaining importance in the EU with the search for additional revenue for the cultural field.

In the Netherlands, for example, lottery funds for culture derive from state-owned and private lotteries, where the contribution of the latter can exceed that of the national lottery. Annually, lottery funding for culture represents about 10 percent of the Netherlands' central government expenditure on culture. And in the U.K., over £125 million in lottery funding was awarded to the arts in 2010; another £94 million went to the support of heritage.

Moreover, just as the U.S. government supports the arts through other funding mechanisms, such as forgone tax revenue, many other countries also have diverse ways of supporting culture. Therefore, while a cross-country comparison of selected arts council and agency budgets illustrates vast differences in direct government funding of the arts, it is important to keep in mind that many countries, to varying degrees, use indirect sources to complement what governments do not provide directly.

Indirect support of the arts, usually in the form of tax benefits, is in some cases as large or larger than direct government support in both

the U.S. and some countries in the European Union (EU). "Value-added" taxes, commonly used in Europe, are consumption taxes in which a tax occurs each time a business in the supply chain purchases products. Reduced value-added taxes on cultural goods (e.g., buying music, paintings, or sculptures) are the most significant form of indirect government subsidies to the arts in the EU. For example, the U.K. applies a value-added tax of zero on the purchase of books and printed or copied music.

Individual private philanthropy is not as prominent in many European nations. Although few such programs have been implemented, there do exist other indirect subsidies to incentivize giving throughout Europe, driven in part by diminishing federal budgets. Germany, Italy, and Greece offer reduced inheritance taxes, sometimes as much as 60 percent. Under an ordinance, Austrian businesses are offered tax breaks for sponsoring cultural events. Cultural investments that generate a certain level of profits in the Netherlands are exempted from charges on capital returns. The U.K. leads the EU in mechanisms to stimulate private giving to the arts; as a result, charitable giving reached 0.73 percent of the country's GDP in 2005—similar to the cases of Canada and Australia, which gave 0.72 percent and 0.69 percent of GDP respectively in the same year. The U.S. gave 1.67 percent of GDP to charities in 2005.

The primacy of private, as opposed to public, support for the arts and culture in the U.S. largely relates to American social and cultural traditions. In addition to embedding support for the arts in the tax code, the U.S. applies a level of professionalism in fundraising unknown in many other countries throughout the world.

CONCLUSION

American arts funding is a complex and evolving system of entrepreneurial initiatives, philanthropic foundations, and government agencies. The public and private aspects of support are ever in flux, and the mechanisms of delivery mingle the best of charitable giving with entrepreneurial ingenuity. Funding goes to artists, museums, theaters, orchestras, schools, presses, community centers, cities, and states, and the purpose of funding ranges from the creation of new art to the preservation of the old, from teaching children basic skills to providing master artists with needed resources.

The funding network is diverse and perplexing, to be sure, and sometimes arts organizations do not survive the vicissitudes of the economy. But, simultaneously, the flexibility of the American system may be credited with fostering the substantial rise in art-making and arts participation that has occurred in the last

40 years. New arts organizations are constantly emerging—bringing new styles and perspectives to cultural life. No single agency or individual can set an artistic agenda for the nation; the contrasting values and tastes of different funders ensure a rich diversity of art works; tax incentives promote innovative methods of private support; and decentralization helps regional heritages and local communities retain their integrity.

What we see today is the spirit of American enterprise—in the past so successfully applied to commerce, technology, and politics—increasingly applied to the art world. In its comparatively short existence in the life of civilizations, the U.S. has produced an enduring legacy of cultural achievements, and leaders are fast recognizing the centrality of artistic expression and creativity to a healthy society. The American system of free enterprise, coupled with public support, is a proven means of fulfilling the NEA's motto, "Art Works."

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NATIONAL ENDOWMENT FOR THE ARTS

1100 Pennsylvania Avenue, NW
Washington, DC 20506-0001
202.682.5400