

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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STANLEY SHIRAKI
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2878
RELATING TO TAXATION**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 17, 2010

TIME: 4:30PM

ROOM: 308

This bill repeals certain exemptions from the General Excise Tax (GET), including the exemptions for disabled persons; sales of property, contracting or services exported out-of-state; low-income housing; and a number of provisions benefitting airlines. The bill also repeals the general excise tax exemption for non-profit organizations on their exempt activities, including hospitals, but maintains the general excise tax exemption for religious organizations.

The Department of Taxation (Department) **is concerned about the numerous repeal of exemptions from the general excise tax.**

I. EVALUATING HAWAII'S NUMEROUS SPECIAL GENERAL EXCISE TAX EXEMPTIONS IS IMPORTANT

The Department of Taxation (Department) believes it is necessary to ensure that GET exemptions are effective in promoting the various social and economic goals they were originally designed to promote. However, the Department expresses concern regarding a wholesale repeal as contemplated by this legislation.

As a general consideration, GET exemption repeals of the magnitude contemplated by this legislation should be handled cautiously. This is a particularly serious responsibility, since these tax provisions will completely disappear without a sound basis for legislative intervention. The Department points out that all of these exemptions were important at some point and served some purpose.

The current bill contains a number of items that are listed as exemptions from the GET that probably do not merit repeal. These exemptions are necessary for the GET to have a sensible

structure that minimizes economic distortions – they are not exceptions from a uniform and consistently administered excise tax.

II. REVENUE ESTIMATE

The revenue impact for this measure is an increase to the general fund of approximately \$410 million for fiscal year 2011, \$423 million for fiscal year 2012, \$435 million for fiscal year 2013, \$448 million for fiscal year 2014, and \$462 million for fiscal year 2015.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, PUBLIC SERVICE COMPANY; Exemptions and exclusions; exempt amounts received by submanager and suboperator

BILL NUMBER: HB 2878

INTRODUCED BY: Say

BRIEF SUMMARY: Amends HRS section 237-23 to repeal the following general excise tax exemptions granted to: (1) fraternal benefit societies, orders or associations which provide payment of death, sick, accident, prepaid legal services, or other benefits to its members; (2) corporations, associations, trusts or societies organized for charitable, scientific, or education purposes including the operation of senior citizen housing facilities, operation of a prepaid legal services plan, operation of a homeless facility; (3) business leagues, chambers of commerce, boards of trade, agricultural and horticultural organizations; (4) hospitals, infirmaries, and sanitarium; (5) cooperative associations incorporated under HRS chapter 421 or IRC code section 521; (6) corporations, companies, associations, or trusts organized to establish cemeteries; and (7) nonprofit shippers associations.

Amends HRS section 237-24 to repeal the general excise tax exemption for: (1) the first \$2,000 received by any blind, deaf, or totally disabled person; and (2) amounts received by a producer of sugarcane from the manufacturer. Also proposes a general excise tax exemption for amounts received as a gift or donation by a: (A) fraternal benefit society, order, or association; (B) corporation, association, trust, or society organized and operated exclusively for charitable, scientific, or educational purposes; (C) business league, chamber of commerce, board of trade, civic league, agricultural or horticultural organization, and organization operated exclusively for the benefit of the community and for the promotion of social welfare; (D) hospital, infirmary, or sanitarium; (E) cooperative associations; or (F) corporation, company, association, or trust organized for the establishment and conduct of a cemetery.

Amends HRS section 237-24.3 to repeal the general excise tax exemption for: (1) amounts received from the loading, transportation and unloading of agricultural commodities; (2) amounts received for the sale of liquor, cigarettes and tobacco products, and agricultural, meat or fish products to any person or common carrier in interstate or foreign commerce; (3) amounts received for the unloading of cargo, tugboat service, or pilots to ships or barges; (4) amounts received for the sale of prescription drugs and prosthetic devices; (5) dues received by an unincorporated merchants association; (6) amounts received by a labor organization for the leasing of real property; (7) amounts received from the rental or leasing of aircraft or aircraft engines used for interstate commerce.

Amends HRS section 237-24.7 to repeal the general excise tax exemption for: (1) amounts received as compensation by community organizations, school booster clubs and nonprofit organizations under a contract with the chief elections officer for the provision of services; (2) amounts received as grants under HRS section 206M-15.

Amends HRS section 237-27 to repeal the exemption of certain petroleum refiners and impose a tax of 0.5% on the gross income derived from the sale of petroleum products.

Amends HRS 237-29.55 to repeal the general excise tax exemption on the sale of tangible personal property imported for resale and provide that such transaction shall be subject to the 0.5% wholesale rate.

Amends HRS section 238-1 to repeal the use tax exemption for: (1) the leasing or renting of aircraft used in interstate air transportation; (2) the use of oceangoing vehicles for passengers or goods within the state; (3) the use of material, parts, or tools imported or purchased for aircraft service and maintenance or the construction of an aircraft maintenance facility; (4) the use of services or contracting imported for resale for use outside the state.

Amends HRS section 238-3 to repeal the use tax exemption for: (1) the sale of liquor, cigarettes and tobacco products imported into the state and sold to any person or common carrier in interstate commerce; (2) vessels constructed under a large fishing vessel loan program of DBEDT prior to July 1, 1969; and (3) an air pollution control facility exempted under the general excise tax.

Amends HRS section 349-10 to delete the stipulation that proceeds earned from the annual senior citizen's fair are a casual sale.

Amends Act 239, SLH 2007, as amended by Act 196, SLH 2009, to delete the December 31, 2010 sunset date.

Makes conforming amendments to HRS sections 235-110.7, 237-1, 237-4, 237-21, 237-22, 246-34.5, 356-129, 421H-4, Act 70, SLH 2009, and Act 141, SLH 2009.

Permanently repeals the following general excise tax exemptions:

- (1) HRS section 201H-36;
- (2) HRS section 237-16.8 - certain convention, conference, and trade show fees;
- (3) HRS section 237-17 - persons with impaired sight, hearing, or totally disabled;
- (4) HRS section 237-24.5 - stock exchanges;
- (5) HRS section 237-24.9 - aircraft service and maintenance facility;
- (6) HRS section 237-26 - exemption of certain scientific contracts with the U.S.;
- (7) HRS section 237-27.5 - air pollution control facility;
- (8) HRS section 237-28.1 - exemption of certain shipbuilding and ship repair business;
- (9) HRS section 237-29 - exemptions for certified or approved housing projects;
- (10) HRS section 237-29.5 - exemption for sales of tangible personal property shipped out-of-state;
- (11) HRS section 237-29.53 - exemption for contracting or services exported out-of-state; and
- (12) HRS section 237-29.8 - call centers, exemption; engaging in business.

Permanently repeals the following public service company tax provisions:

- (1) HRS section 239-6.5 - tax credit for lifeline telephone service subsidy;
- (2) HRS section 239-11 - exemption for certain contract carriers; and
- (3) HRS section 239-12 - call centers, exemption, engaging in business;

Amends HRS section 46-15.1 to repeal the general excise tax exemption for county projects that provide low and moderate income housing projects.

Amends HRS section 209E-11 to provide that no general excise tax exemption shall be granted for: (1) any qualified business that begins operation in an enterprise zone after June 30, 2010; (2) a contractor who performs work for any qualified business that begins operation in an enterprise zone after June 30, 2010; or (3) a contractor who performs work after June 30, 2010 for any qualified business.

This act shall be repealed on June 30, 2015; provided that HRS sections 46-15.1 (re-enacts general excise tax exemption for county housing projects but deletes the award of affordable housing credits for homes built on Hawaiian Homes Lands), 209E-11, 235-110.7, 237-1, 237-4, 237-21, 237-22, 237-23, 237-24, 237-27, 237-29.55, 238-1, 238-3, 246-34.5, 349-10, 356D-129, 421H-4, amended by this act shall be reenacted in the form in which they read on the day prior to the effective day of this act. The amendment to Act 239, SLH 2007, as amended by Act 196, SLH 2009, shall be repealed.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure attempts to broaden the general excise tax base by repealing numerous exemptions including the broad-based exemption for not-for-profit organizations with the exception of religious organizations. It does retain the exempt for recognition of gifts and donations to not-for-profit organizations, but it subjects income that would be received for services and products provided by these not-for-profit organizations. It should be remembered that many of these organizations are conferred with tax-exempt status by both the federal and state income tax laws because they are recognized as providing a public good or service that government would otherwise have to provide which includes everything from scientific research to child protective services to affordable housing to medical services. Because these organizations are not burdened with the bureaucracy found in government, they can often provide these goods and services much more efficiently and at a lower cost that government can. Thus, the tax exempt status recognizes that if burdened with the payment of taxes, those goods and services would either come at a much higher cost or the delivery would be at a far lower quality. Thus, it makes no sense to impose the general excise tax on the gross receipts of the not-for-profit organizations in turn for a lesser tax rate as many of these organizations will go out of business.

Lawmakers should remember that the general excise tax is a tax on gross receipts and not on net income, so a company, or in this case a not-for-profit organization, pays the tax without regard for costs and expenses incurred for the goods or services provided.

While some of the other exemptions, such as for scientific contracts, may seem plausible targets for repeal, care should be exercised as to unintended consequences if repealed. For example, the exemption for stevedoring activities was enacted with the thought that if the general excise tax was imposed on those activities the cost of everything brought in or sent out of the state would be that much more expensive, increasing the cost of living in Hawaii while making Hawaii made products less competitive on the world market.

In addition, it appears that the proposed general excise and use tax exemptions are to be repealed to generate additional tax revenue. While the continuance of some of these exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions, it would impose an undue burden or cause businesses to structure transactions in an

inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same income, or it would mean imposing the tax on another tax or where superior law prohibits taxation.

Those exemptions of questionable existence were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contributions to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary.

Among those general excise tax exemptions which, if repealed, could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), and reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchants association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions which beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, cemetery associations (HRS 237-23), income of the blind, deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

The elimination of these exemptions may cause more inequities and problems. An examination and elimination of the tax credits would be a preferable method in the search for additional revenues.

The measure also repeals the sunset date of Act 196, SLH 2009. Act 239, SLH 2007, provided that amounts received by a submanager of an association of apartment owners of a condominium property regime or nonprofit homeowners or community association as reimbursement for payment of common expenses shall not be subject to general excise taxation. Act 239 also provided that the general excise tax shall not be applicable to amounts received by a timeshare association and by the suboperator of a hotel from a timeshare association or from the operator of the hotel that are disbursed for employee wages, salaries, payroll taxes, insurance premiums and benefits. While Act 239, SLH 2007, was scheduled to sunset on 12/31/09, Act 196, SLH 2009, extended this exemption until 12/31/10. This measure would make it permanent.

Another inconsistency in the bill is that while the general excise tax exemption for an affordable housing project is repealed for the duration of the bill, the measure restores the general excise tax exemption for county affordable housing projects but not for affordable housing projects certified by the state. It would seem that in its pursuit of more affordable housing, this is one exemption that should be reinstated.



February 16, 2010

Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Hearing:

4:30 P.M., Wednesday, February 17, 2010
Hawaii State Capitol, Room 308

RE: HB2878, Relating to Taxation

TESTIMONY IN STRONG OPPOSITION

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance, thank you for the opportunity to testify in strong opposition to HB2878, which would repeal certain exemptions under the general excise tax for nonprofit organizations.

The American Cancer Society Hawaii Pacific Inc. is a community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service. In addition the Society provides free of charge extensive patients support services that includes:

- The American Cancer Society's National Cancer Information Center (NCIC) is a nationwide help line open 24 hours a day, 7 days a week, that answers calls and e-mails from cancer patients, family members, friends of cancer patients, and others who have questions about cancer.
- Our Patient Navigator program is a collaborative program between the American Cancer Society and partners, such as hospitals, and cancer centers in Hawaii. Our Patient Navigator program helps patients, families, and caregivers navigate the many systems needed during the cancer journey. Our trained patient navigators link those dealing with cancer to needed programs and resources.
- Reach To Recovery (RTR) is a peer-support program that is designed to help women cope with their breast cancer experience.
- In addition the Society sponsors other cancer specific peer-support groups.

Over the last 50 year tens of thousands of cancer patients and their caregivers in Hawaii have availed themselves of our services. No has ever been turned away.

The Society does acknowledge that Hawaii is facing an economic downturn that could be protracted. We have tightened our belt just as many other organizations have. Over the last year we have been forced to lay off valuable employees and make do with less.

We feel compelled to point out that in the last 15 years the State of Hawaii has abrogated its responsibility for many direct services to nonprofit organizations. Our many nonprofit organizations have become Hawaii's safety net.

Nonprofits are tax-exempt because they provide for the social good. Nonprofits are able to provide these services more economically and efficiently than the state. Taxing them would add tremendously to their cost. Perhaps the state needs to look candidly at improving its own inefficiencies before taxing others.

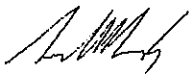
If passed, HB2878 will have far reaching consequences especially if income from donors, grants, contracts and income generating special events are taxed.

Our nonprofit based programs are vital to the well being of our residents. Our charity care provides medical care for the sick, food for the hungry, shelter for the homeless, transportation for elderly and disabled, and hope for everyone.

HB2878 is a very bad bill that will shatter our safety net. We urge the committee to hold this measure.

Mahalo for giving us the opportunity to provide testimony here today.

Very truly yours,



George S. Massengale, JD
Director of Government Relations

To: The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance

From: Laura Robertson, President/CEO
Goodwill Industries of Hawaii, Inc.

Date: February 17, 2010

Re: Testimony strongly opposed to H.B. 2878 – Relating to Taxation

Goodwill Industries of Hawaii, Inc. is strongly opposed to this measure which will repeal vitally important tax exemptions, including the nonprofit exemption, for the next five years. As the Hawaii general excise tax is a gross receipts tax, it would affect every incoming nonprofit dollar, not just net income after expenses.

The services that nonprofits, including Goodwill Industries of Hawaii, provide the community warrants the tax exemptions the State has provided for the past fifty years – since our organization began. Nonprofits have not been immune to funding cuts and the resulting staff level impacts. Yet, social service agencies have been asked to step up their service levels to the community. The number of people served through Goodwill's employment services programs increased by more than 20% last year. We believe that is due to the current economic conditions of our State. A quick media glance confirms this number is only going to increase. Our community continues to be challenged by economic forces beyond our control. The number of people who have been laid off from their jobs and are reaching out to Goodwill for help in finding another one is growing.

The government provides tax exemptions to nonprofits with the recognition that the nonprofits provide valuable services to the community. If we have to curtail services or make additional staff reductions to be able to afford to pay taxes we previously were exempt from, the people in our community will turn to the government for these services. Or worse, they will be forced to choose between buying food, paying their electric bill, or paying rent. Our beaches and parks are filling with the results of those choices. Now is not the time to limit a nonprofit's ability to serve the most vulnerable people in its community and help their families achieve or maintain self-sufficiency. For these reasons, Goodwill is strongly opposed to this bill.

Thank you for this opportunity to provide testimony on this matter.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819

Phone: (808) 848-2074; Neighbor Islands: 1-800-482-1272

Fax: (808) 848-1921; e-mail: info@hfbf.org

TESTIMONY

RE: HB 2878 RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

HFBB on behalf of our member farm and ranch families and organizations **opposes the portion of HB2878 deleting HRS 237-24.3** which provides at GET exemption for the loading, transportation and unloading of agricultural commodities produced in the State

GET exemption for interisland transportation of agricultural produce was put into place recognizing Hawaii's geographic disadvantage of being an island state. It recognized that population centers and agricultural production areas are separated by water and the GET exemption is a policy statement supporting farmer viability to help in Hawaii's self sufficiency. Beef/livestock production was not significant during its passage so livestock commodities were not included in the definition. Times have changed and local beef and other livestock products are beginning to be transported interisland. **HB2729 and SB2527 are in FIN and WAM Committees to provide parity within the industry utilizing this measure.**

This measure proposes to delete those very exemptions. During this time when costs with increased food safety and other regulatory requirements are increasing, this exemption is an offset to help keep farmers and ranchers viable.

HFBB respectfully requests your **reconsideration of the deletion of the HRS 237-24.3** as it relates to the loading, transportation and unloading of agricultural commodities produced in the State. Additional transportation costs borne by neighbor island farmers/ranchers can often make them very noncompetitive and keeping this exemption will help dampen this expenditure.

Thank you for this opportunity to provide our opinion on this matter. If there are any questions, please contact Luella Costales at 848-2074.

HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 702 Honolulu, Hawaii 96813

Phone: (808) 531-2198 Fax: (808) 534-1199

Web site: <http://www.hysn.org> E-mail: info@hysn.org

Alan Shinn, President

Judith F. Clark, Executive Director

Acadia Hawaii Residential Treatment Center (Formerly Children's Comprehensive Services)

Adolescent Services Program, Kaiser Permanente Medical Care System

Aloha House

American Civil Liberties Union of Hawaii
Assistive Technology Resource Ctr. of HI
Bay Clinic, Inc.

Big Brothers Big Sisters of Honolulu

Big Island Substance Abuse Council

Blueprint for Change

Bobby Benson Center

Catholic Charities Hawaii

Central Oahu Youth Services Assn.

Child and Family Service

Coalition for a Drug Free Hawaii

College Connections

Community Assistance Center

Domestic Violence Action Center

EPIC, Inc.

Family Support Services of West Hawaii

Foster Family Programs of Hawaii

Friends of the Missing Child Center of HI

Hale Kipa, Inc.

Hale 'Opio Kaula, Inc.

Hawaii Behavioral Health

Hawaii Foster Parent Association

Hawaii Student Television

Healthy Mothers Healthy Babies Coalition

Hina Mauka Teen Care

Hui Malama Learning Center

Kahi Mohala Behavioral Health

Kama'aina Kids, Inc.

KEY (Kua'oua-Heela Ecumenical Youth) Project

Kids Behavioral Health

Kids Hurt Too

Kokua Kailahi Valley

Life Foundation

Marimed Foundation

The Maui Farm, Inc.

Maui Youth and Family Services

Palama Settlement

P.A.R.E.N.T.S., Inc.

Parents and Children Together (PACT)

Planned Parenthood of Hawaii

Queen Liliuokalani Children's Center
Kona Unit

Salvation Army Family Intervention Svcs.

Salvation Army Family Treatment Svcs.

Sex Abuse Treatment Center

Sneannah Wesley Community Center

Turning Point for Families

Waikiki Health Center

Women Helping Women

YouthVision

YWCA of Kaula

February 17, 2010

To: Representative Marcus Oshiro, Chair
And members of the Committee on Finance

From: Judith F. Clark, MPH
Executive Director
Hawaii Youth Services Network

Testimony in Opposition to HB 2878 Relating to Taxation

Hawaii Youth Services Network, a statewide coalition of youth-serving organizations opposes HB 2878 Relating to Taxation.

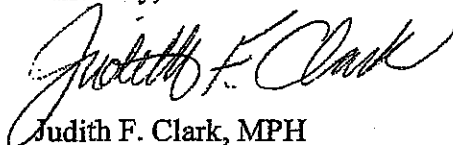
This bill would remove the exemption from excise taxes for all non-profit revenues except for gifts and donations. Even membership dues and service fees would be taxed.

Hawaii Youth Services Network opposes this bill because:

- Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs. Even nonprofit schools, which reduce state spending on education, would have to pay.
- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH
Executive Director

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 10:53 AM
To: FINTestimony
Cc: marla@hawaiiartsalliance.org
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Marla Momi Musick
Organization: Hawai`i Arts Alliance
Address:
Phone: (808) 533-2787
E-mail: marla@hawaiiartsalliance.org
Submitted on: 2/17/2010

Comments:

Hawai`i Arts Alliance opposes HB2878.

We have grave concerns about further burdens placed on arts and culture non-profits already suffering layoffs, cutbacks and closure.

Non-profits are already struggling to raise from individuals the necessary resources to bridge the gap in this economically challenging time. We fear this legislation would further dissuade unrestricted gifts, and other forms of support.

Here are some points to consider:

The Hawaii GET is a gross receipts tax, which means it would tap every dollar your nonprofit receives, except for gifts and donations, not just net income after expenses. Nonprofits would have to pay even if they are losing money.

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.

Even nonprofit schools, which reduce state spending on education, would have to pay. This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

Thank you for your consideration that the non-profit sector provides services that we need more now than ever, and need to be able to continue to deliver services with your help.

Marilyn Cristofori, CEO, Hawai`i Arts Alliance
Marla Momi Musick, Communications Director,
Hawai`i Arts Alliance

“Member of the Kennedy Center Alliance for Arts Education Network”; State Captains,
Arts Advocacy, Americans for the Arts



February 17, 2010

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair
House Committee on Finance

Liane Akana, Executive Director
Read To Me International Foundation
(808) 955-7600 or liane@readtomeintl.org

Testimony Against SB 2878, Relating to Taxation.

On behalf of Read To Me International, a Hawaii-based non-profit organization dedicated to promoting childhood literacy by encouraging parents and caregivers to read aloud daily to their children, I am testifying against SB 2878.

In recent years, non-profits such as ours have been hard hit by the nation's financial crisis and the resulting decrease in available funds through donations, private foundations and government grants and contracts.

During these tough times we have stepped up our efforts in fundraising and tightened our belts. We have diligently streamlined our operations and put off much needed large purchases and expenses. Because of such measures, we have been able to keep our doors open and continue providing services. However, our financial position is fragile at best, and should this bill become law and every dollar our nonprofit receives is taxed, except for gifts and donations, the result would be devastating. Further, because the Hawaii GET is a gross receipts tax, even if we were losing money, we would still be responsible for paying those taxes.

Hawaii's non-profits make-up a significant sector of the State's economy, accounting for approximately 7% of all wages paid in the state. Should this bill pass, the non-profit sector would suffer many casualties and its impact would be felt statewide in lost wages, rents, and purchases. But most importantly, over time much needed services would be cut back or lost.

During these tough times, I would urge the House Finance Committee and our lawmakers to look for ways to support non-profits so we can continue to meet the rising demand for services. Please do not pass SB 2878!



Testifier's Name: Sarah M. Richards
Committee: House Committee on Finance
Date/Time of Hearing: February 17, 2010, 4:30 p.m.
Measure: House Bill 2878
Committee is Requesting Two Copies

Dear Rep. Oshiro, Rep. Lee, and House Finance Committee Members:

I am Sarah Richards, President of the Hawaii Theatre Center and I appreciate the opportunity to testify in opposition to HB2878.

With the economic turndown of the past two years, all entities – non-profits, the State, the private sector, corporations – are struggling to cope with how to operate with considerably less revenue.

Exempting non-profits from paying GET tax has been a long-standing policy and it is appropriate given the nature and services which non-profits provide to the community. Without the services the non-profits provide to the general public, the State would be forced to assume some of these responsibilities or the public would go without. It is important to note that non-profits are really small businesses that contribute significantly to the economic condition of our State by hiring people, buying goods and services, and employing the services of the construction community, for example.

Repealing the GET exemption would be very harmful to the non-profits and really doesn't make for good public policy. Non-profits depend on contributions and with contributions already down and projected to go lower this is a double-dip incentive and compounds the problem for non-profits. In fact, the very imposition of GET tax can cause some organizations to be put out of business.

I believe the bottom line is that this bill, should it pass, would cause immeasurable harm to non-profits and really doesn't accomplish the purpose of trying to increase the State's revenue.

While I am sympathetic to the Legislature's plight of serious State budget issues, I believe it would be a mistake to try to accomplish increased revenue on the back of non-profits. I would be pleased to work with the Committee on how non-profits and the State government can work closely together to improve our economy and quality of life.

Sincerely,

Sarah M. Richards
President

cc: Lisa Maruyama, HANO

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 12:55 PM
To: FINTestimony
Cc: susana@mauiarts.org
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Susana Browne
Organization: Maui Arts & Cultural Center
Address: One Cameron Way Kahului, HI
Phone: 808-575-7454
E-mail: susana@mauiarts.org
Submitted on: 2/17/2010

Comments:

Non-profit arts organization are struggling to keep their doors opened in this difficult economy. Maui Arts & Cultural Center has already lost thousands of dollars that we depend upon to bring the arts to our Maui students. The state should be our partner, not our executioner. PLEASE DO NOT IMPOSE AN EXCISE TAX ON NON-PROFITS!

TESTIMONY

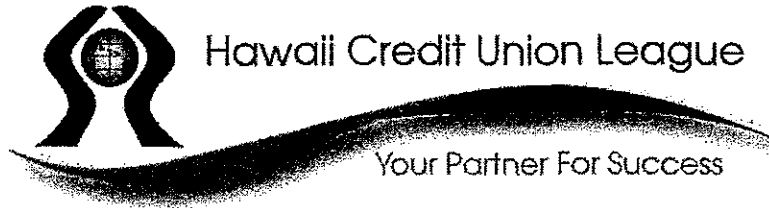
HB2878
RELATING TO TAXATION
Testimony Presented Before
The Finance Committee
February 17, 2009 @ 4:30pm in Conference Room 308
by
Kanoë Nāone, Ph.D. Chief Executive Officer

INPEACE **OPPOSES** this bill, particularly in regard to the repeal of taxation exemption on gifts and donations for non-profit/public service organizations. INPEACE humbly urges and requests the committee to prevent the bill from passing.

INPEACE is a non-profit status, public service organization that annually serves more than 2,400 children, parents and community members through its early childhood and workforce development programs on 5 different islands. The work of INPEACE over the past fifteen years has been extensive and progressive in Hawai'i, particularly within communities that would not otherwise have access to the services it provides. While INPEACE targets many of its services for the health and survivance of the Native Hawaiian communities, we also are heavily invested in statewide collaborations and partnerships because we believe in the holistic health and future of all of Hawai'i. Not only does INPEACE provide direct services through its early childhood education program, Keiki Steps, but also aims to build a culturally competent workforce by recruiting, training, and developing teachers from the very communities in which we serve.

The vision for INPEACE is to build long-term change and sustainable services to our communities; we know that financial efficacy and efficiency is of value to the longevity and health of our organization and ultimately, our communities. Without the generosity of our funders, INPEACE could not accomplish its work; each dollar is carried to its maximum capacity.

Non-profits such as INPEACE are dependent on the generosity of donors, and donations and gifts are maximized to extend the quality and excellence of our work. Every dollar matters to the work that we do—please leave public service organizations tax-exempt, including our donation and gift funds. While seemingly extraneous funds, public service organizations such as INPEACE maximize these funds toward the enhancement of our services and the good of our communities. The strength, vibrancy, and collaboration of Hawai'i's communities could not be possible without the work of its various, diverse and far-reaching public service organizations.



1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Web site: www.hcul.org
Email: info@hcul.org



Testimony to the House Committee on Finance
Wednesday, February 17, 2010 at 4:30 pm

Testimony in opposition to HB 2878, Relating to Taxation

To: The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice-Chair
Members of the Committee on Finance

My name is Stefanie Sakamoto and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 90 Hawaii credit unions, representing approximately 810,000 credit union members across the state. We oppose HB 2878, Relating to Taxation.

This bill would temporarily suspend the general tax exemption for the Hawaii Credit Union League, as outlined in section 9 of this bill.

The philosophy of credit unions has always been to first serve those of modest means. The loss of the credit union trade association tax exemption could potentially result in a significant reduction in resources to serve credit unions and their members. The ability of credit unions to offer low-cost services to members will be affected, should this legislation go through.

Thank you for the opportunity to testify.

The Twenty-Fifth Legislature
Regular Session of 2010

HOUSE OF REPRESENTATIVES
Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

State Capitol, Conference Room 308
Wednesday, February 17, 2010; 4:30 p.m.

**ADDENDUM TO THE
STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2878
RELATING TO TAXATION**

The ILWU Local 142 already submitted testimony with concerns about H.B. 2878. However, we wish to provide additional comments on the bill.

If we understand the bill correctly, it would appear that H.B. 2878 seeks to remove the exemption from the general excise tax for amounts received by labor unions for union dues. If that is the case, we believe this would be tantamount to an attack on labor unions in Hawaii.

Unions already are struggling in a bad economy. Our members are faced with furloughs, reductions in work hours and pay, concessions, and layoffs. Similarly, their unions are faced with financial issues of their own. Some unions have themselves had to lay off staff. Others have resorted to their own furlough days. Still others have had to increase union dues.

Taking away the tax exemption on union dues is adding insult to injury. Dues paid by union members do not constitute a business transaction but are provided to the union by members who are an integral part of the organization. In fact, interpretation of federal law distinguishes members, who *belong* to the union, from non-members, who pay fees for services rendered. Union dues should not be considered taxable income. *The ILWU vigorously opposes any effort to tax union dues.*

We urge you to consider our concerns as you deliberate on H.B. 2878. Thank you for accepting this addendum to our original testimony.

**HB 2878
RELATING TO TAXATION**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

FEBRUARY 17, 2010

Chair Oshiro and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB 2878, "A BILL FOR AN ACT RELATING TO TAXATION." We respectfully oppose this bill.

This bill repeals, until June 30, 2015, various general excise, use, and public service company tax exemptions. While we understand the fiscal constraints that the Legislature must deal with, we are concerned with the negative impact that this measure may have upon Hawaii's businesses, residents, and our economy. We anticipate that the repeal of these general excise tax exemptions will increase the costs of goods and services to the consumer. The pyramiding effects of the general excise tax may also increase impacts to the consumer. In addition, the increased costs that businesses are unable to pass on to the consumer due to contract or market circumstances may likely lessen financial margins for the business that may render the business to be less financially viable. Finally, we are concerned that this bill may negatively impact Hawaii's efforts towards economic recovery.

Based on the aforementioned we respectfully request that this bill be held in your Committee.

Thank you for the opportunity to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 7:37 AM
To: FINTestimony
Cc: sandy@meoinc.org
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Sandy Baz
Organization: Maui Economic Opportunity, Inc.
Address: 99 Mahalani St Wailuku
Phone: 808-249-2990
E-mail: sandy@meoinc.org
Submitted on: 2/17/2010

Comments:

This bill would hurt the efforts of nonprofit organizations to provide critical services to the community. Many nonprofits receive State dollars to provide services. If these were taxable, then the nonprofit would have to pay taxes on tax earned revenue. In addition, being a nonprofit, operating without a profit would mean that the nonprofit would have to charge the State more money to provide the services.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 7:59 AM
To: FINTestimony
Cc: fiscal@bisac.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Sandra Silva, CPA
Organization: Big Island Substance Abuse Council
Address: 135 Puuhonu Way Hilo, HI
Phone: 808-969-9994 x 822
E-mail: fiscal@bisac.com
Submitted on: 2/17/2010

Comments:

This proposed change to the general excise tax would effectively cripple many non profit agencies. We are currently operating at a loss, and could not sustain a general excise tax on our revenue. We are providing a much needed service (substance abuse treatment) our absence would cause far reaching damage in our community.



Hawaii Harbors Users Group

Gary North
Executive Director

Mar Labrador
Horizon-Lines, LLC
Board Chairman

Vic Angoco
Matson Navigation Company,
Inc.
Board Vice Chair

Douglas Won
Sause Bros., Inc.
Board Vice Chair

Glenn Hong
Young Brothers, Ltd./Hawaiian
Tug and Barge
Secretary/Treasurer

Grant Karamatsu
NCL America, Inc.

Richard Maxwell
Aloha Cargo Transport,
Division of Northland Services,
Inc.

Robert T. Guard
McCabe, Hamilton & Renny Co.,
Ltd.

Jeff Brennan
Hawaii Stevedores, Inc.

Lance Tanaka
Tesoro Hawaii Corporation

Stephanie Ackerman
The Gas Company

Eric Yoshizawa
Ameron Hawaii

Nate Lopez
Hawaiian Cement

Scott Vuillemot
American Marine

Steve Kelly
Kapolei Property Development

Captain Steve Baker
Hawaii Pilots
Associate Member

**HB 2878
RELATING TO TAXATION**

**MAR LABRADOR
CHAIR
HAWAII HARBORS USERS GROUP**

FEBRUARY 17, 2010

Chair Marcus Oshiro and Members of the House Committee on
Finance:

I am Mar Labrador, testifying on behalf of the Hawaii
Harbors Users Group (HHUG), on HB 2878, "A BILL FOR AN ACT
RELATING TO TAXATION."

The Hawaii Harbor Users Group (HHUG) is a non-profit
maritime transportation industry group comprised of the following
key harbor users: Matson Navigation Company, Horizon Lines,
LLC, Young Brothers/Hawaii Tug & Barge, Norwegian Cruse Line,
Sause Brothers Inc., Aloha Cargo Transport (ACT), Hawaii
Stevedores, McCabe Hamilton & Renny Stevedores, Hawaii
Superferry, Tesoro Hawaii Corporation, The Gas Company,
Ameron Hawaii, Hawaiian Cement, American Marine, Kapolei
Property Development, and the Hawaii Pilots Association.

While HHUG recognizes the need for the State of Hawaii to obtain additional income, the removal of the exemptions in the maritime area will markedly impact the cost of goods in the state because of the multiple levels of services that are required in the transportation process. This bill proposes to remove the exemptions that currently exist in §237-24.3(4) for amounts received or accrued from the loading or unloading of cargo; tugboat services including pilotage fees performed within the State; the towage of ships, barges, or vessels in and out of state harbors, or from one pier to another; the transportation of pilots or governmental officials to ships, barges, or vessels offshore; rigging gear; checking freight and similar services; standby charges; and use of moorings and running mooring lines. Moreover because of the complicated array of providers of maritime goods and services, the impact of the removal of these exemptions would be compounded. For example there could be three or more levels in which GET taxes are commonly assessed on the same services. This would occur in the situation in which exempt services are initially provided by independent companies to a stevedore, the stevedore company then provides and charges the carrier for the entire stevedoring services, and finally the carrier charges its customers for the total carriage, including the stevedoring services. Without the exemptions GET would be assessed at each level and the cost of the initial services would effectively be charged GET three times and the stevedoring, pilotage or other now exempt services would be charged GET twice.

The bill similarly proposes to remove the exemptions that currently exist in §237-24.3(1) for amounts received from the loading, transportation and unloading of agricultural commodities shipped for a producer or produce dealer on one island of this State to a person, firm organization on another island of this State. As with HRS §237-24.3(4), the impact of the removal of these exemptions may be compounded by multiple instances of taxation and, in addition, this new tax burden would be disproportionately borne by groups, i.e., neighbor island farmers and residents, that may already face the most difficult climbs out of the present recession.

The bill also proposes to remove the exemption §237-28.1 that applies to the gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade. The removal of this exemption would increase the cost of obtaining these services in Hawaii, which could result in a decrease in the demand for such work to be performed in Hawaii.

Since carriers cannot be expected to bear the cost of these additional taxes, tariffs would increase and as a result the cost of all goods purchased by consumers would increase to cover this expense. If this bill proceeds, HHUG urges that the bill be amended to preserve the current exemptions in the maritime area for stevedoring services; tugboat and towage services; pilot transportation, standby charges, loading, transportation and unloading of agricultural commodities, lines services and related services; and shipbuilding and ship repair services. Thank you for this opportunity to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 9:14 AM
To: FINTestimony
Cc: dsmatsunaga@hawaii.rr.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Doris Segal Matsunaga
Organization: Individual
Address: 98-897 D Kaonohi St Aiea, HI
Phone: 487-3439
E-mail: dsmatsunaga@hawaii.rr.com
Submitted on: 2/17/2010

Comments:

Please look at the overall economic and social impact of this measure. We cannot raise state's funds by shifting the burden to private non-profits who will then cut staff and services -- the state (all of us) will then pay for more people on unemployment, using ER services, CPS, police, courts, etc.

PETER L. FRITZ
414 KUWILI STREET, #104
HONOLULU, HAWAII 96814
TELEPHONE: (808) 532-7118
E-MAIL: PLFLEGIS@FRITZHQ.COM

**HOUSE OF REPRESENTATIVES
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2010**

**COMMITTEE ON FINANCE
Hearing February 17, 2010
Testimony on H.B. 2878
(Relating to Taxation)**

Chair Oshiro, Vice-Chair Lee and members of the Committee:

My name is Peter Fritz. I am an attorney specializing in tax matters. I am opposed the provisions in Section 9 and 10 which change the tax treatment of charitable organizations, as well as an exemption for the disabled individuals and veterans and Section 26 which changes the tax treatment of persons or veterans who are totally disabled.

Sections 9 and 10 of H.B 2878

- Section 9 would remove the exemption that charitable nonprofit organizations have under current law. The new tax treatment for charitable organizations appears in Section 10 which provides that only gifts and donations would be exempt from the General Excise Tax ("GET").
- Many charities perform services on behalf of State and local governments. The charities provide services to an underserved population.
- These charities receive grants from the federal and State government that are essential to funding their services. While these amounts are not taxed under current law, pursuant to the changes that would be made by this bill, grants from the federal, State or local government would be taxed at the full GET rate of 4%.
- This will result in a reduction in the amount of the services that can be provided because the charity would now have to pay taxes on grants and other income that was previously exempt. This reduction comes at a time when furloughs have reduced the amount of available State services.
- This change would have its greatest impact on the segment of society that has the greatest need for these services.

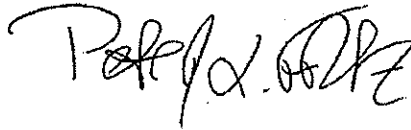
Testimony of Peter L. Fritz
H.B. 2878
February 17, 2010

- Exemption for the Disabled. This bill, in Section 10 removes the exemption for the first \$2,000 of gross receipts for an individual who is totally disabled.
 - The cost of a disabled veteran needing more assistance from the state because of the loss of the benefits will likely exceed any revenue gain.

Sections 26 of H.B 2878

- Section 26 of H.B. 2878 deletes HRS §237-17 which provides that disabled persons, such as veterans, are pay any GET on gross receipts or sales at the rate of $\frac{1}{2}$ of one percent instead of 4%.
 - Increasing the rate to 4.0% may create a burden on a disabled individual or veteran which will cause their business to fail. A failure would more likely than not result in their having to request assistance from government agencies.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read "Peter L. Fritz". The signature is written in a cursive, somewhat stylized font.

February 17, 2010

RE: TESTIMONY ON HB 2878

FROM: Marsha Schweitzer

Nonprofit Affiliations: Secretary-Treasurer, Musicians Association of Hawaii, Local 677 American Federation of Musicians; Secretary and Manager, Live Music Awareness; Administrator, Mohala Hou Foundation; Management Consultant, Chamber Music Hawaii; musician, the former Honolulu Symphony and various other nonprofit music presenters

TO: COMMITTEE ON FINANCE

HEARING: Wednesday, February 17, 2010, 4:30 P.M., Conference Room 308, State Capitol 415 South Beretania St.

The public policy rationale for the existence of nonprofit organizations means that nonprofits do the work that would normally be done by government – social welfare, environmental protection, the arts. Nonprofit organizations, like government, are meant to serve the public good and make their services available to all the people at an affordable price. To remove any of the tax exemptions provided to nonprofit organizations by government would only make sense if government taxed itself.

Exemption from various taxes allows nonprofits to make their services available to the public at a price that is affordable for the vast majority of citizens. These organizations pass on that tax savings in the form of discounted prices to the public that benefits from their services. If GET exemption were removed, nonprofits would find it necessary, as in any other business, to pass on their General Excise Tax liability to those who purchase their services. Often those receiving such services are among the least able to pay increased prices.

Please consider not only the deleterious effect that repeal of GET exemption would have on already-struggling nonprofit organizations, but also on the struggling public that needs the services that these organizations provide. Vital services to the public could become too expensive for those who need them most. Some organizations could die, and with them, the vital services that they provide – forever – thus increasing the burden on government to provide those services.

The long-term damage that could be done by repealing the GET exemption far exceeds any short-term benefit from increased income to the State.

Aloha,
Marsha Schweitzer

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 5:43 AM
To: FINTestimony
Cc: gottlieb@hawaii.rr.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Alan Gottlieb
Organization: Hawaii Cattlemen's Council
Address:
Phone: 808-306-7769
E-mail: gottlieb@hawaii.rr.com
Submitted on: 2/17/2010

Comments:

This exemption for Agricultural Products from the General Excise Tax is one small piece of the puzzle which keeps our Agricultural industry alive. Every measure which makes it more expensive to grow things for our people in Hawaii, drives us one step closer to total dependency on imports to feed the people of Hawaii.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 9:32 AM
To: FINTestimony
Cc: lrumstead@yahoo.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Linda Umstead
Organization: Individual
Address: Ualalehu Mililani, HI
Phone: 808 623-6497
E-mail: lrumstead@yahoo.com
Submitted on: 2/17/2010

Comments:

It seems that while the government has turned to nonprofits to fill the void left by their budget deficits, they still think it is OK to add a tax to their already heavy burden. This is called killing the golden goose. Be reasonable! Please don't tax nonprofit organizations. They are already struggling mightily to help those left behind by the government itself.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 12:49 PM
To: FINTestimony
Cc: awapuhi1@hawaiiantel.net
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Karen A. Fischer
Organization: Individual
Address: 661 Kilihau St. Wailuku
Phone: 808-283-7007
E-mail: awapuhi1@hawaiiantel.net
Submitted on: 2/17/2010

Comments:

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, PUBLIC SERVICE COMPANY; Exemptions and exclusions; exempt amounts received by submanager and suboperator

BILL NUMBER: HB 2878

INTRODUCED BY: Say

BRIEF SUMMARY: Amends HRS section 237-23 to repeal the following general excise tax exemptions granted to: (1) fraternal benefit societies, orders or associations which provide payment of death, sick, accident, prepaid legal services, or other benefits to its members; (2) corporations, associations, trusts or societies organized for charitable, scientific, or education purposes including the operation of senior citizen housing facilities, operation of a prepaid legal services plan, operation of a homeless facility; (3) business leagues, chambers of commerce, boards of trade, agricultural and horticultural organizations; (4) hospitals, infirmaries, and sanitarium; (5) cooperative associations incorporated under HRS chapter 421 or IRC code section 521; (6) corporations, companies, associations, or trusts organized to establish cemeteries; and (7) nonprofit shippers associations.

Amends HRS section 237-24 to repeal the general excise tax exemption for: (1) the first \$2,000 received by any blind, deaf, or totally disabled person; and (2) amounts received by a producer of sugarcane from the manufacturer. Also proposes a general excise tax exemption for amounts received as a gift or donation by a: (A) fraternal benefit society, order, or association; (B) corporation, association, trust, or society organized and operated exclusively for charitable, scientific, or educational purposes; (C) business league, chamber of commerce, board of trade, civic league, agricultural or horticultural organization, and organization operated exclusively for the benefit of the community and for the promotion of social welfare; (D) hospital, infirmary, or sanitarium; (E) cooperative associations; or (F) corporation, company, association, or trust organized for the establishment and conduct of a cemetery.

Amends HRS section 237-24.3 to repeal the general excise tax exemption for: (1) amounts received from the loading, transportation and unloading of agricultural commodities; (2) amounts received for the sale of liquor, cigarettes and tobacco products, and agricultural, meat or fish products to any person or common carrier in interstate or foreign commerce; (3) amounts received for the unloading of cargo, tugboat service, or pilots to ships or barges; (4) amounts received for the sale of prescription drugs and prosthetic devices; (5) dues received by an unincorporated merchants association; (6) amounts received by a labor organization for the leasing of real property; (7) amounts received from the rental or leasing of aircraft or aircraft engines used for interstate commerce.

Amends HRS section 237-24.7 to repeal the general excise tax exemption for: (1) amounts received as compensation by community organizations, school booster clubs and nonprofit organizations under a contract with the chief elections officer for the provision of services; (2) amounts received as grants under HRS section 206M-15.

Amends HRS section 237-27 to repeal the exemption of certain petroleum refiners and impose a tax of 0.5% on the gross income derived from the sale of petroleum products.

Amends HRS 237-29.55 to repeal the general excise tax exemption on the sale of tangible personal property imported for resale and provide that such transaction shall be subject to the 0.5% wholesale rate.

Amends HRS section 238-1 to repeal the use tax exemption for: (1) the leasing or renting of aircraft used in interstate air transportation; (2) the use of oceangoing vehicles for passengers or goods within the state; (3) the use of material, parts, or tools imported or purchased for aircraft service and maintenance or the construction of an aircraft maintenance facility; (4) the use of services or contracting imported for resale for use outside the state.

Amends HRS section 238-3 to repeal the use tax exemption for: (1) the sale of liquor, cigarettes and tobacco products imported into the state and sold to any person or common carrier in interstate commerce; (2) vessels constructed under a large fishing vessel loan program of DBEDT prior to July 1, 1969; and (3) an air pollution control facility exempted under the general excise tax.

Amends HRS section 349-10 to delete the stipulation that proceeds earned from the annual senior citizen's fair are a casual sale.

Amends Act 239, SLH 2007, as amended by Act 196, SLH 2009, to delete the December 31, 2010 sunset date.

Makes conforming amendments to HRS sections 235-110.7, 237-1, 237-4, 237-21, 237-22, 246-34.5, 356-129, 421H-4, Act 70, SLH 2009, and Act 141, SLH 2009.

Permanently repeals the following general excise tax exemptions:

- (1) HRS section 201H-36;
- (2) HRS section 237-16.8 - certain convention, conference, and trade show fees;
- (3) HRS section 237-17 - persons with impaired sight, hearing, or totally disabled;
- (4) HRS section 237-24.5 - stock exchanges;
- (5) HRS section 237-24.9 - aircraft service and maintenance facility;
- (6) HRS section 237-26 - exemption of certain scientific contracts with the U.S.;
- (7) HRS section 237-27.5 - air pollution control facility;
- (8) HRS section 237-28.1 - exemption of certain shipbuilding and ship repair business;
- (9) HRS section 237-29 - exemptions for certified or approved housing projects;
- (10) HRS section 237-29.5 - exemption for sales of tangible personal property shipped out-of-state;
- (11) HRS section 237-29.53 - exemption for contracting or services exported out-of-state; and
- (12) HRS section 237-29.8 - call centers, exemption; engaging in business.

Permanently repeals the following public service company tax provisions:

- (1) HRS section 239-6.5 - tax credit for lifeline telephone service subsidy;
- (2) HRS section 239-11 - exemption for certain contract carriers; and
- (3) HRS section 239-12 - call centers, exemption, engaging in business;

Amends HRS section 46-15.1 to repeal the general excise tax exemption for county projects that provide low and moderate income housing projects.

Amends HRS section 209E-11 to provide that no general excise tax exemption shall be granted for: (1) any qualified business that begins operation in an enterprise zone after June 30, 2010; (2) a contractor who performs work for any qualified business that begins operation in an enterprise zone after June 30, 2010; or (3) a contractor who performs work after June 30, 2010 for any qualified business.

This act shall be repealed on June 30, 2015; provided that HRS sections 46-15.1 (re-enacts general excise tax exemption for county housing projects but deletes the award of affordable housing credits for homes built on Hawaiian Homes Lands), 209E-11, 235-110.7, 237-1, 237-4, 237-21, 237-22, 237-23, 237-24, 237-27, 237-29.55, 238-1, 238-3, 246-34.5, 349-10, 356D-129, 421H-4, amended by this act shall be reenacted in the form in which they read on the day prior to the effective day of this act. The amendment to Act 239, SLH 2007, as amended by Act 196, SLH 2009, shall be repealed.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure attempts to broaden the general excise tax base by repealing numerous exemptions including the broad-based exemption for not-for-profit organizations with the exception of religious organizations. It does retain the exempt for recognition of gifts and donations to not-for-profit organizations, but it subjects income that would be received for services and products provided by these not-for-profit organizations. It should be remembered that many of these organizations are conferred with tax-exempt status by both the federal and state income tax laws because they are recognized as providing a public good or service that government would otherwise have to provide which includes everything from scientific research to child protective services to affordable housing to medical services. Because these organizations are not burdened with the bureaucracy found in government, they can often provide these goods and services much more efficiently and at a lower cost that government can. Thus, the tax exempt status recognizes that if burdened with the payment of taxes, those goods and services would either come at a much higher cost or the delivery would be at a far lower quality. Thus, it makes no sense to impose the general excise tax on the gross receipts of the not-for-profit organizations in turn for a lesser tax rate as many of these organizations will go out of business.

Lawmakers should remember that the general excise tax is a tax on gross receipts and not on net income, so a company, or in this case a not-for-profit organization, pays the tax without regard for costs and expenses incurred for the goods or services provided.

While some of the other exemptions, such as for scientific contracts, may seem plausible targets for repeal, care should be exercised as to unintended consequences if repealed. For example, the exemption for stevedoring activities was enacted with the thought that if the general excise tax was imposed on those activities the cost of everything brought in or sent out of the state would be that much more expensive, increasing the cost of living in Hawaii while making Hawaii made products less competitive on the world market.

In addition, it appears that the proposed general excise and use tax exemptions are to be repealed to generate additional tax revenue. While the continuance of some of these exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions, it would impose an undue burden or cause businesses to structure transactions in an

inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same income, or it would mean imposing the tax on another tax or where superior law prohibits taxation.

Those exemptions of questionable existence were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contributions to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary.

Among those general excise tax exemptions which, if repealed, could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), and reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchants association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions which beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, cemetery associations (HRS 237-23), income of the blind, deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

The elimination of these exemptions may cause more inequities and problems. An examination and elimination of the tax credits would be a preferable method in the search for additional revenues.

The measure also repeals the sunset date of Act 196, SLH 2009. Act 239, SLH 2007, provided that amounts received by a submanager of an association of apartment owners of a condominium property regime or nonprofit homeowners or community association as reimbursement for payment of common expenses shall not be subject to general excise taxation. Act 239 also provided that the general excise tax shall not be applicable to amounts received by a timeshare association and by the suboperator of a hotel from a timeshare association or from the operator of the hotel that are disbursed for employee wages, salaries, payroll taxes, insurance premiums and benefits. While Act 239, SLH 2007, was scheduled to sunset on 12/31/09, Act 196, SLH 2009, extended this exemption until 12/31/10. This measure would make it permanent.

Another inconsistency in the bill is that while the general excise tax exemption for an affordable housing project is repealed for the duration of the bill, the measure restores the general excise tax exemption for county affordable housing projects but not for affordable housing projects certified by the state. It would seem that in its pursuit of more affordable housing, this is one exemption that should be reinstated.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Date: Wednesday, February 17, 2010 10:22 AM
To: FINTestimony
Cc: skillman@hawaii.edu
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM
Attachments: NAI_full_report_optimized.pdf

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Teri Skillman
Organization: Individual
Address: 3176 East Manoa Rd. Honolulu, HI 96822
Phone: 389-4462
E-mail: skillman@hawaii.edu
Submitted on: 2/17/2010

Comments:

Non-profit arts organizations in Hawaii have been seriously shaken by the economic crisis. Directors of small non-profits have lost their jobs, e.g., Lyman Museum in Hilo, and will subsequently lose their accreditation with the American Museums Association because they do not have a full time, qualified director. The purpose of terminating the director's position and stepping down to volunteer run museum was to save money.

This is just one instance in Hawaii. There are many others and HB2878 along with the loss of funding for art in public places will have an irrevocable, damaging effect on the nonprofit arts organizations for our state.

The Hawaii GET is a gross receipts tax on every dollar a nonprofit receives, except for gifts and donations, not just net income after expenses. Nonprofits would have to pay the tax even if they are losing money.

Nonprofits are tax-exempt because they provide a social good that government would otherwise, in theory, have furnish, such as caring for the mentally ill. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing the nonprofit would add tremendously to their costs and would reduce the services that they can provide the public.

Even nonprofit schools such as Hawaiian Charter Schools, that reduce state spending on education, would have to pay the tax.

This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

Support for the Arts and artists is at an all time low. According to the National Arts Index, conducted over four and a half years, the first study of the health and vitality of the arts industry in the United States looked at seventy-six indicators in nine categories to provide at a decade-long view of trends in arts philanthropy, participation, and creativity as well as the relationship of the arts to other areas of American life, including employment and education. The measures include capacity and infrastructure, participation, contributed support, employment, nonprofit, creativity, demand for arts education, arts business, and competitiveness.

Please read the attached National Arts Index report to get a better understanding of the importance of the arts nonprofits for our local community.

As a musician, dancer and arts coordinator, I very strongly oppose HB2878.

Sincerely,
Teri L. Skillman

NATIONAL ARTS

2010
An Annual Measure of the Vitality of Arts and Culture in the United States



50 YEARS
AMERICANS
for the
ARTS
1960 - 2010

The logo features a stylized, black, five-pointed star with a horizontal line passing through its center. The points of the star are elongated and curved, giving it a dynamic, artistic feel.

National
ArtsIndex
2009

An Annual
Measure
of the Vitality
of Arts and Culture
in the United States

ROLAND J. KUSHNER,
MUHLENBERG COLLEGE

RANDY COHEN,
AMERICANS FOR THE ARTS

Introducing The National Arts Index

Robert L. Lynch, President & CEO, Americans for the Arts

What a difference a half century of support for the arts makes. When Americans for the Arts was established 50 years ago, in 1960 . . .

there was no National Endowment for the Arts nor the \$5 billion in arts funding it has since invested over the years in the arts in America . . . Today's billions in corporate arts contributions was so small that it was listed among "other" in philanthropy reports . . . Fifty years ago, 13,000 bachelor's degrees were conferred in the visual and performing arts—70,000 fewer than in 2008 . . . There were less than 7,000 nonprofit arts organizations—compared to 104,000 today . . . We had just one-third of the 1,750 TV channels that we have today . . . The Library of Congress received 70,000 copyright registrations for musical compositions; today's annual figure of 131,000 is nearly twice that . . . There were just over 20,000 photography businesses in the entire U.S.—today we count that many in California . . . Five state arts agencies have blossomed to 50, and 400 local arts agencies to 5,000 . . . and who could have imagined technology would enhance art forms and create new ones—opera simulcasts, YouTube as a distribution network for concert music, or sports stars dancing in competitions on TV?

Broad measures and provocative anecdotes such as these paint an expansive picture of how the arts have grown. Yet, the arts are far from adequately represented through the kind of rigorous national research effort needed by the public, policy makers, and scholars to track their progress and public effectiveness.

Why measure? If something is important to us, we want to know as much as we can about it—progress and problems, how much of it there is, and how it is changing over time. That is why we set out to create a single indicator system that measures the health and vitality of the arts—similar to how United Way of America tracks "Goals for the Common Good" or The Conference Board tracks consumer confidence—a tool to stimulate public dialogue about the value of the arts as well as improve policy and decision-making.

The National Arts Index

After four years of research and development, I am pleased to announce a breakthrough for the arts: The National Arts Index. The Index is a highly-distilled annual measure of the health and vitality of arts in the U.S. using 76 national-level indicators of arts and culture activity. This report covers an 11-year period, from 1998 to 2008. This National Arts Index encompasses one of the largest collections of data on arts and culture in the U.S. ever assembled. The information has been gathered from reputable government and private sector sources and covering multiple industries—nonprofit and for-profit arts organizations, artists, funding and investment, employment, attendance and personal creation, and much more.

Readers can compare the 76 indicators and draw their own conclusions about the state of the arts, but as a comparative measure we have averaged all 76 indicators, which gives us a single number we can compare from year to year. As a baseline, we chose the year 2003 and set it at the number 100.

The 2008 National Arts Index score is 98.4, a decline of 4.2 points from its 2007 score of 102.6 (2003=100). A score of 105.5 would return the Index to its highest point, measured in 1999. In addition to a single summary score, we can track many themes and trends:

- 1. The arts follow the business cycle.** The arts respond to the booms and busts of the nation's economy. Based on past patterns, we estimate that an arts rebound will begin in 2011.
- 2. Demand for the arts lags supply.** Between 1998 and 2008, there was a steady increase in the number of artists, arts organizations, and arts-related employment. Nonprofit arts organizations alone grew in number from 73,000 to 104,000 during this span of time. That one out of three failed to achieve a balanced budget even during the strongest economic years of this decade suggests that sustaining this capacity is a growing challenge, and these gains are at risk.

3. How the public participates in and consumes the arts is expanding. Tens of millions of people attend concerts, plays, opera, and museum exhibitions, yet the percentage of the U.S. population attending these arts events is shrinking, and the decline is noticeable. On the increase, however, is the percentage of the American public personally creating art (e.g., music making, and drawing). Technology is changing how Americans experience the arts and consumption via technology and social media is also up.

4. The competitiveness of the arts is slipping. The arts, in many ways, are not stacking up well against other uses of audience members' time, donor and funder commitment, or spending when compared to non-arts sectors.

Many of us have experienced the realities these figures indicate. Only now, however, do we have the research to underscore our observations on a national scale, to track if conditions improve or worsen, and gauge the effectiveness of remedial efforts designed to strengthen the arts. We will publish Index updates every October, during the annual National Arts and Humanities Month.

A Time of Opportunity

The current economic crisis offers a unique and important opportunity to begin a national conversation about how we value the arts, as individuals, communities, and a nation. We need to rethink a nonprofit arts sector that has experienced drastic growth and success, yet in many ways remains tethered to support models that have remained unchanged for a half century.

- **How do we build greater demand for the arts? Declines in audience and the market share for some parts of the arts can only be reversed by greater engagement by citizens. Renowned violinist Isaac Stern said, "If nobody wants to go to our concert, nothing will stop them." Ample supply of the arts is only one part of the equation.**
- **Can the capacity issues be addressed by broadening the business structure opportunities beyond the 501(c)(3) using incubators, shared services and spaces, or better use of existing venues?**
- **Are public and private sector funders ready to embrace more fitting funding models for a new competitive world? Do funders need to examine their role in the arts and consider how arts programs need to be validated by the audience as well as by the institution?**
- **How do we help arts organizations—nonprofit, for-profit, and volunteer alike—who have much in common take advantage of their shared circumstances in the form of collaborations?**

The National Arts Index establishes an enormous opportunity to begin a conversation about the arts and their value to communities—one that is more considered and lacks the fervor often associated with the typical impetus for such conversations ("Funding cuts!" or "Public art controversy!"). It provides a common currency of language, a way for more people to talk about the health and vitality of the arts using similar information and similar terms. The National Arts Index makes it easier to talk in an informed manner about why change is occurring, where things are going in the future, and how the arts can stay vital.

As Americans for the Arts celebrates its 50th anniversary in 2010, we will use the findings from the National Arts Index and tackle these paradigm-changing questions. We will spend our 50th year listening and learning by travelling to communities across the country, hosting national-level conferences to exchange ideas, and engaging not just the artists and arts leaders, but a host of local, state, and national leaders from other sectors aimed at shaping a positive future for the arts in America.

I am grateful to the Rockefeller Foundation, Henry Luce Foundation, The Kresge Foundation, and the Ruth Lilly Trust for their support of this work and creating the opportunities made available by our new National Arts Index. At last we have the national-level longitudinal trends of meaningful data that will enable us to track and talk about the health and vitality of the arts in America. Let the conversation begin!

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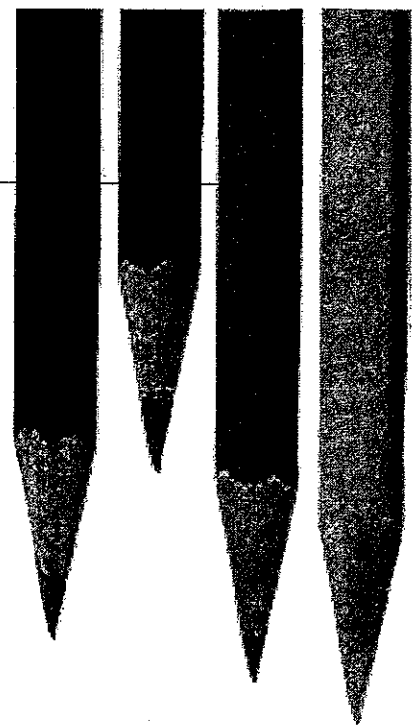


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Chapter 1. Overview and Major Findings

The arts are deeply embedded in America's society, economy, and everyday life. The presence of arts and culture is seen in the more than two million working artists, 100,000 nonprofit arts organizations and 600,000 more arts businesses, hundreds of millions of consumers and audiences, and billions of dollars in consumer spending. Given its significance to American life, the vitality of the arts and culture system is a matter of continuing interest, and good information about the condition of the arts is a critical element of that interest. There are many individual measures of artists, markets, and audiences that are used to track aspects of the arts industries, but very few on the whole arts system, and they are intermittent. This report addresses that gap by assembling a wide range of indicators about the arts into a single annual measure, the **National Arts Index**.

The National Arts Index, created by Americans for the Arts, is a highly-distilled annual measure of the health and vitality of arts in the U.S. using 76 equal-weighted, national-level indicators of arts and culture activity. This report covers an 11-year period, from 1998 to 2008. Similar to reports such as The Conference Board's tracking of consumer confidence or United Way's *Goals for the Common Good*, the National Arts Index views the arts as a dynamic system and provides reliable longitudinal information. The National Arts Index is unique when compared to other arts data systems in its scope, amount of data it presents, and annual publication. With easy-to-read tables, graphs, and analysis of five- and ten-year trends in the arts, the Index is a tool to stimulate public dialogue about the value of the arts as well as improve policy and decision-making.

Summary

The 2008 National Arts Index score is 98.4, sinking 4.2 points from its 2007 score of 102.6 (2003=100). The 2007 Index score of 102.6 was a 2.6 percent increase over the four years from 2003. A score of 105.5 would return the index to its highest point, measured in 1999. While the arts industries in the U.S. have become increasingly creative and the number of working artists and arts organizations is growing, audience demand has failed to keep pace—causing the National Arts Index to drop to its lowest level in the 11 years tracked by Americans for the Arts.

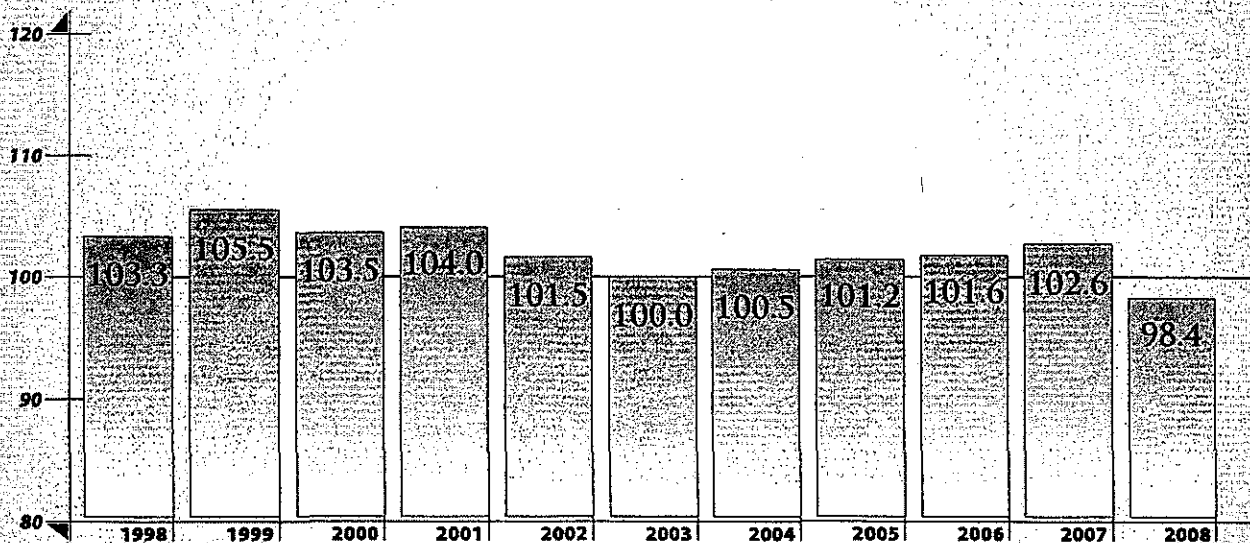


Figure A. National Arts Index 1998-2008 (2003 = 100.0)

The National Arts Index was strongest in the late 1990s and dipped following the recession in the early 2000s. It inched back between 2004 and 2007—though failed to regain its 1990s levels—before dropping again in 2008 during the recession. Every year is a mix of individual indicators that are either increasing or decreasing. In 2007, more than half of the indicators rose from the previous year, while just one-third increased in 2008.

There is no uppermost index score, though higher is better. A score of 125 would convey that arts and culture are more highly valued as a fundamental component of society than during the past decade—characterized by strong financial health, ample capacity, innovation, vigorous participation, and a vital competitive position in American society.

What's Treasured is Measured

If something is important and vital, we want to know how much of it there is and how it is changing. We want to measure it and track it over time, as people do with their weight and income. The arts are a fundamental component of a healthy society, based on virtues that touch the individual, community, and the nation—benefits that persist even in difficult social and economic times:

- **Aesthetics:** The arts create beauty and preserve it as part of culture
- **Creativity:** The arts encourage creativity, a critical skill in a dynamic world
- **Expression:** Artistic work lets us communicate our interests and visions
- **Identity:** Arts goods, services, and experiences help define our culture
- **Innovation:** The arts are sources of new ideas, futures, concepts, and connections
- **Preservation:** Arts and culture keep our collective memories intact
- **Prosperity:** The arts create millions of jobs and enhance economic health
- **Skills:** Arts aptitudes and techniques are needed in all sectors of society and work
- **Social Capital:** We enjoy the arts together, across races, generations, and places

For these reasons, it is important to understand how the arts thrive and remain healthy, enabling them to deliver these valuable benefits. It is this health and ability to sustain itself over time that we refer to as the "vitality" of arts and culture.

Transforming Complexity to Simplicity

The difficulty faced by most individuals—even those within the arts—is synthesizing many sets of data into a concise, cogent portrayal of the arts. Indicators (from the Latin *indicare*—meaning to announce, show, or point out) are statistical measures that, quite simply, help people understand how things change over time (outputs, opinions, operations). Indicators are not one-time snapshots of current conditions. Rather, they are a systematic data collection initiative that is conducted regularly over time.

One need not look far to appreciate the ubiquitous presence of indicators in our society. In other areas of broad social interest, like the stock market or the overall economy, there are standard measures that provide a common language and understanding. If someone says that the "Dow" is going up or down, or that Gross Domestic Product (GDP) is rising or falling, we understand that these are broad measures of stock market performance or overall economic strength. Indicators are well understood and respected by public and private sector leaders as well as by ordinary citizens. They compress large amounts of data into one number that is calculated the same way every day (the Dow) and every year or calendar quarter (the GDP), making it easy to compare performance between time periods. The National Arts Index provides an annual measure of the arts with these same qualities, at annual intervals.

The National Arts Index offers an enormous opportunity to begin a conversation about the arts and their value to communities. It provides a "common currency of language," a way for more people to talk about the arts using similar information and similar terms. By offering a consistent way to measure change over time, the Index makes it easier to talk about why change is occurring, where things may be going in the future, and how the arts can stay vital.

Benefits of Indicators

Communications: Indicators represent a language that is well understood and respected by community leaders. They transform complex information into communication tools that can be readily understood by policy makers and the public.

Evaluation: Indicators enable decision makers to assess progress toward explicitly stated values and goals. Longitudinal data is a marker for results-based accountability, performance standards, and other statistical tracking endeavors.

Policy Development: Reliable trend data play an important role in informing policy makers about community needs and contributing to improved programs.

A Foundation for Decision Making: A solid foundation of awareness about trends can give decision makers the confidence to take next steps and set goals. Indicators can provide early warnings—scanning the environment for emerging opportunities and crises (e.g., budget deficits vs. surpluses).

Community Dialogue: Some people simply like to be informed about the state of their community and how and why it's changing. Indicators provide a common currency of language among funders, policy makers, and industry professionals. They improve the quality of the public dialogue about the arts and culture by providing understandable quantitative components to what is often a visceral discussion.

Planning and Forecasting: Access to consecutive years of data about one or more specific areas make it easier to forecast the future path of activity in that area.

Building Partnerships: Developing indicators collaboratively can provide arts leaders with a better understanding of the values that drive the community—and how to incorporate the arts into that value system. Indicators help non-arts leaders better understand the value of the arts as a core element of their community which in turn can lead them to become more effective advocates for public support and better partners.

Arts and Culture: An Interdependent System of Industries

While the use of the term “the arts” is common, there is no single arts “industry.” The arts are, in fact, composed of millions of artists, hundreds of thousands of businesses, tens of thousands of nonprofits, and numerous government agencies and programs at every level, involving paid staff and volunteers. Artists work not only as sculptors, musicians, and poets, but also in automobile design, advertising, and video game animation. Arts organizations include theaters, symphonies, and museums as well as design, architecture, and publishing companies.

Adding to this complexity is the interdependence of these efforts. For example, while some artists are independent, they may depend on arts facilities in which to exhibit their work and audiences to purchase it. Philanthropic giving is a whole area of study, as is how arts organizations turn contributions into products and experiences to be consumed by an audience. Thus, the National Arts Index measures not just a single industry, but rather an entire interdependent system of arts industries. Some of the many elements captured in this system include personal creation, arts education, personal spending on the arts, private and public funding to the arts, attendance at performing arts events, museum visitation, the arts labor market, money flowing into arts and culture, arts retailers, technological effects of the arts, and more.

Context matters. The nation is constantly changing in ways that affect the arts. Some indicators in this report are adjusted to account for the effects of broad national change factors, such as population growth, in order to distinguish changes in the arts from shifts that affect all business sectors. For example, attendance at public performances is considered not solely as total numbers, but also as a share of the ever-growing U.S. population. If total attendance at a particular art form increases at a rate of 0.5 percent per year—while total population grows at a 1 percent rate—then that art form is effectively losing ground. That is, even though attendance numbers may be up, a shrinking portion of the population is attending. Reporting both the number of people attending as well as the population share provides a more broadly informative measure of activity.

- **The U.S. population grew by 34 million people from 1998 to 2008, an increase of 13 percent. Additionally, the population became more diverse, older, and clustered in metropolitan areas.**
- **Real Gross Domestic Product (GDP), a widely used measure of the economy that takes inflation into account, increased by 29 percent from 1998 to 2008, even with the steep drops between 2000 and 2002. Thus, the arts in that time period had access to an expanding economy.**

- Inflation has a powerful effect when examined over the past 11 years. While small in each individual year, it totals 32 percent between 1998 and 2008. This creates a decline in purchasing power that puts pressure on the arts to produce for more people at a progressively higher cost. For this reason, almost all financial indicators in this report are in “constant” dollars with a base of 2003.

Ten Key Findings from the National Arts Index

The overall National Arts Index score is only one of the big stories in this report. The accompanying detail supporting that score is another rich source of data and perspectives on the arts fields. Following are ten “sub-stories” from the Index—decade-long views illustrating trends in philanthropy, participation, and creativity as well as the relationship of the arts to other areas of American life, such as employment and education. They highlight the years from 1998 to 2007, and provide initial estimates for 2008. Since the purpose of the National Arts Index is to promote discourse about the arts, we offer several questions about each of these findings as a means to stimulate dialogue. (Additional detail on the specific indicators used in these views can be found in Appendix F.)

For those seeking a systems-based approach to analyzing the Index, Chapter 2 of this report presents the 76 indicators as components of a comprehensive system called the “Arts and Culture Balanced Scorecard.” This model groups the 76 indicators into four components: financial flows, capacity, participation, and competitiveness. Finally, the 76 individual indicators have their own compelling story. One-page reports about each of them—data, vintage, index score, and interpretation—are presented in chapters 3-6.

1. The arts follow the business cycle.

In general, the arts are responsive to changes in the economy, both positive and negative. This is not surprising, as the U.S. arts industries are composed of nearly 700,000 businesses, 2.24 million artists in the workforce, and count on billions in consumer spending. Thus, the arts are subject to the booms and busts that the whole economy experiences. The National Arts Index was strongest in the late 1990s and dipped following the recession in the early 2000s. It inched back between 2004 and 2007—though failed to regain its 1990s levels—before dropping again in 2008 during the recession. As there is no one single arts industry, at any given time some sectors of the arts are thriving while others falter. Motion pictures, for example, have historically done very well in a down economy. In 2007, more than half of the indicators rose from the previous year. In 2008, however, just one-third increased. Based on past patterns, including lags between overall economic changes and the fortunes of the arts, the arts may not “hit bottom” until 2011.

2. The number of artists and arts organizations has grown steadily over the past decade.

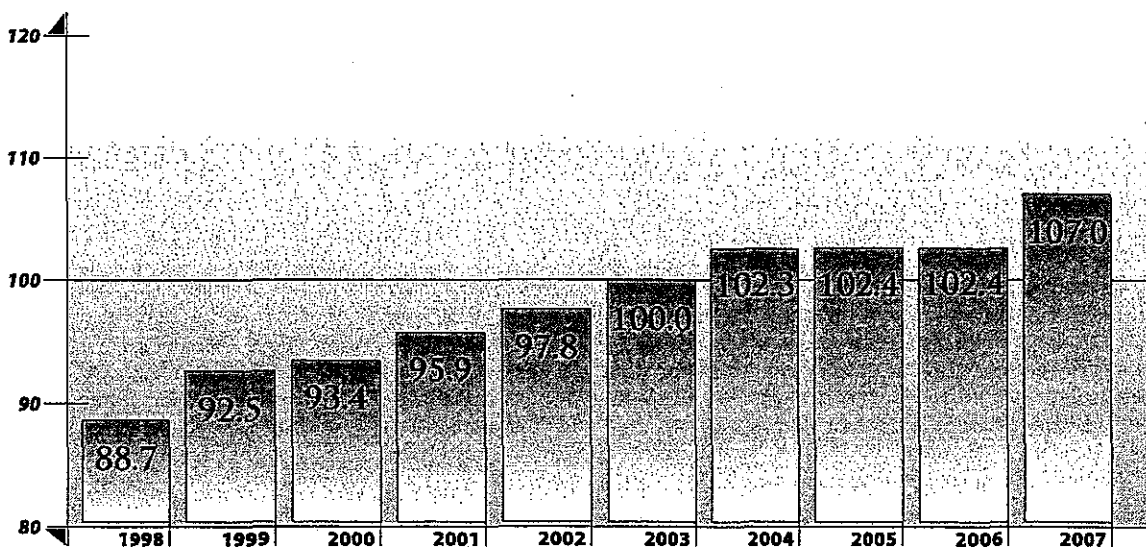


Figure B. National Arts Index Capacity & Infrastructure Measure (2003 = 100.0)

This finding illustrates one of the report's most striking results: the steady increase in the capacity of the arts industries. Capacity and Infrastructure indicators reflect the growth of entities—both individuals and organizations—that provide arts and culture in the U.S. Over the ten-year span from 1998 to 2007, the arts attracted more and more organizations, workers in artistic occupations, employees at arts businesses, and individual artists; raised more capital; and produced more aggregate payroll. This steady increase in supply was found in both the nonprofit and business sectors.

Americans have increasingly shown that they want to be artists, want arts organizations in their communities, and want to study and enjoy the arts—all of which is evidenced by the data. The concern for the future is that we don't know (1) if the current capacity is sustainable, or (2) how today's capacity—both physical and human—will match tomorrow's demand for the arts.

Questions for consideration:

- **How sustainable is the past decade's growth in capacity (i.e., are the arts "overbuilt?")?**
- **What businesses in your community are artists working in that are not typically considered an arts organizations (e.g., design, planning)?**
- **How can available facilities be used to deliver the arts as creation, exhibition, performance, preparation, collaboration, and education?"**
- **What will be the effects of continuing developments in technology on the capacity needed to deliver the arts?**

3. How the public participates in and consumes the arts is expanding.

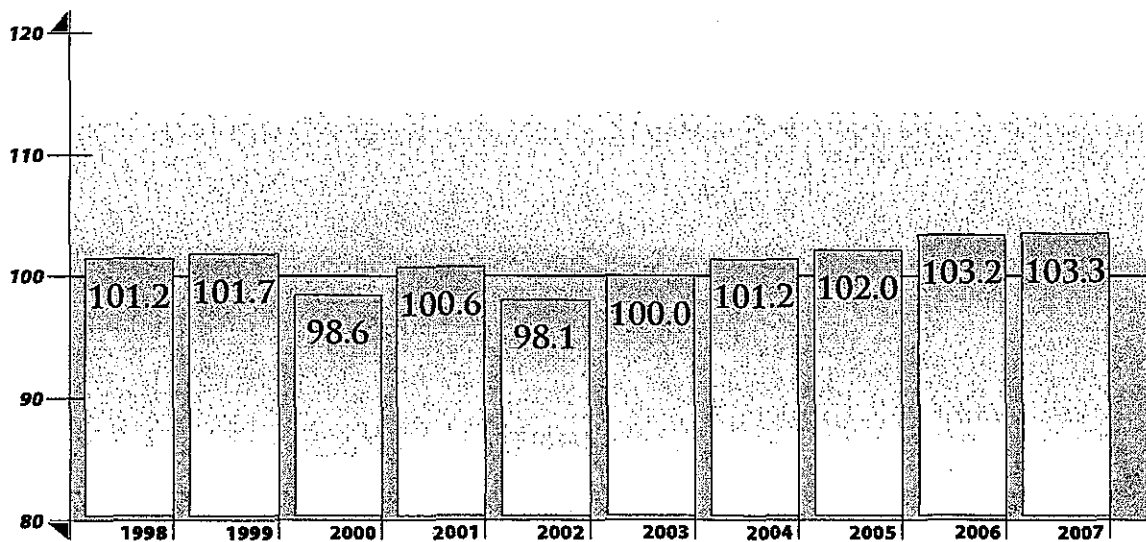


Figure C. National Arts Index Participation Measure (2003 = 100.0)

Arts participation has grown steadily between 2002 and 2007—with 2007 the highest of the 10 years. There are 22 indicators in the National Arts Index that comprise the arts participation measure. While there is greater participation overall, there are measurable shifts. This change is being driven by advances in technology, increased diversity and aging of the population, a growing interest in personal creation, and more direct audience engagement and interaction.

- **Attendance at mainstream nonprofit arts organizations is in a steady decline. Market data gathered by Scarborough Research (200,000 surveys annually in the largest 81 metropolitan areas) indicate the percentage of the population attending museums and performing arts events (symphony, dance, opera, theater) decreased 13 percent and 17 percent, respectively, between 2003-2008.**
- **The percentage of the American public personally creating art (e.g., photography, music making, and drawing) is growing slightly ahead of the growth rate of the U.S. population, up from 18.5 to 19.5 percent between 2003 and 2008. For example, the National Association of Music Merchants**

developed the Weekend Warriors program, designed to bring baby boomers back to active music making, which has yielded a significant increase in guitar sales.

- A greater percentage of total personal consumption was spent on arts and culture (e.g., theater, books, movies), growing from 1.78 to 1.83 percent.
- Community-based and culturally specific arts organizations are driving participation and vitality. The number of these organizations has grown faster than the rate of growth for all nonprofit arts organizations—and even faster than the rate of the minority population in the U.S. Additional analysis of their financial data reveals that they are more likely to complete their fiscal year with a surplus than the remaining universe of nonprofit arts organizations.
- Technology is changing both how the arts are accessed and consumed. The number of CD and record stores has been reduced by half in five years, while online downloads of singles and albums have grown four-fold in three years. This not only provides consumers with access to a vastly larger catalogue, but greater control of when and how to access their music. More arts organizations use the Internet to share program content with their audiences or market using social networking. For instance, the Metropolitan Opera has had great success with movie theater simulcasts. ArtsMemphis, a local arts agency, has created an app for iPhone users providing instant access to an interactive cultural calendar. Even within technology, there is variation (public radio listenership is up, while public TV viewership is down).

4. The subsidy model is struggling: nonprofit arts organizations are losing their “market share” of philanthropy to other charitable areas.

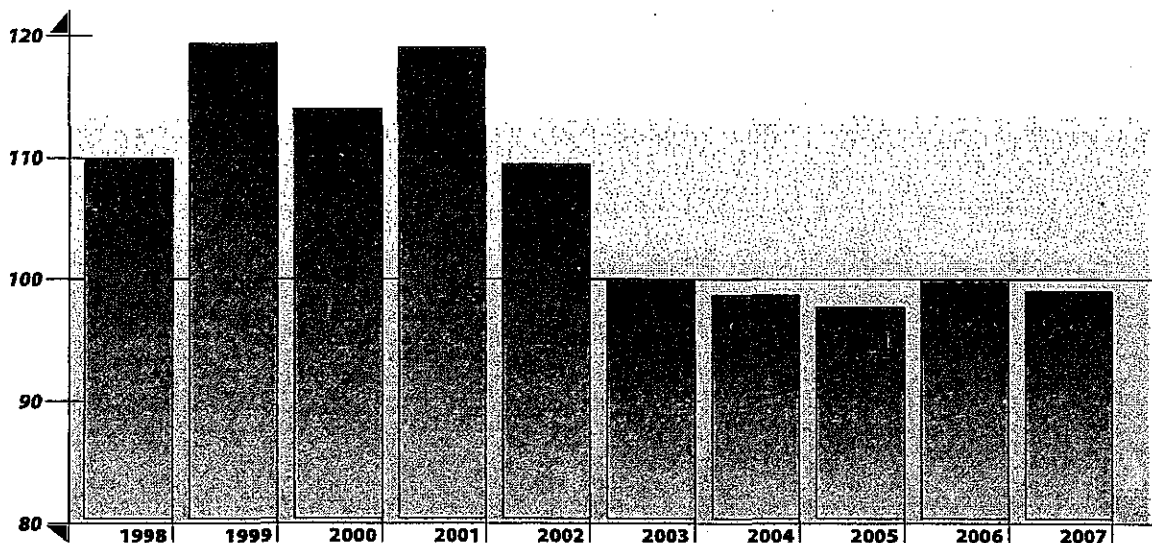


Figure D. National Arts Index Contributed Support Measure (2003 = 100.0)

This view averages the scores of 17 separate indicators of private philanthropic support of the arts by corporations, foundations, and individuals, plus government funding at the federal, state, and local levels. The typical nonprofit arts organization generates only half of its revenue from earned income (ticket sales, advertising), thus the other half raised through contributions and grants is vital.

In the public sphere, federal funding stayed level, and local government funding increased when adjusted for inflation. State government funding grew to record levels in the 1990s and then plummeted in the early 2000s. Private sector giving tracks very closely with the economy. The current economic turmoil complicates matters for arts organizations as the finance sector, severely hit in this economic downturn, has traditionally been the strongest arts funder in the corporate community.

The share of foundation and corporate funding being directed to the arts is in an unmistakable decline. Between 1998 and 2007, the percentage of foundation funding directed to the arts decreased from 14.8 to 10.6 percent. The corporate giving share to the arts decreased from 10.3 to 4.6 percent during the same period.

A preliminary estimate of 2008, using 12 of the indicators, shows that the Contributed Support measure declined to 96.0.

These data provoke some hard questions:

- **Is the failure of the arts to maintain market share among providers of contributed support a short-term problem related to increased social service, health, and educational needs, or will it persist?**
- **Are the funding losses a symptom of a more fundamental problem of donors and funders not valuing and appreciating the arts?**
- **How can available facilities be used to deliver the arts as creation, exhibition, performance, preparation, collaboration, and education?**
- **Is "art for art's sake" a sufficient rationale any more, or will support depend on validation by audiences of serious potential for earned income? If the latter, what does that mean for the future of artistic creativity, the "R and D" of the arts?**

5. Arts employment has grown steadily over the past decade.

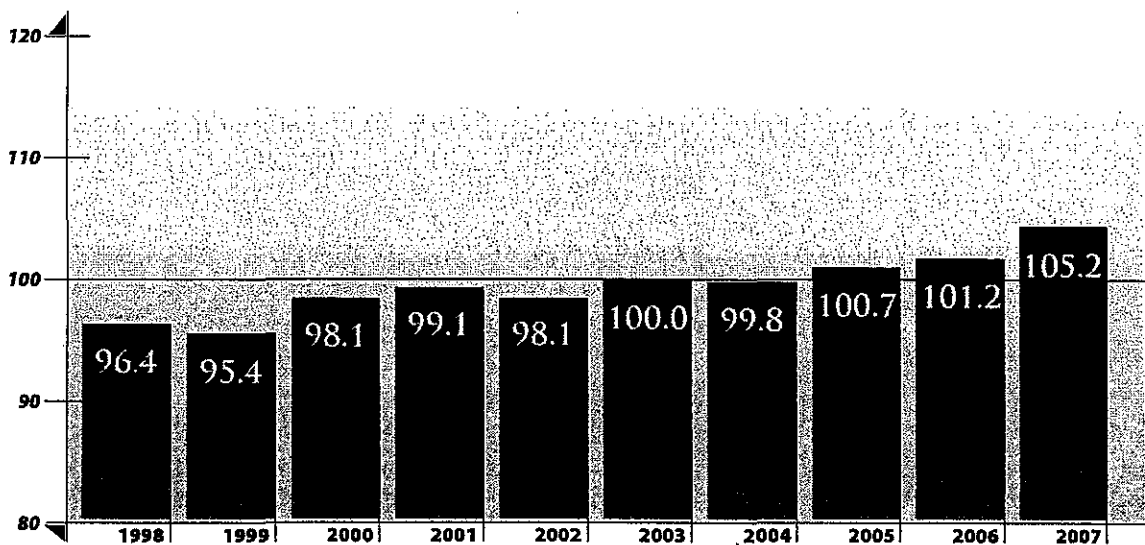


Figure E. National Arts Index *Employment Measure* (2003 = 100)

Eleven employment related indicators (numbers of artists, workers in arts industries, volunteers, labor organization, and artistic workers' income measures) show long-term growth in the number of people making a living as artists and as a result of arts businesses. Some of these employment indicators are based on occupation, using the kind of work that people do (according to their employer). There were 1.7 million such arts workers in 2007. Others are based on the kind of employer, some of which are in arts and culture industries. These employers have about 2.1 million workers in 2007, including some who do work that is not clearly artistic (e.g., the accounting staff in a theatre). A third approach is based on what people declare as their primary occupation. By that standard, the number of artists in the workforce is 2.24 million. The specifics of each measure help to explain the apparent contradiction. For example, there were almost 700,000 solo artists in 2007. They are arts workers, but not necessarily arts "employees." Many artists also work only part-time as artists and supplement their income with other kinds of work.

There is notable growth in independent artist-entrepreneurs (509,000 to 680,000 from 2000 to 2007). There was a 17 percent increase from 1996 to 2008 in the number of working artists (1.9 to 2.24 million). Artists remained a steady 1.5 percent share of the total civilian workforce.

Using the six indicators out of 11 available at this time, the 2008 Employment measure is estimated at 105.3, practically equal to its 2007 score.

Despite this, the future holds many uncertainties for the arts labor market:

- Continued entry into the arts labor force in the past is encouraging, as it shows how the arts have attracted different kinds of workers into different kinds of jobs. Now, the question is, how will the arts and culture labor markets rebound from the recession?
- Will the growing interest in fields like mobile applications and video gaming lead to additional hiring of designers and artists?
- Unemployment has been such a strong feature of the recession for all sectors of the economy. Recent NEA studies point out that artists have twice the unemployment rate of other professional workers. Will that gap widen or narrow?
- Part-time work is a growing part of every occupation and business. This is the case in the arts as well (as it has been historically). How will this affect the institutional structure of the arts?

6. The number of nonprofit arts organizations grows annually, yet one in three fail to achieve a balanced budget.

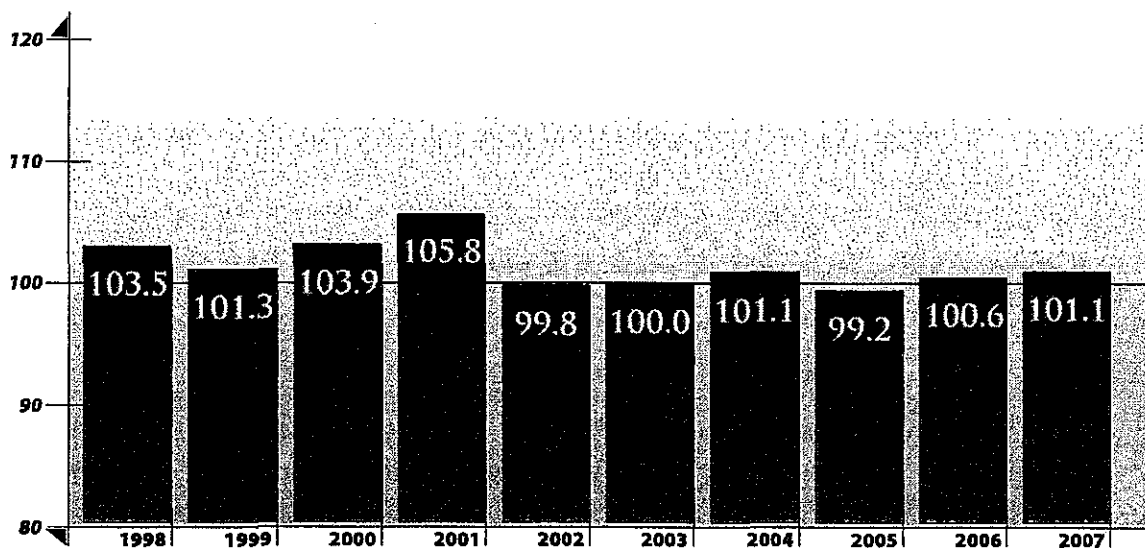


Figure F. National Arts Index Nonprofit Measure (2003 = 100.0)

This measure is composed of 22 indicators. Many of them are based on data collected by the National Center for Charitable Statistics at the Urban Institute as well as other information from national service organizations for art forms that are typically made up of nonprofit organizations (theatre, opera, symphony, and museum). Some indicators in this view are financial, others address attendance, volunteerism, and measures of philanthropy. The high numbers in the early years of the decade are largely driven by philanthropy, while increases in 2006 stem from the creation of new organizations, nonprofit arts revenue, and a strong influx of capital.

There has been a steady growth in the number of nonprofit arts organizations over the past decade (73,000 to 104,000). So rapid was this growth that between 2003 and 2008, there was a new nonprofit arts organization created every three hours. The challenge for these organizations is that even in good economic years, one in three failed to achieve a break even budget. So, it is not surprising to note that the estimate of the 2008 Nonprofit Organizations measure dropped significantly, to 92.1 (using 12 of the 22 indicators).

The challenges facing the nonprofit sector of the economy are mirrored in the arts, as has been widely reported. For the arts nonprofits in particular, some of the struggles are at the survival level:

- **In the face of declining levels of philanthropic support, is there a threat to the continued viability of the nonprofit structure as a home for the arts?**
- **For decades, nonprofit arts organizations have been venues of artistic entrepreneurship, organizations with imaginative, independent leaders. Will as many small entities be able to thrive in an environment with scarcer resources, and how will they respond to pressure to collaborate and even merge?**
- **As these threats to the nonprofit arts mount, what other kinds of social enterprise, and what other kinds of structures (such as umbrella organizations and incubators) will attract audiences and contributed support?**

7. Arts organizations continue to create new work; more of the American public is creating their own art.

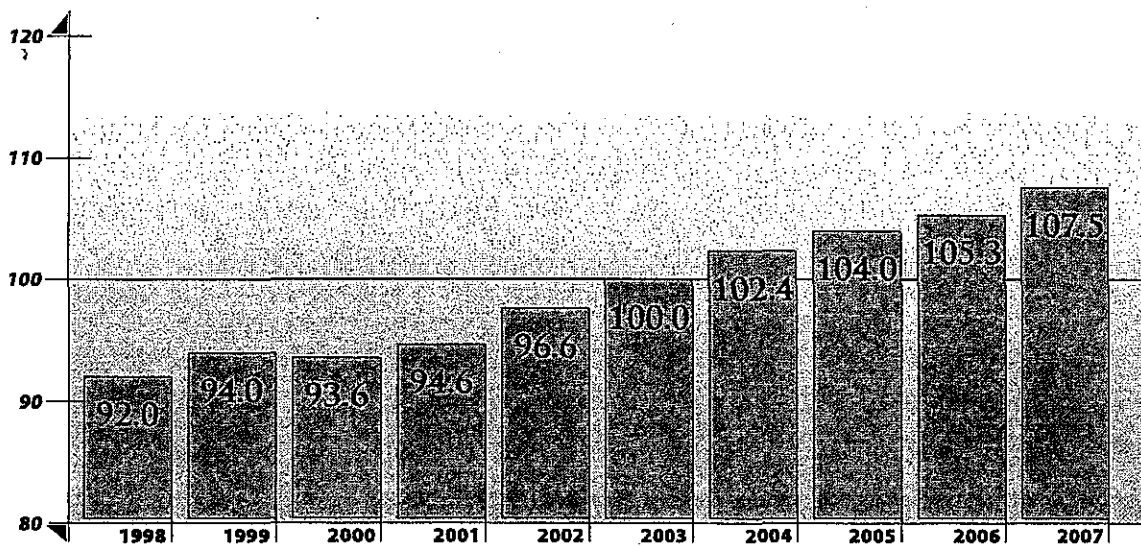


Figure G. National Arts Index Creativity Measure (2003 = 100.0)

This view is composed of eight indicators ranging from personal creativity to premieres of new works on the concert stage. The creation of new artistic work is critical to a successful arts ecology. Creativity is generally vigorous at the individual level, driven by entry into the field by individual artists and new organizations. We believe that this is only the “tip of the iceberg” for other kinds of activities that are harder to measure, such as music recording, photography, weekend rock bands, and increased amateur artistic endeavors (examples of the “curatorial me” trend described by Bill Ivey and Steven Tepper). The percentage of the American public personally creating art (e.g., ceramics, music making, and drawing) is growing slightly ahead of the growth rate of the U.S. population, up from 18.5 to 19.5 percent between 2003 and 2008.

The major performing arts disciplines continue to be exciting settings for the development and presentation of new work. Data on premieres by American theatre companies, symphony orchestras, operas, Broadway producers, and filmmakers are available from their trade associations: the Broadway League, League of American Orchestras, Motion Picture Association of America, Opera America, and Theatre Communications Group. These service organizations do valuable work in gathering information on their members’ activities and summarizing it for the public. They show over 1,100 new movies, plays, operas and symphonies premiered each year, a number that has grown annually since 2004. Premieres are often commissioned and planned years before the public sees them, so current economic problems are probably affecting the number of such new works that were planned in 2008 and 2009 for release in 2010 and beyond. While only five of the eight indicators are available to estimate the Creativity measure for 2008, they show a decline to 102.2.

Like so many other elements of the arts, personal creativity is both made easier and more challenging by technology. At a minimum, technology has made creativity easier to disseminate. But it creates difficulties for long-standing producers of the arts:

- How do these changes in method affect the content of new art, and what kinds of artistic techniques will be valued?
- Aesthetic preferences are always in flux, but rarely as much as in the Internet era. Will this newfound ease of creation and distribution lead to even faster changes in what is considered to be “beautiful?”
- How can arts organizations capitalize on the increased interest in making art, and will Americans’ creativity be expressed on their own or through arts organizations?

8. Demand for arts education is up.

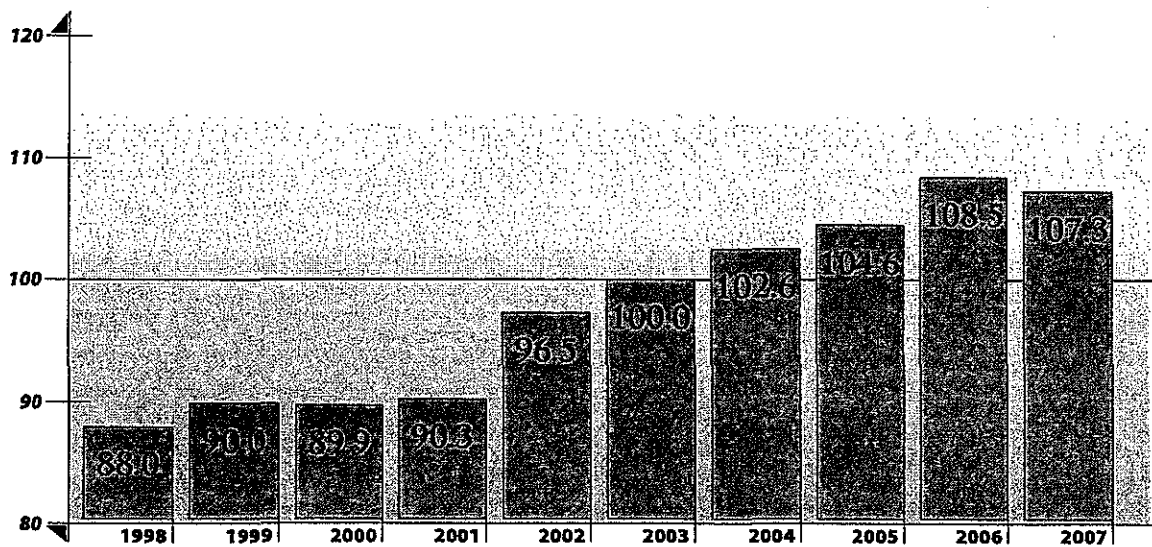


Figure H. National Arts Index Educational Interest Measure (2003 = 100.0)

Research by James Catterall at UCLA and others has demonstrated that students who are engaged in the arts perform better academically—higher grade point averages and standardized test scores, lower drop-out rates—a finding that cuts across all socio-economic strata. Yet, studies by the Center for Education Policy and the Council for Better Education have both shown a decrease in the amount of arts education taking place in the nation’s schools, with cuts ranging from 25 to 33 percent.

While much attention is focused on the travails of arts education, there is surprisingly little national data to measure how America’s students are learning about the arts. The National Assessment of Educational Progress, produced by the U.S. Department of Education, addresses the arts only sporadically. All of the anecdotal information about local and state arts education funding for levels K-12 has not been assembled into a single national statistic. By contrast, more information is available about student interests and choices as they enter college and when they graduate. This education measure uses five such indicators.

There is a clear increase in demand among college-bound high school seniors—the 1.5 million students who take the SAT 1 Reasoning Tests. Data from The College Board, which administers the test, show an unmistakable upward trend in the percentage taking four years of arts and music classes while in high school, and even an increase in the percentage who intend to pursue an arts-related degree in college. Many of them have lived up to that expectation, too, with a steady growth in the number of arts degrees conferred annually:

- The percentage of all SAT test takers with 4 years of arts and/or music increased from 15.4 to 20.2 percent, between 1998 and 2009.
- Between 1998 and 2007, there was annual growth in the number of college arts degrees conferred annually (75,000 to 120,000) as well as growth in the share of arts degrees as a percentage of all degrees conferred (3.9 to 4.1 percent).
- The percentage of SAT test takers intending to pursue a college degree in the arts increased from 6.4 to 7.1 percent (1998-2008).
- Students taking four years of courses in art and music have higher SAT scores than those of students taking fewer years.

Only three indicators are available for 2008, too few to provide an early estimate of the Educational Interest measure for that year.

These findings provoke additional questions about arts education, particularly at the high school and college levels:

- Will these positive associations between arts education and college entrance scores help push education funders to reverse the slide in resources available for arts education?
- The number of intended arts majors and arts degrees awarded grew over the index time period, both in numbers and as a share. Are institutions of higher education ready to manage that increased demand, with the faculty and other resources needed?
- As the share of degrees in the visual and performing arts grows, what will the labor markets hold, and will those graduates find work in the arts?

9. The number of arts businesses is growing, but success is inconsistent over time.

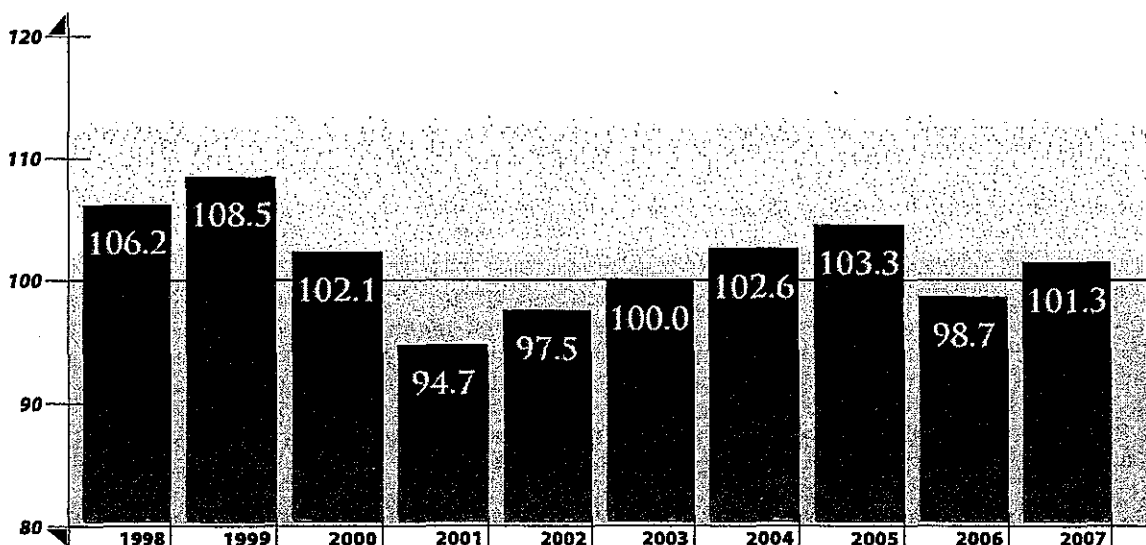


Figure I. National Arts Index Arts Business Measure (2003 = 100.0)

The Arts Business Measure is 15 indicators measuring activity of commercial, profit-seeking businesses in the arts, including their number, size, and performance. This overall measure largely tracks the nation's business cycle, which is not surprising given that analysis of Dun & Bradstreet data reveals about 600,000 "for-profit" arts businesses in the U.S. Many of the businesses are small. There are steadily growing numbers of solo artists, and composer's royalties and Broadway revenue are increasing. However, music and CD stores, attendance at pop music concerts, and recording revenues are all tipping downward. Profitability is also erratic.

Of the 15 indicators making up this view, 14 were available for 2008, and they show a sharp drop in the overall measure, to 93.1, a decline of 8.5 percentage points.

Questions about the business of the arts:

- **Some long-standing business forms (CD stores, bookstores, record companies) are facing the stresses of new technologies. What roles will be left for them in the face of an economic turnaround?**
- **Similarly, what new forms of cultural enterprise are emerging to channel artistic goods and services from their creators to audiences?**
- **While the number of small nonprofit arts organizations has grown, the businesses that dominate some arts sectors (such as record companies, media companies, and concert promoters) are large. Will an economic turnaround reinforce this concentration, or will it provide new opportunities for entrepreneurial arts businesses?**

10. The competitiveness of the arts for resources and investment is slipping.

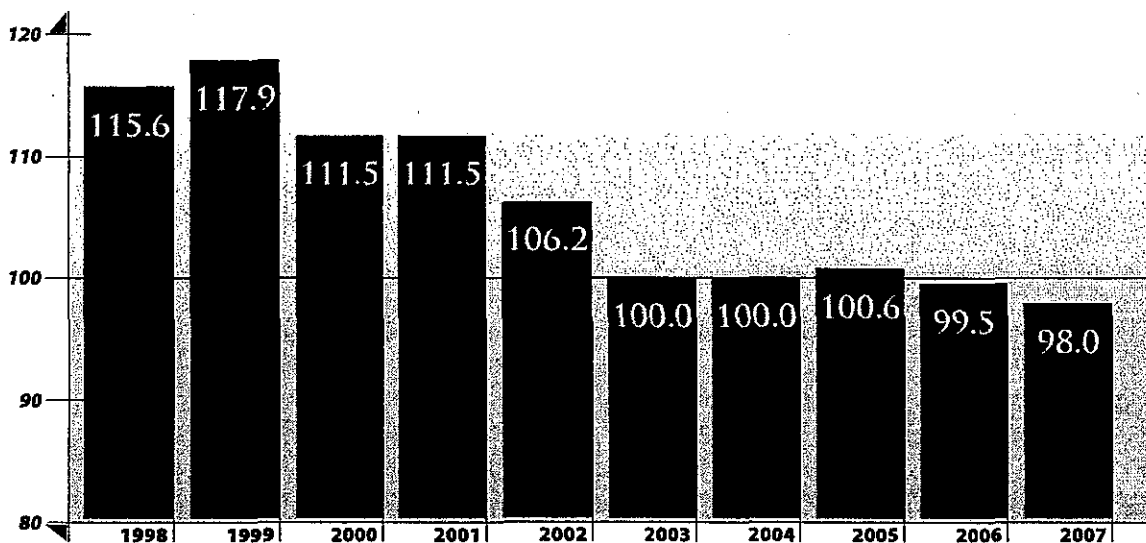


Figure J. National Arts Index Competitiveness Measure (2003 = 100.0)

The Competitiveness Measure is one of the most telling measures of the National Arts Index. As a gauge of how the arts stack up against other uses of audience members' time, donor and funder commitment, and spending, it shows that over the long term, the arts are struggling to stay competitive. The measure is an analysis of 25 indicators that contextualize the data against a broader backdrop, such as growth of the population or changes in the economy. In the case of arts philanthropy, for example, it is a measure of the share of all giving that is directed towards the arts. Of the 25 indicators in this measure, 10 declined between 2006 and 2007, and 17 of the 25 declined from their earliest observations.

The Competitiveness Measure is in many ways reflective of the "traditional" arts and culture forms (theater, symphony, museums) and forms of philanthropy, about which comparatively more data are available. As the data begin to better reflect changes in arts participation (e.g., amateur involvement in the arts and consumption via the Internet) the Competitiveness Measure may strengthen.

Looking Ahead

The National Arts Index offers an enormous opportunity to begin a conversation about the arts and their value to communities and a dynamic society. It makes available, for the first time, a highly distilled measure of the health and vitality of the arts in the U.S. While that vitality was more in evidence in the early years of the Index, the 2008 Index score is at its lowest level in the 11 years tracked during this project. Within individual views of the Index data, we see some of the elements that make up this drop.

The National Arts Index thus provides an evidence-based platform for genuine paradigm-changing conversations about key issues. It is reasonable, based on the economy in 2009 and the 2008 Index score, that 2009 will be another year of declining scores. So, the urgency in the need to build audience demand for the arts—to create more “want” by the American public—is one of the most potent takeaways from the Index. Alternative arts business models beyond the 501(c)(3) show promise as a means of easing the stress on capacity, such as arts and business incubators, shared services and spaces, hybrids, support for unincorporated entities, and better use of existing venues. Other funding models for a new competitive world can help funders evolve their role in advancing the arts. Should arts programs have to be validated by audiences as well as by the institutions? Arts organizations—even those in different industries, for-profit and nonprofit—have much in common. It is important to see how they can exploit their shared circumstances in the form of collaborations, especially those that build demand. There also may be social equity issues related to arts education that need to be addressed in further conversation: Who is being left out?

The arts are fundamental to the health of a successful society. By understanding how the arts thrive, we can better understand how to make communities thrive. The National Arts Index is the beginning of this conversation, not the end.

Chapter 2. The Arts and Culture Balanced Scorecard

Chapter 1 introduced the Index and some of its major findings related to long-standing issues in cultural policy and arts management. This chapter moves the Index narrative along by showing how the annual indicator data can tell some new stories about the systemic character of the arts, and the ways that the elements of the arts ecology interact with each other. To illustrate this, we introduce the data used to build the Index and show a logic model, the *Arts and Culture Balanced Scorecard*, which links all of the indicators to each other as components of the arts system. Drawing on the highly regarded and widely used Balanced Scorecard system developed by Robert Kaplan and David Norton, the *Arts and Culture Balanced Scorecard* gives us tools for evaluating the overall vitality of arts and culture. In building the Scorecard, we drew on lessons from various sources, including systems analysis, program evaluation measurement of cultural capacity around the world and in different regions and arts industries, and other policy index reports.

The Data in the National Arts Index

To best explain this model, it is first necessary to briefly describe the data used to compute the National Arts Index. The Index is composed of 76 annual indicators of arts and culture activity, measured at a macro, national level. Each individual indicator is analyzed and reported in a common format with data for years from (at least) 2003 to 2007, with most data sets reaching back to 1998 and/or as far forward as 2008. All indicators meet the following eight criteria:

1. **The indicator has at its core a meaningful measurement of arts and culture activity**
2. **The data are national in scope**
3. **The data are produced annually by a reputable organization**
4. **Five years of data are available, beginning no later than 2003 and available through 2007**
5. **The data are measured at a ratio level (not just on rankings or ratings)**
6. **The data series is statistically valid, even if based on sample**
7. **The data are expected to be available for use in the Index in future years**
8. **The data are affordable within project budget constraints**

The data that we found were then “indexed” or set to a base of 2003 using procedures described in Chapter 8.

Building the Arts and Culture Balanced Scorecard

We identified four different views of the arts system that captured the data we found: financial flows, organizational capacity, arts participation, and competitiveness of the arts. These four are the basis for the Arts and Culture Balanced Scorecard (ACBS) system that groups indicators based on where they fit into this systemic view of the arts ecology.

ACBS is a descriptive model, rather than a predictive one, and is a tool for placing the many individual indicators of arts vitality in a systemic relationship to each other. We organized them so that every individual indicator is associated with only one main component of the ACBS model. These four key components are:

- **“Financial Flows” include private and public support to institutions, pay of individual artists, and revenues of arts businesses and nonprofits. All of these are payment for artistic services and provide fuel for capacity to produce arts activities and experiences for arts audiences.**
- **“Capacity” indicators measure relatively durable levels of institutions, capital, employment, and payroll levels in the arts and culture system. Capacity and infrastructure transform financial flows into arts activities.**
- **“Arts Participation” indicators measure actual consumption of those activities, which may be in the form of goods, services, or experiences.**
- **“Competitiveness” indicators illustrate the position of the arts compared to other sectors in society, using measures of market share and economic impact.**

Figure K shows the systemic relationship between the components:

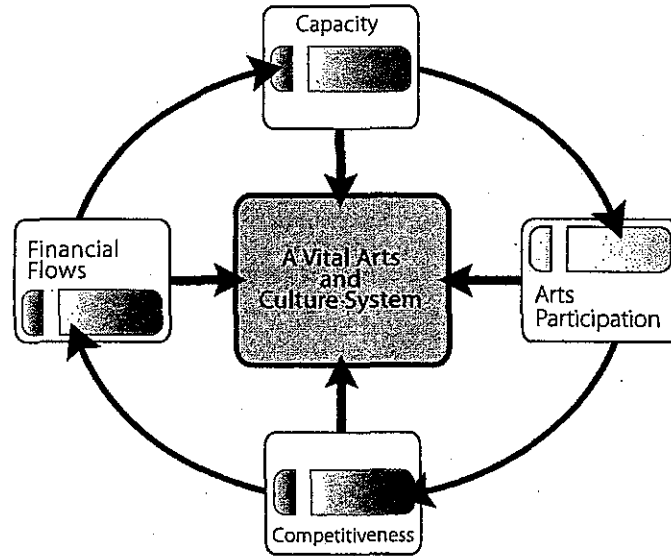


Figure K. The Arts and Culture Balanced Scorecard

The Arts and Culture Balanced Scorecard 'Dashboard'

The idea of a "dashboard" as a compact way of showing the performance of key indicators in an organizational system can be applied to arts and culture as much as to any individual organization. Figure L shows the four components from 1998 through 2007.

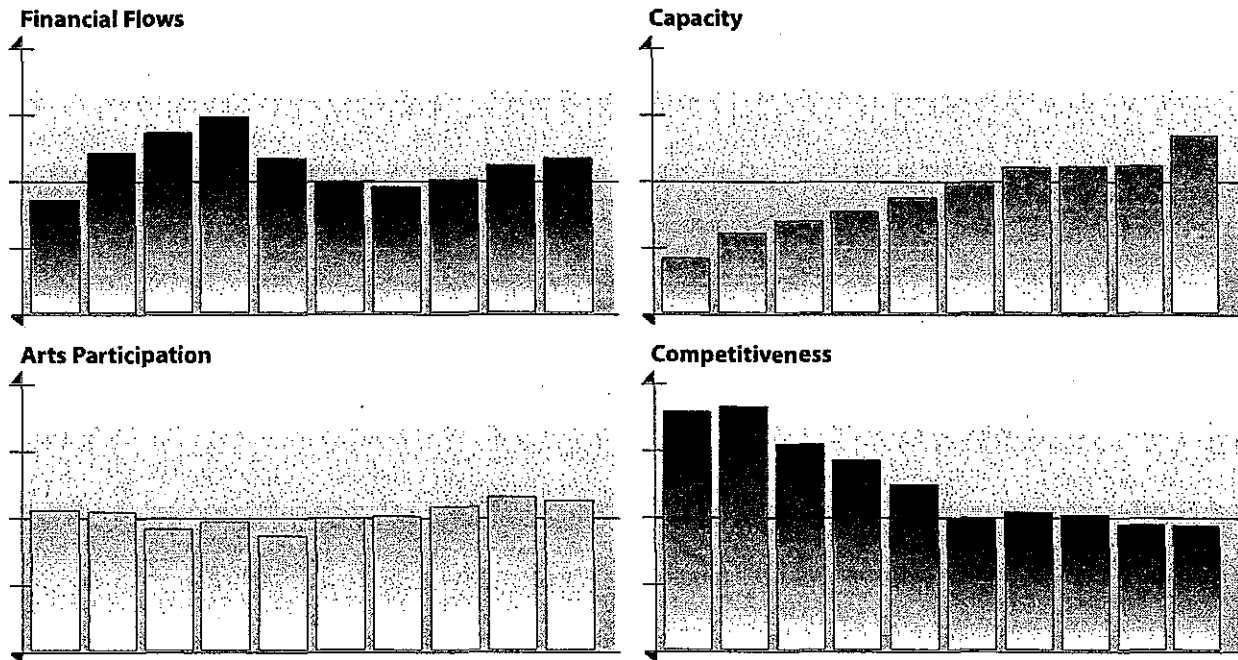


Figure L. The Arts and Culture Balanced Scorecard Dashboard (2003 = 100)

What these figures show, and what the rest of the report illustrates in more detail, is a more fine-grained picture of where the arts are doing well and where they are struggling:

- Financial flows into the arts fell sharply after 2001. While they recovered somewhat after 2003, they have not reached the levels of the late 1990s. This is one area where inflation has had a noticeable effect.
- More and more capacity has been added to the arts, in numbers of individuals, organizations, and other entities that create infrastructure.
- The level of arts participation—especially attendance—dropped in the early 2000s and has only grown gradually since 2002.
- The competitiveness of the arts, in measures of how the arts compete against other uses of audience members' time, as well as donor and funder commitment, has fallen noticeably. In this component, the expanding population has a noticeable effect because participation and attendance are measured from a market share perspective.

Components and Indicators in the ACBS

The 76 indicators were assigned to ACBS components as follows:

Table 1. Indicators in the ACBS

Component	Financial Flows	Capacity	Arts Participation	Competitiveness	Total
Indicators	15	14	22	25	76

Chapters 3 through 6 present summaries of each of the four components, along with detailed data describing the 76 individual indicators using all available data from 1998 to 2008. All indicators associated with each component are presented together. The four components are reported with:

- A list of specific indicators that go into that component.
- A column chart showing the average of those indicators for all available years from 1998 to 2008, indexed against the 2003 value. The Index score axis is scaled from 0.50 to 1.50. All index scores are calculated by dividing every year's indicator value by the value in 2003, which makes the 2003 Index equal to 1.00. Because they are averages, they give equal weight to each indicator within each component.
- The number of indicators for which data was available in each year.
- A brief discussion of how the indicators in that component changed from 1998 to 2008.

Each individual indicator is reported on a separate page with:

- An explanation of the area of interest and the data, including its sources and limitations.
- A column chart with the Index score for the chosen data series for all available years from 1998 to 2008, indexed against the 2003 value. The Index score (vertical) axis is scaled from 0.50 to 1.50, a range that fits all but one of the Index scores (Arts and Culture Share of Corporate Funding). In that page report, the number is boldfaced in the data table.
- A table of the data used to make the Index score. The second-to-last line in the table is the series of numbers used to make that index score, with each year's number divided by the number in 2003. The last line of each table is the resulting Index score for each year. It is this Index score that is displayed in the column chart.
- For indicators based on a selected set of codes (as for industries and occupations), the codes are listed in an appendix.
- A note of related indicators
- A brief note of who provided the source data. More detailed source information is in Appendix G.

Chapter 3. Financial Flows Indicators

Financial Flows is the first of the ACBS components presented. It is made up of 15 Financial Flows indicators, all measured in dollars, and all expressed in inflation-adjusted or "constant" dollars, with the base period set in 2003. These indicators measure how arts and culture incorporate both nonprofit and commercial activities, and how revenues into the sector come from customers, donors, and public support. The ordering of the indicators is (roughly) in a sequence of: individuals' income, business income, nonprofit income, private philanthropy, and government funding.

The next two tables show the indicators used in the Financial Flows component and the number of indicators that are used to make up the overall Financial Flow score in each year. Those scores are shown in Figure M, below.

Table 2. Financial Flows Indicators
(2003 constant dollars)

1.	Songwriter and composer performing rights royalties
2.	Wages in artistic occupations
3.	Payroll in arts and culture industries
4.	Publishing industry revenue
5.	Bookseller sales
6.	Musical instrument sales
7.	Recording industry shipment value
8.	Revenue of arts and culture nonprofits
9.	Corporate arts and culture funding
10.	Foundation arts and culture funding
11.	Private giving to arts and culture
12.	United arts fundraising campaigns
13.	Federal government arts and culture funding
14.	State arts agency legislative appropriations
15.	Local government funding of local arts agencies

Table 3. Financial Flows Indicators Per Year

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
10	11	12	12	14	15	15	15	15	15

Averaged across all available data, they produce the following ten-year trend:

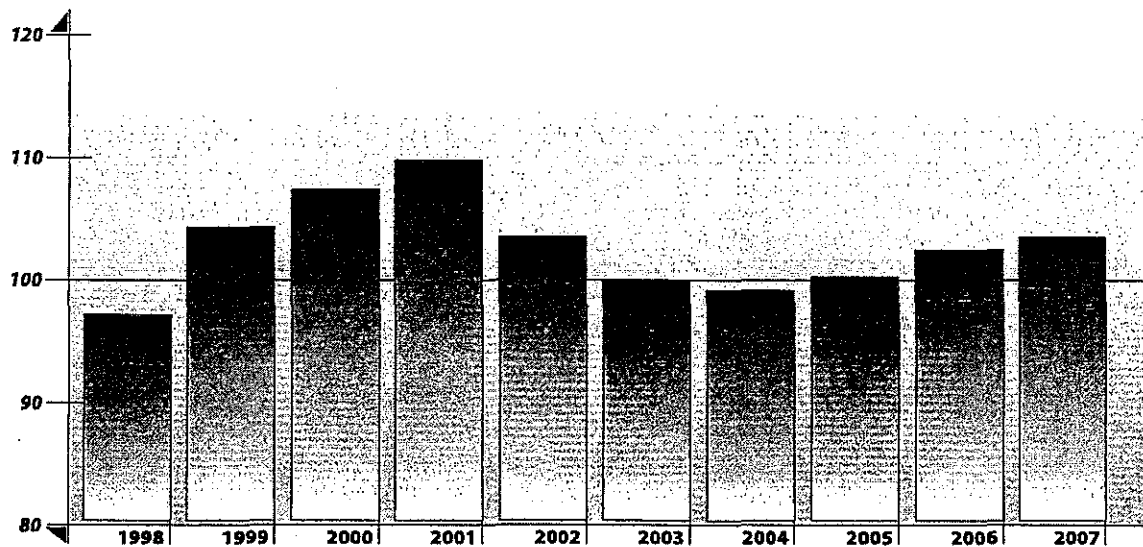


Figure M. National Arts Index Financial Flows Indicators (2003 = 100.0)

The 15 indicators in this component represent financial resources measured in dollars. They function as resources, fuel for the arts workers and organizations that produce artistic activities, goods, products, and experiences. Those indicators measuring financial resources include several measures of government funding. Some examples of financial resources coming into the sector include the royalties earned by composers and songwriters, salaries earned by workers in artistic occupations, and the revenues of nonprofit arts organizations.

All indicators measured in dollars are converted into constant dollars, using the Consumer Price Index (CPI) set to a base of 100.0 in the year 2003. Using "real" or inflation-adjusted dollars shows, more or less, the constant purchasing power of dollars. The "constant dollar" rows in the tables can be read as dollars the way they were understood and used in 2003. Although inflation has been low on an annual basis since the late 1990s, it has been steady. Financial indicators that have increased have actually grown less than they would if measured in current, or nominal, dollars. While it was only 2-3 percent in most of the years covered in the index, this compounded to a total change in of about 27.2 percent from 1998 through 2007, and 32.1 percent through 2008. In 2008, this meant that almost one third of the increase in dollars generated over the ten-year span by arts entities was not because of more volume, (i.e., more art, more performances, more books). Rather, it is the effect of general price level changes on overall revenues. Inflation had a significant effect in particular on sales by publishers and booksellers and sales of recorded music and musical instruments.

Of the 15 Financial Flows indicators, 10 were available for 2008, and they show a decline in the Financial Flows component to 95.0.

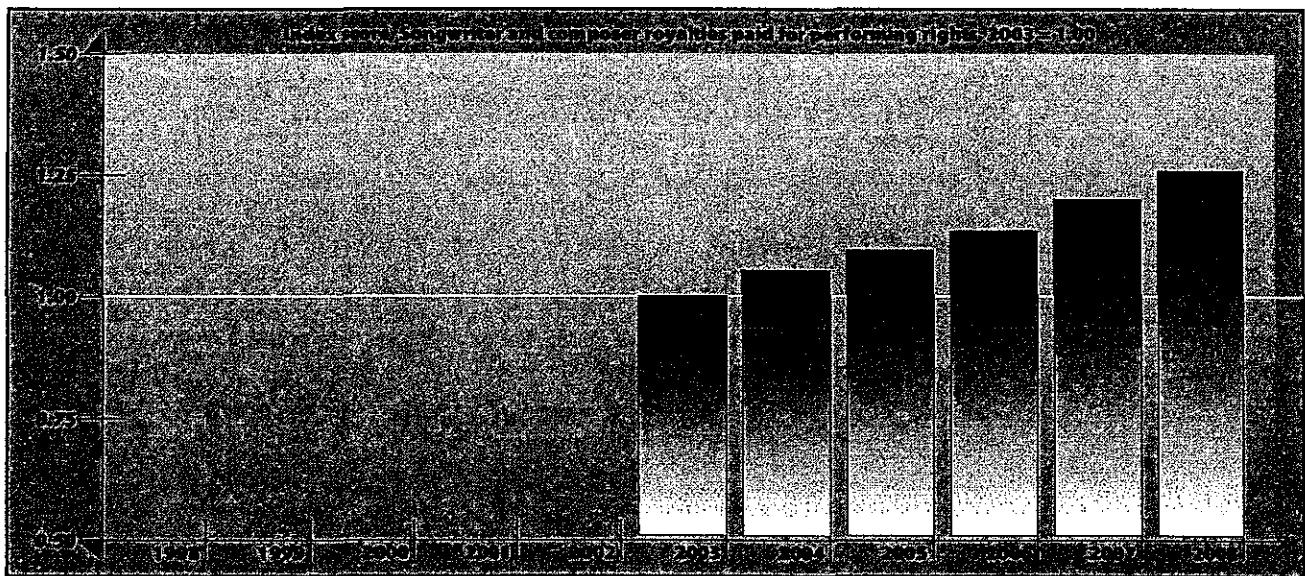
The following 15 pages provide additional detail on what has been an uneven time for the flow of resources available to arts and culture. Considered together, these indicators confirm in specific terms what has been a widely suspected reduction in resources flowing into the arts industries. This chart reveals that the decline was systemic, with an overall drop of 13 percent from the high point in 2001 to 2003. From 2003 to 2007, financial resources flowing into the arts improved. But, heading into a difficult economic period from 2007 through 2009, it is clear that the arts were competing with fewer inputs and resources—especially financial ones—than they had access to earlier in the decade.

The fact that fewer data points are available for the earliest years is an unavoidable problem and makes it more likely that outliers (such as high corporate philanthropy in 1998 and 1999) are affecting the average. This problem corrected itself in more recent years (since 2003) as data were available for every indicator.

1. Songwriter and Composer Performing Rights Royalties

Royalties for use of copyrighted materials are one source of revenue for artistic creators and producers. Royalties are paid to copyright owners for live performance of music, in return for licenses issued to live performance venues and broadcasters. Composers in the U.S. have the choice of affiliating with one of three designated performing rights licensing organizations: American Society of Composers, Authors, and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and Society of European Stage Authors & Composers (SESAC). Of these three, the first two are nonprofit and annually report total receipts and disbursements to copyright owners (either the original composers or publishers). SESAC, which is by far the smallest of the three, does not make this information available.

This indicator measures the total amount of songwriter/composer royalties paid by ASCAP and BMI, adjusted to constant 2003 dollars. This royalty stream grew from 2003 to 2008, from \$1.09 billion to \$1.37 billion, a 20 percent increase over a four-year span, even after adjusting for inflation. This speaks to the resiliency of demand for new musical compositions. This is not a complete picture of the royalties available from copyrighted music: there are also streams of revenues for other uses, as well as emerging approaches to securing and licensing performing rights for transmission of music over the Internet.



	1999-2002	2003	2004	2005	2006	2007	2008
Royalties paid by ASCAP (\$M)		531	645	742			
Royalties paid by BMI (\$M)		556	623	732			
Total royalties paid (\$M)		1,087	1,268	1,474			
CPI set to 2003 = 100.0		100.0	102.7	106.1	109.6	112.7	117.1
Constant dollar songwriter and composer royalties paid for performing rights (\$M)		1,087	1,152	1,195	1,238	1,308	1,368
Indexed to 2003 = 1.00	N/D	1.00	1.06	1.10	1.14	1.20	1.26

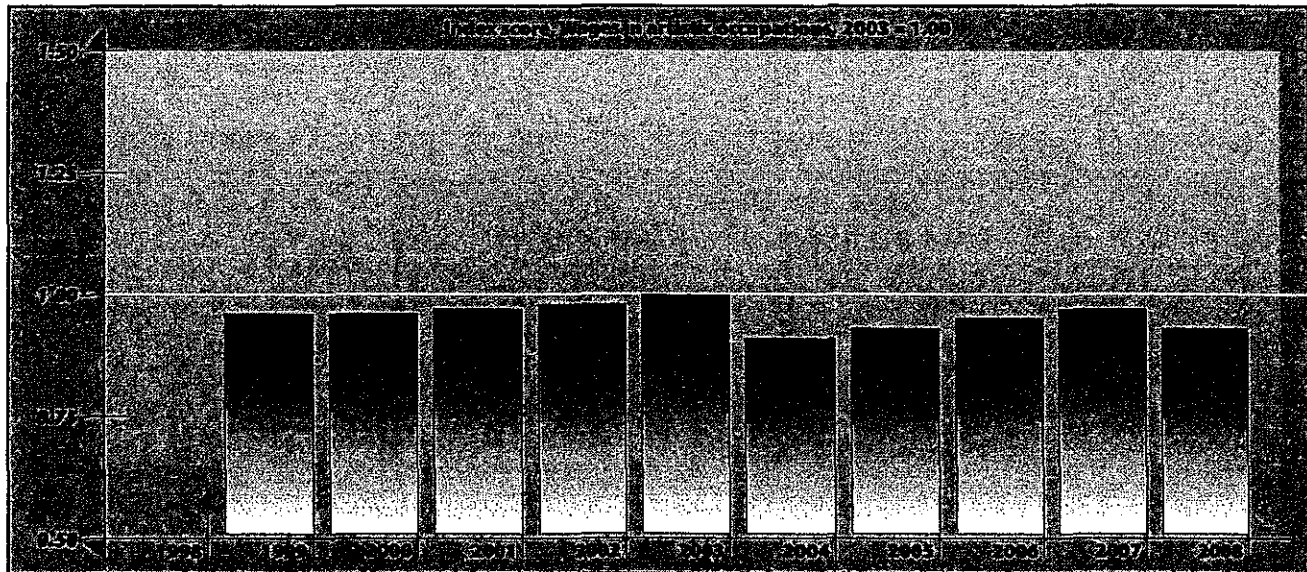
Sources: American Society of Composers, Authors, and Publishers; Broadcast Music, Incorporated

Related Indicator(s): 7, 22, 31, 33, 41--43

2. Wages in Artistic Occupations

Employment can be classified in more than one way—for example, some indicators in this report are based on the North American Industrial Classification System industry classification, which associates workers with the kind of place where they work. A different perspective on the arts labor market looks at the kind of work, or occupation. Defining work by occupation helps to give a more complete picture of how people work in the arts. The Bureau of Labor Statistics (BLS) monitors the workforce using the Standard Occupational Code system (SOC). The SOC system has approximately 450 separate occupational types, of which, 46 (listed in Appendix B) are substantially related to arts and culture. An example is “Floral Designer”—a type of worker who would not be included in a count based on industry, because florists might not generally be considered arts and culture businesses. Data from BLS also indicate average annual wages earned by workers in each occupation.

This indicator measures the average annual salary of all 46 occupations, adjusted to constant 2003 dollars. These are weighted by the number in each occupation as a share of workers in all artistic occupations. These reduce the effect of outliers, so that neither comparatively high-income jobs with few employees (such as architects), or low-income positions with many workers (like cinema ushers) distort the average. Work in some occupations is only part-time, and adjustments were made for those occupations where the percentage of full-time workers was available. In the face of inflation of about 29 percent in current dollars from 1999 to 2008, real wages for these occupations fell over that time. Some of the change resulted from a change in the SOC system in 2004; from 2004 until 2008, real wages for artistic occupations increased only two percent.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Average annual wages in 46 arts and culture occupations (5)	36,583	39,333	42,261	41,525	46,006						
CPI set to 2003 = 100.0	90.5	96.3	100.0	106.1	112.7	117.0					
Constant dollar average annual wages in 46 arts and culture occupations (7)	40,404	40,613	40,865	41,520	42,261	38,455	39,122	39,977	40,827	39,163	
Indexed to 2003 = 1.00	N/D	0.96	0.96	0.97	0.98	1.00	0.91	0.93	0.95	0.97	0.93

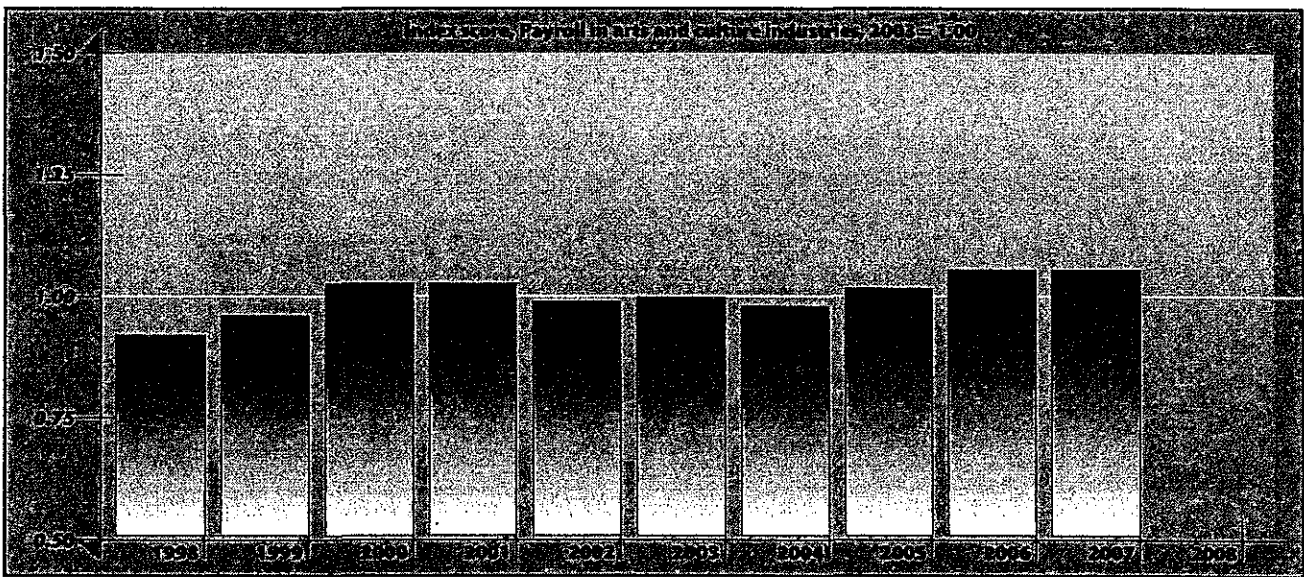
Source, Bureau of Labor Statistics, *Occupational Employment Estimates*, National Endowment for the Arts, *Research Report #48*

Related Indicator(s): 1, 3, 16—21, 25, 28, 56—58

3. Payroll in Arts and Culture Industries

Payroll expenditures by employers, like the number of establishments and employees, are a basic measure of the economic scale of arts and culture. Because arts and culture organizations are more likely to provide services than to manufacture objects in quantity, payroll typically makes up a greater share of total expenditures in these businesses and nonprofits.

This indicator measures constant dollar total payroll in firms in the arts and culture industries, defined by the 43 NAICS codes listed in Appendix A, and used in measures of employment and establishments. These data are gathered by the Census Bureau and published annually in County Business Patterns. This total grew from about \$64 billion in 1998 to \$94 billion in 2007 in current dollars. When inflation is factored in, the rise was more moderate, from \$72 billion to \$84 billion in constant 2003 dollars. This increase in payroll stands in contrast to the relatively flat level of employment and numbers of establishments in these same industries, suggesting that arts industries were gradually paying their staff more considering the time period as a whole.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Payroll in selected arts and culture industries (\$000)		68,528		77,866		78,722		85,167		94,302	
CPI set to 2003 = 100.0		90.5		96.3		100.0		102.7		107.0	
Constant dollar payroll in selected arts and culture industries (\$000)		72,449		81,010		78,328		77,419		83,579	
Indexed to 2003 = 1.00		0.92		1.03		1.00		0.98		1.02	
											N/D

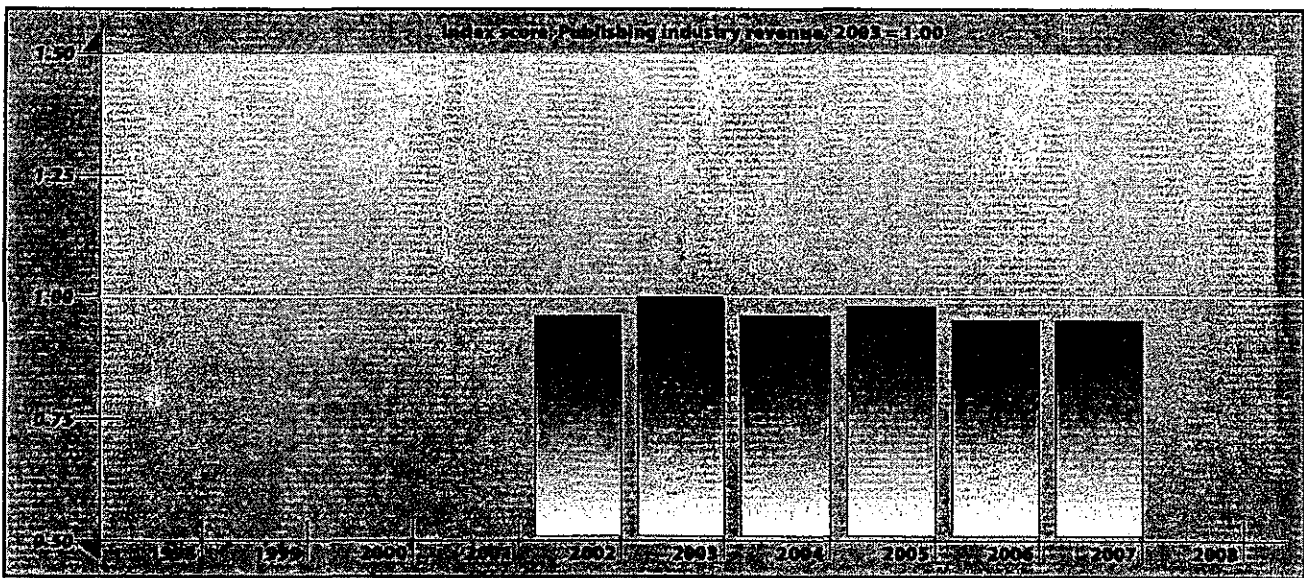
Sources: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 2, 16—19, 56, 57, 58

4. Publishing Industry Revenue

The publishing industry plays a vital role in the dissemination of the written word. Companies in the industry serve as intermediaries, financiers and gatekeepers between authors, poets, playwrights, essayists and their various distributors and readers. Figures from American Association of Publishers (AAP) estimate total publishers' revenues, collected from its 260 publishing firm members, who produce trade, text, mass market paperback and other forms of books. Like so many other forms of media and intellectual property, published materials find their way to readers in new ways and over new media. For example, AAP estimates that e-book sales increased at an annual rate of 55.7 percent between 2002 and 2007, compared to single-digit annual growth rates in all other book product categories (and declines in some other product categories). Because of that, revenues are a better way to measure industry fortunes over time than are counts of volume.

This indicator tracks "Estimated Book Publishing Industry Net Sales," adjusted to constant 2003 dollars. Current dollar net sales grew by about 10 percent from 2002 to 2007, reaching \$25.0 billion. However, the effects of inflation over that time span counteracted that growth —when converted to constant dollars, there was a slight decline in industry revenue starting in 2005.



	2002	2003	2004	2005	2006	2007	2008
Publishers' revenues (\$M)	22,033	23,358	23,006	22,859	24,197	25,000	24,197
CPI set to 2003 = 100.0	97.8	100.0	102.7	106.1	109.6	112.7	115.7
Constant dollar publishers revenues (\$M)	22,535	23,358	22,409	22,859	22,084	22,150	21,150
Indexed to 2003 = 1.00	N/D	0.96	1.00	0.96	0.98	0.95	0.95

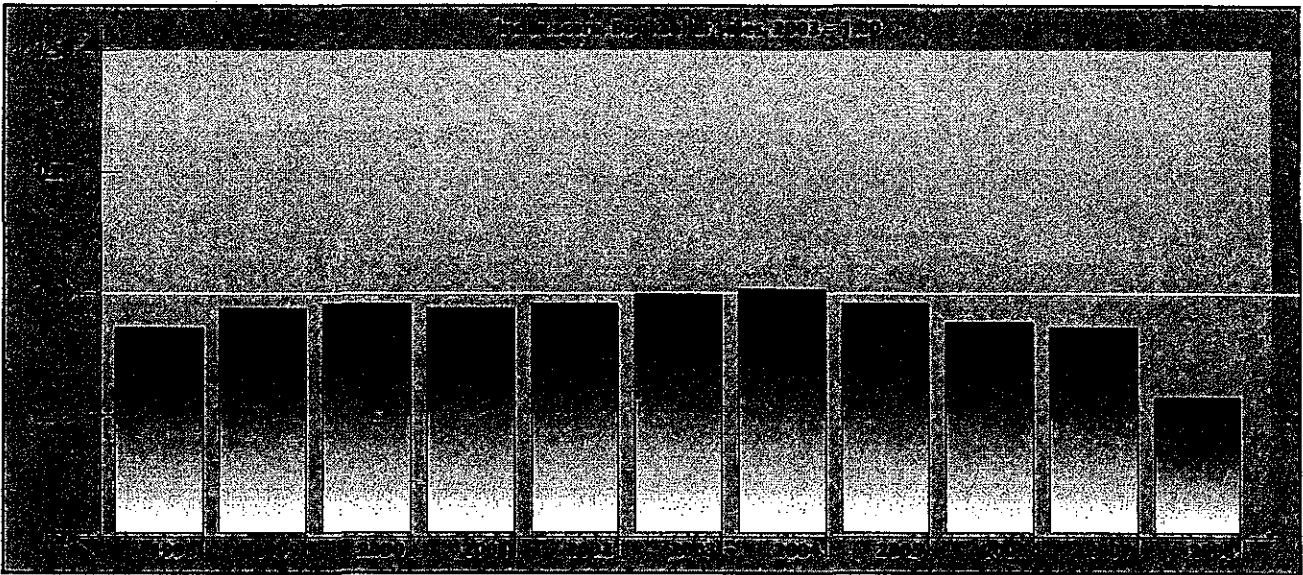
Source: American Association of Publishers

Related Indicator(s): 5

5. Bookseller Sales

Book sales are a primary means of transmission for the written word in general, and for fiction and literature in particular. This measure is based on data collected by the Census Bureau on monthly sales data for some 70 different types of retailers. Of the retailers listed, only booksellers, with NAICS 451211, fall into the arts and culture area. This measure does not distinguish between independent and chain booksellers, making it impossible to judge the health of the prototypical small, independent bookstore in American commerce.

This indicator shows a retail sector that maintained a steady level of increase through 2005 in overall sales, which preceded a multiyear decline in both current and constant dollars. When inflation is factored in, the picture is even less reassuring for years 2005 through 2008.



	2003	2004	2005	2006	2007	2008
Bookstore (NAICS 451211) sales (\$M)	14,185	15,110	16,179	16,861	17,021	
CPI at 2003 = 100.0	90.5	96.3	100.0	106.1	112.7	117.9
Constant dollar bookstore sales (\$M)	15,007	15,667	15,912	15,699	15,802	16,179
Indexed to 2003 = 1.00	0.93	0.97	0.98	0.97	0.98	1.00

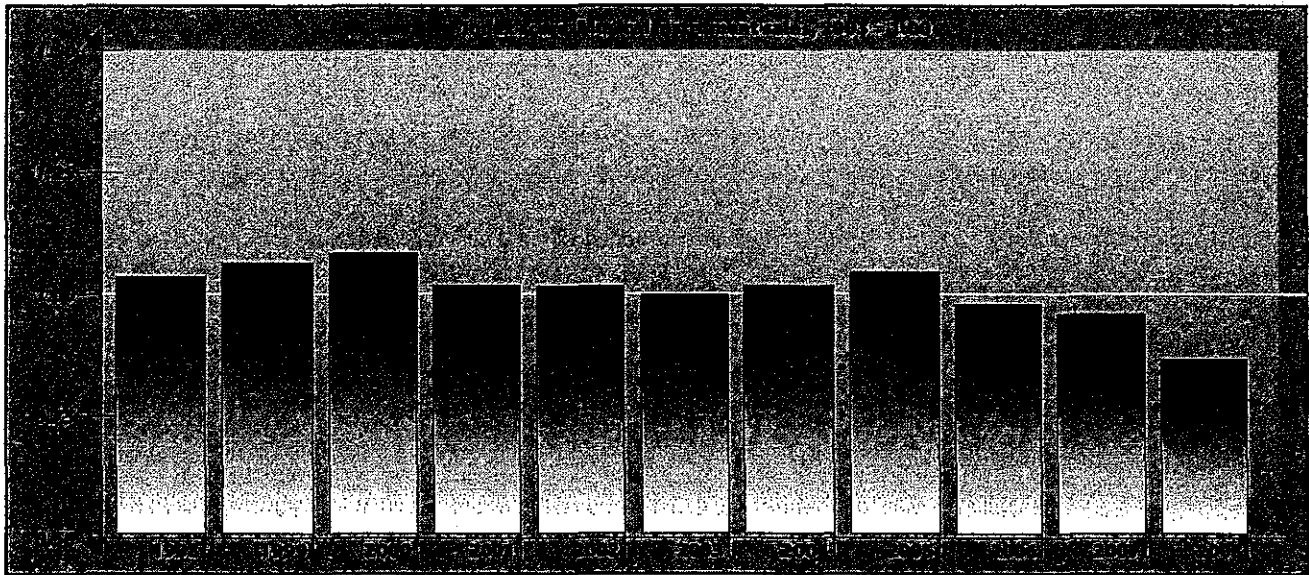
Source: Bureau of the Census, *Monthly Retail Sales*

Related Indicator(s): 4, 51

6. Musical Instrument Sales

Along with drawing, painting, and photography, playing a musical instrument is one of the most common ways for individuals to first become involved in the arts. The nation's cultural traditions, its love for instrumental music, and the role of instruments in supporting live performance by vocalists in pop music are all sources of demand for musical instruments. National Association of Music Merchants (NAMM), measures annual U.S. sales of fretted, keyboard, wind and percussion instruments, as well as printed music, electronics for music making, and sound reinforcement.

This indicator measures total U.S. sales in these musical instrument and related categories, adjusted to 2003 constant dollars. Sales reported in this indicator are at the wholesale level, which means that retail-level instrument sales are certainly higher than the amounts reported here, depending on markups for each kind of instrument and in each retail venue. While instrument sales in current dollars have consistently been more than \$7 billion, they have not kept pace with inflation, and constant dollar sales trended generally downwards since 2000. 2008 was a particularly difficult year, when instrument sales declined 10 percent in constant dollars from the prior year.



Musical instrument sales (\$M)	6,802	7,249	7,512	6,894	7,644	7,163	6,990	7,163	7,810	7,358	7,538
CPI set to 2003 = 100.0	88.6	90.5	95.6	100.0	97.2	96.3	102.7	102.7	106.1	112.7	117.1
Constant dollar musical instrument sales (\$M)	7,249	7,512	7,644	7,163	7,443	6,990	7,163	7,358	6,830	6,689	6,085
Indexed to 2003 = 1.00	1.04	1.07	1.09	1.00	1.02	1.02	1.00	1.02	1.05	0.96	0.87

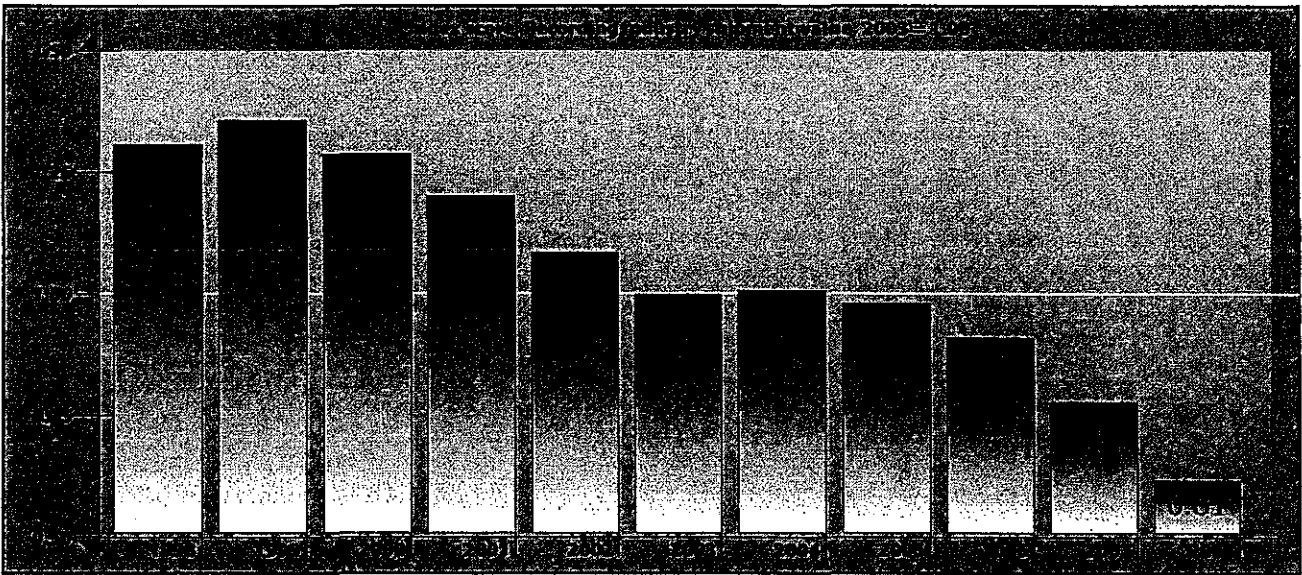
Source: National Association of Music Merchants, NAMM Global Report featuring Music USA annual reports

Related indicator(s): 30, 32

7. Recording Industry Shipment Value

Records are the principal channel for music reaching listeners, whether through physical or digital media. Changes in the recording industry provide some of the most visible examples of how digitization of content and file transfers over the Internet are reshaping the arts industries. The Recording Industry Association of America (RIAA) tallies total units sold and total value of units shipped in various forms: CD, cassette, LP, DVD, music video and digital download (the latter since 2004). RIAA statistics cite volume and shipment counts for uses of recorded music ranging from recorded CDs to 30-second cell phone ringtones. Because these different units are counted in many ways, and because of the rapid growth of digital uses of music, there are very wide swings in product counts. RIAA data show that albums downloaded digitally increased from 4.6 million to 56.9 million between 2004 (the earliest year for which data are available) and 2008, while digital single downloads grew from 139 million to 1.03 billion. These swings make it practically impossible to derive a single measure of how many of a standard "unit" is sold that incorporates all of these diverse media. However, information on the dollar value of all uses of music is kept by RIAA and can be used as a proxy for recording industry activity.

This indicator measures the dollar value of recording industry shipments, which incorporate all of those unit volumes at the various prices that recording companies and their distributors charge. This avoids some of the difficulties of unit counts. Despite the trend of increasing numbers of sales of digital music, total industry revenues declined in current dollars and even more sharply in inflation-adjusted dollars. In current dollars, revenues in 2008 were \$8.5 billion.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total value of digital and physical shipments (\$B)		14,585		13,741		11,854		12,297		10,372	
CPI set to 2003 = 100.0		90.5		96.3		100.0		106.1		112.7	
Constant dollar value of recording industry shipments (\$B)		15,478		16,108		15,305		14,276		12,902	
Indexed to 2003 = 1.00		1.31		1.36		1.29		1.20		1.09	
						1.00		1.01		0.98	
										0.91	
											0.78
											0.61

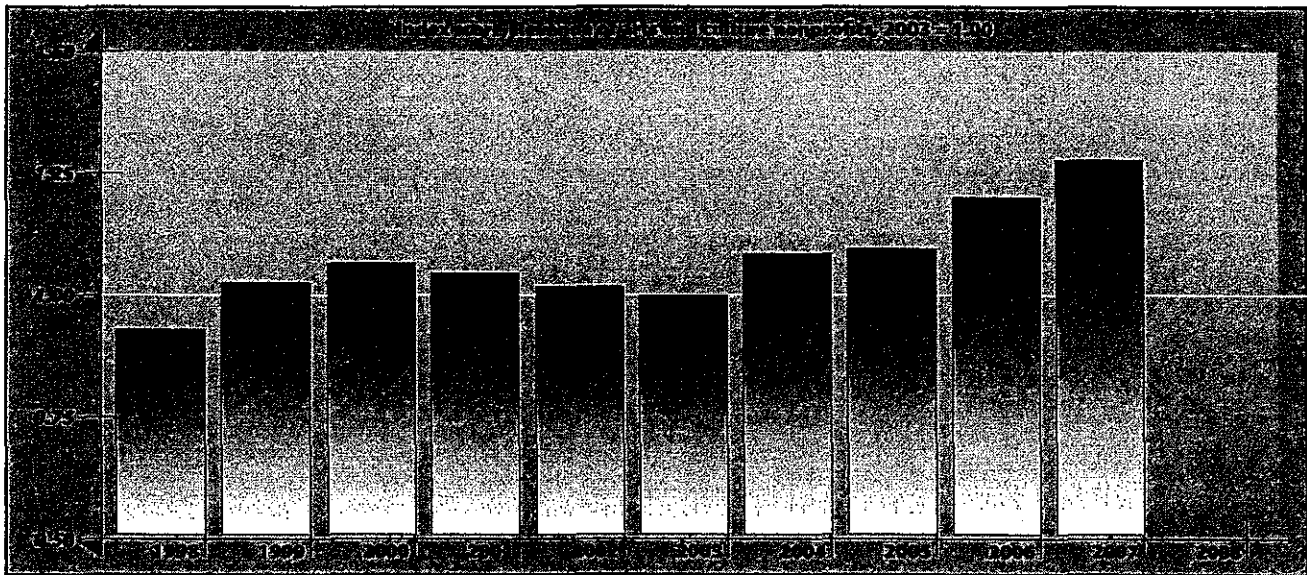
Source: Recording Industry Association of America, Year-End Shipment Statistics

Related Indicator(s): 1, 22

8. Revenue of Arts and Culture Nonprofits

Nonprofit arts organizations in the arts can be identified using the National Taxonomy of Exempt Entities (NTEE). Organizations in major Group A, plus group N 52 (fairs and festivals) are the prototypical arts producers in the U.S. They are the theaters, orchestras, museums, choruses, community arts schools, dance companies, and more that collectively form the backbone of the U.S. arts and culture systems. Revenues into these charitable nonprofit organizations come from fees paid by arts consumers and audiences, from grants, contributions and other subsidies and as income from reserves and endowments. Together, these income streams are resources that arts nonprofits use to produce services and programs that accomplish their missions and meet the artistic interests of their communities. While the total number of arts organizations with 501(c) 3 status grew to more than 100,000 by 2007, a little more than one in three (about 35 percent), are large enough to be required to file a Form 990 in any given year.

This indicator measures the total revenues of these nonprofits that file Form 990, converted to constant 2003 dollars. While the total number of these organizations grew by more than half, from about 25,000 in 1998 to 38,000 in 2007, the total revenues increased by about 75 percent in current dollars, increasing in every year. On first glance, this indicates that the growth in revenue was greater than the growth in number of organizations. However, when revenue growth is adjusted for inflation, it becomes only 38 percent in constant dollars. This means that while the total revenues of the field increased, average "real" revenues of each organization fell. This is an effect of having so much entry into the field, that newer arts organizations—of which there are many—typically have less revenue than older ones.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total revenues of arts nonprofits (\$M)	22,381	24,139	23,897	27,977	26,358	23,897	26,358	28,768	30,581	34,461
CPI set to 2003 = 100.0	88.6	90.5	95.6	96.3	97.8	100.0	102.7	106.1	109.6	112.7
Constant dollar arts nonprofit revenue (\$M)	22,184	24,719	25,628	25,079	24,411	23,897	26,152	26,358	28,768	30,581
Indexed to 2003 = 1.00	0.93	1.03	1.07	1.05	1.02	1.00	1.09	1.10	1.20	1.28
										N/D

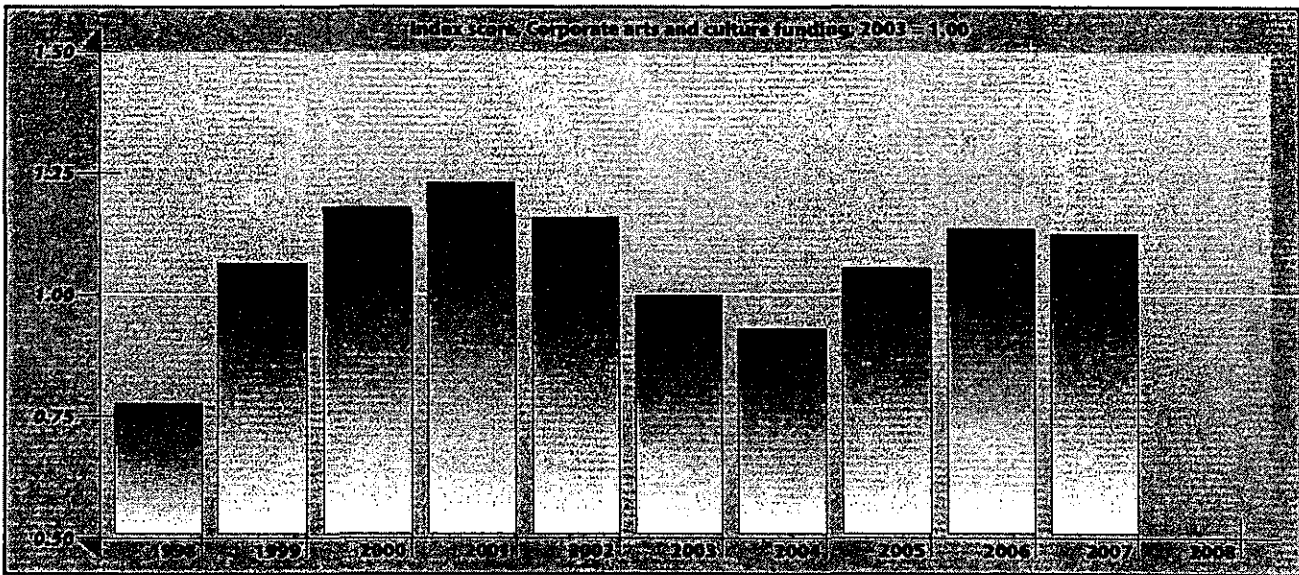
Sources: National Center for Charitable Statistics at the Urban Institute

Related Indicator(s): 26, 29, 76

9. Corporate Arts and Culture Funding

Along with individuals and foundations, businesses are the third major source of private support of the arts. The Conference Board surveys major corporations every year on their charitable contributions, including the sectors to which they give. Response levels range from 189 to 232 companies. The board estimates that in 2006, these contributions represented 62 percent of overall corporate contributions from U.S.-based companies. Respondents to Conference Board surveys, typically, are major corporations. It is important to note that besides these large companies, small businesses that number in the millions also contribute to arts and culture activity, though usually at lower levels.

This indicator measures total corporate giving (by survey respondents) targeted to arts and culture. The survey is annual, but different companies respond each year. Reported support of the arts doubled from \$2.2 billion to \$4.0 billion between 1998 and 2007. However, the effects of inflation eroded much of that increase. Declining sharply after 2001, reported corporate support of the arts (in current and inflation-adjusted dollars) began to increase again after 2004.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total corporate funding of arts and culture (\$B)	2.157	3.049	3.263	3.724	3.541	3.135	2.987	3.529	3.919	4.000	
CPI at 2003 = 100.0	88.6	90.5	93.6	96.3	97.8	100.0	102.7	106.1	109.6	112.7	
Constant dollar corporate funding of arts and culture (\$B)	2.435	3.367	3.703	3.869	3.622	3.135	2.909	3.324	3.578	3.545	
Indexed to 2003 = 1.00	0.78	1.07	1.18	1.23	1.16	1.00	0.93	1.06	1.14	1.13	N/D

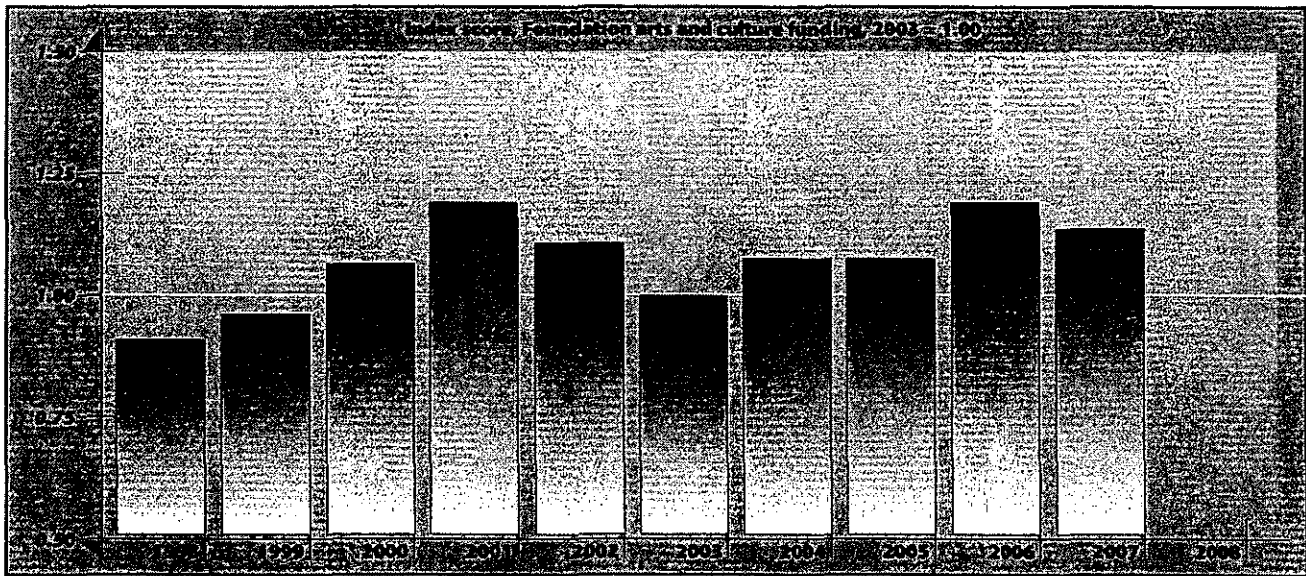
Source: The Conference Board

Related Indicator(s): 11—15, 61, 62, 64, 66

10. Foundation Arts and Culture Funding

Arts funding by foundations is one of the three main elements of private philanthropy in support of the arts, along with individual and business funding. Across all nonprofit service areas, giving by foundations, including independent, corporate, and community foundations, is second only to individuals as a source of private support for nonprofit work.

This indicator measures total funding by foundations to arts organizations. These data originate in the Foundation Center's annual surveys of foundation grants of \$10,000 or more, made by approximately 1,200 of the nation's foundations. Foundation funding thus represents a bright spot for arts funding, especially compared to the slower rise in corporate support. The number of grants of this scale —reported in the Foundation Center's FC Stats program— increased from 97,000 in 1998 to more than 150,000 in 2007. Along with the number of grants, foundation dollar amounts increased from 1998 through 2007 by almost 60 percent, when measured in current dollars, but by only about 25 percent when adjusted for inflation. Foundation grants to arts and culture as reported by the Center actually decreased in current dollars from 2006 to 2007.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total reported foundation grant dollars (\$M)	1,527	1,554	1,757	2,048	1,990	1,790	1,980	2,055	2,490	2,294
CPI set to 2003 = 100	88.6	90.5	93.6	96.3	100.0	102.7	106.1	109.6	112.7	N/D
Constant dollar foundation support of the arts (\$M)	1,625	1,717	1,922	2,128	1,990	1,790	1,928	1,936	2,126	2,035
Indexed to 2003 = 1.00	0.91	0.96	1.07	1.19	1.11	1.00	1.08	1.08	1.19	1.14
										N/D

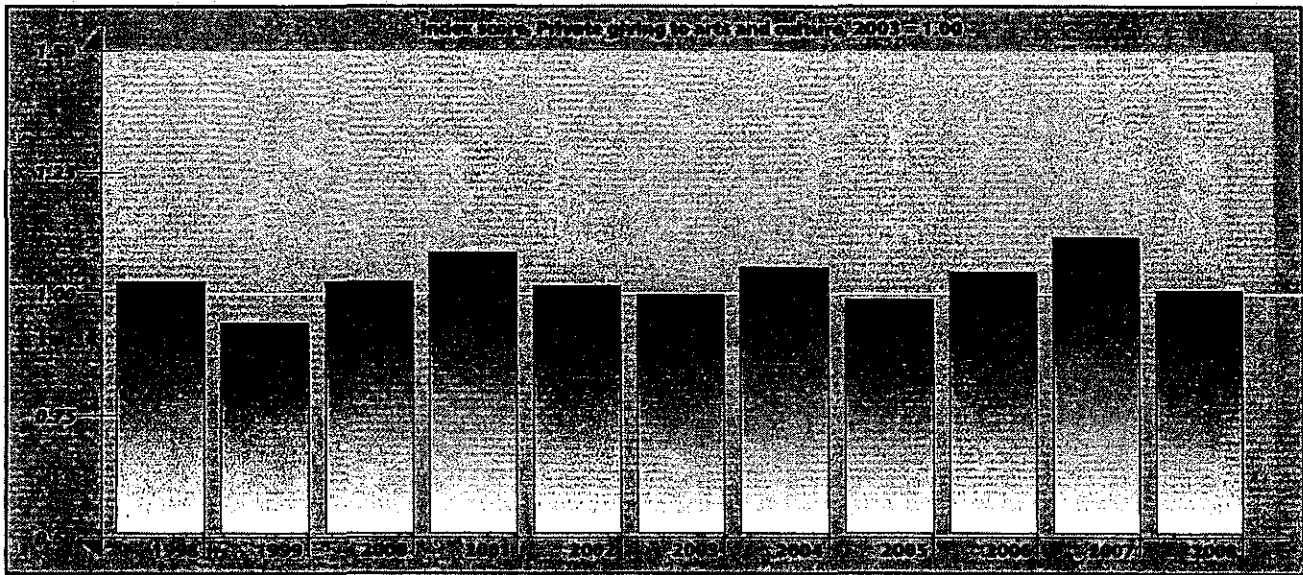
Source: Foundation Center

Related Indicator(s): 9, 11—15, 61

11. Private Giving to Arts and Culture

Private giving to arts organizations comes primarily from individuals, with major components also coming from foundations, corporations, and bequests. Private funds are typically a much larger source of revenue in arts organizations than public funds, making up about 40 percent of the total income stream of nonprofit arts groups. A reliable source of total private philanthropy to the arts is the annual Giving USA report, published by the Giving USA Institute, which is a trade association of major fundraising consulting firms. Giving USA presents estimated total private dollars going to arts and culture, one of several other nonprofit sectors. Arts support was \$13.67 billion in 2007 compared to giving of \$102 billion to religion, \$43 billion to education, \$30 billion to human services, \$28 billion to foundations, and \$23 billion each to public-society benefit and to health.

This indicator measures total private giving to arts and culture organizations, converted to 2003 dollars. Total private giving increased in current dollars most years since 1998, but the effects of inflation have reduced the benefits of that increase. Real, or constant dollar giving, increased especially in recent years. Private support of the arts, however, varies from year to year, because of business cycle effects. While the arts dollars have increased, the share of private sector giving to the arts has decreased.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total private philanthropy (\$B)	9.24	9.24	10.43	11.41	11.41	10.83	10.83	11.38	11.38	13.67	13.67
CPI set to 2003 = 100.0	98.6	90.5	93.6	96.3	97.3	100.0	102.7	106.1	109.0	112.7	117.1
Constant dollar private support of arts and culture (\$B)	11.14	10.21	11.20	11.85	11.08	10.83	11.47	10.72	11.42	12.13	10.92
Indexed to 2003 = 1.00	1.03	0.94	1.03	1.09	1.02	1.00	1.06	0.99	1.05	1.12	1.01

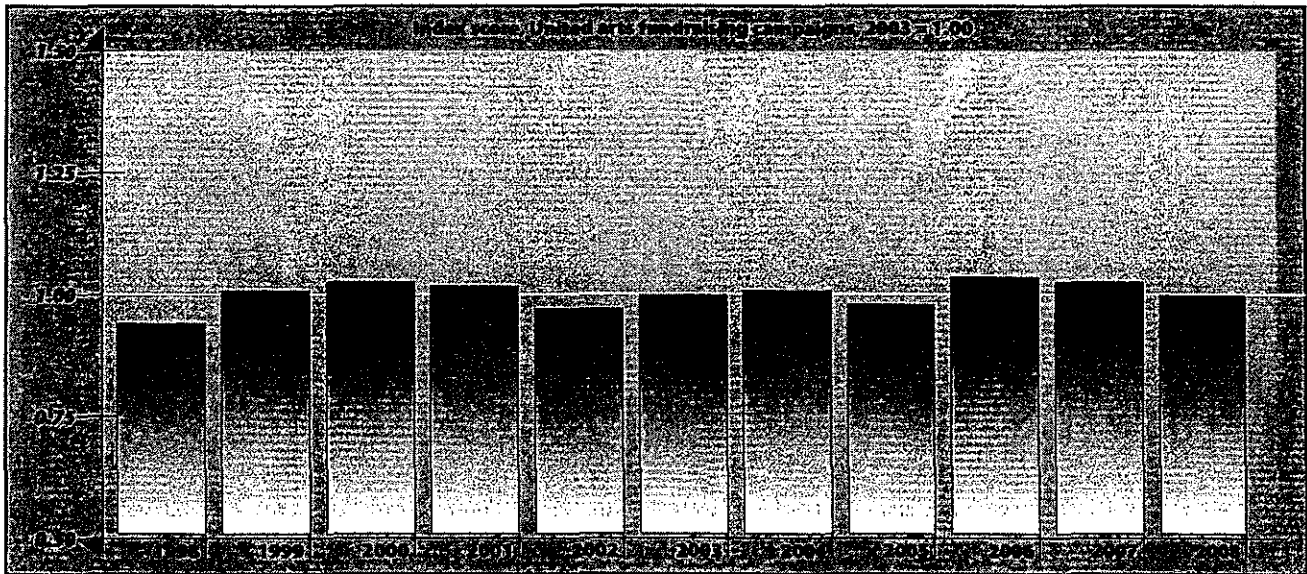
Source: Giving USA

Related Indicator(s): 8—10, 26, 27, 53, 74

12. United Arts Fundraising Campaigns

United arts funds are federated campaigns, community-wide efforts to raise money to support arts and culture. These funds are analogous in some ways to the United Way, which raises community funds for various human service programs. Americans for the Arts studies United Arts Funds to understand their performance and help them improve their results. Of the more than 60 united arts funds, 28 have reported their performance every year since 1998. In current dollars in 2008, they range from as little as \$40,000 to as much as \$12 million, with a median of about \$1.1 million.

This indicator measures the average revenues of these 28 funds in constant 2003 dollars. While a median would show the typical fund's performance, an average is exactly proportional to the total that all 28 united arts funds were able to bring in. While other sources of support for the arts have varied widely, and mostly declined, united arts funds have been able to attract consistent levels of support from year to year, at least keeping up with inflation. Even so, their constant dollar revenues have fallen since 2006.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Average funds raised by 28 United Arts Funds (2000)	1,937	2,069	2,109	2,185	2,189	2,178	2,109	2,124	2,454
CPI at 2003 = 1.00	88.6	90.5	93.6	96.3	97.8	100.0	102.7	106.1	109.6
Constant dollar funds raised by 28 United Arts Funds (\$000)	1,982	2,140	2,180	2,149	2,049	2,109	2,124	2,059	2,178
Indexed to 2003 = 1.00	0.94	1.01	1.03	1.02	0.97	1.00	1.01	0.98	1.03

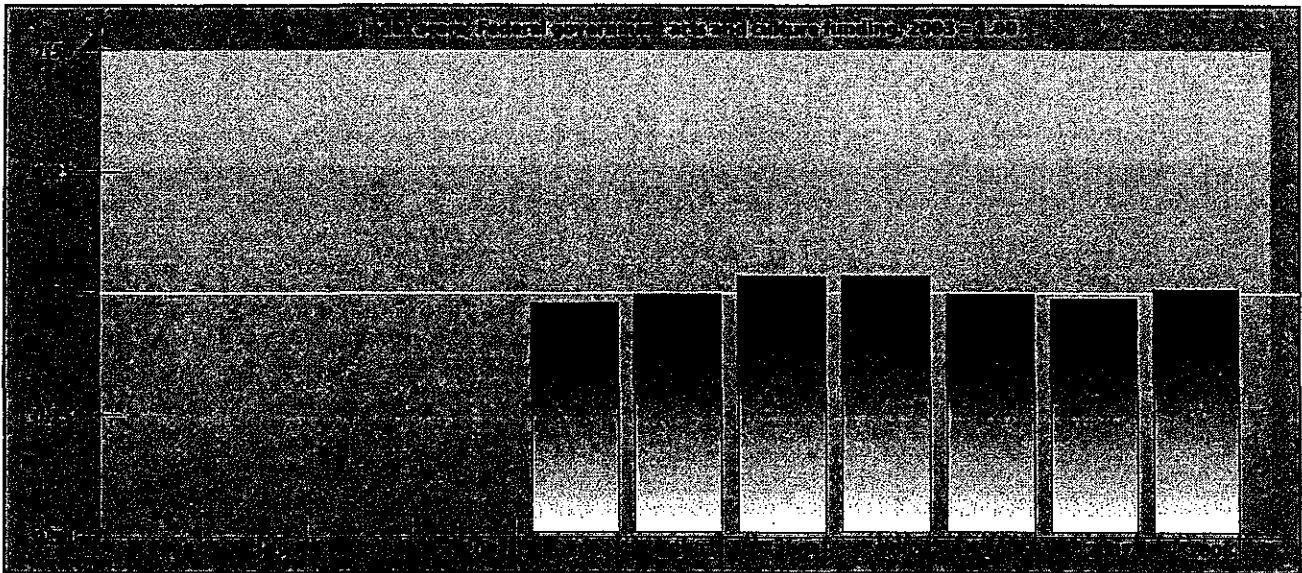
Source: Americans for the Arts

Related Indicator(s): 9—11, 15, 26, 27, 53

13. Federal Government Arts and Culture Funding

The federal government is a vitally important source of funds for arts and culture in the U.S. Much attention is focused on the National Endowment for the Arts (NEA), but it is only one of several federal arts and culture programs. Others include the National Endowment for the Humanities, Institute for Museum and Library Services, and Corporation for Public Broadcasting, all of which, like the NEA, support arts activities around the country. Some attractions in Washington, D.C. have wide impact both as national centers and visitor attractions—among them, the Smithsonian Institution, Holocaust Museum, National Gallery and the Kennedy Center. There are also many (comparatively smaller) arts programs that are immersed in the budgets of other federal agencies.

This indicator measures funding of the listed programs, adjusted to 2003 dollars. Spending peaked in 2004, and then leveled off in current dollars until increasing in 2008. Overall, federal arts spending just kept up with inflation.



	2003	2004	2005	2006	2007	2008
NEA Total (\$000)	115,234	120,972			124,406	144,706
NEH (\$000)	124,504	135,310			140,949	144,707
IMLS (\$000)	221,501	262,240			247,144	263,507
Smithsonian (\$000)	518,860	596,279			615,097	682,629
Kennedy Center (\$000)	38,310	32,159			30,347	42,674
National Gallery of Art (\$000)	85,335	98,225			111,141	117,866
Commission of Fine Arts (\$000)	1,224	1,405			1,865	2,059
Institute of American Indian (\$000)	4,490	6,173			6,207	7,183
Holocaust Memorial (\$000)	36,028	38,412	39,505	40,858	42,150	44,786
Arts in Education (\$000)	30,000	33,779	35,071	35,693	35,277	37,533
Corporation for Public Broadcasting (\$000)	350,000	362,800	377,800	386,800	396,000	400,000
Total federal arts and culture spending (\$000)	1,525,486	1,597,626	1,705,139	1,761,689	1,750,583	1,775,530
CPI set to 2003 = 100.0	97.8	100.0	102.7	106.1	109.6	112.7
Constant dollar federal arts and culture spending (\$000)	1,560,252	1,597,626	1,660,908	1,659,758	1,597,754	1,575,646
Indexed to 2003 = 1.00	N/D	0.98	1.00	1.04	1.04	1.00
						0.99
						1.01

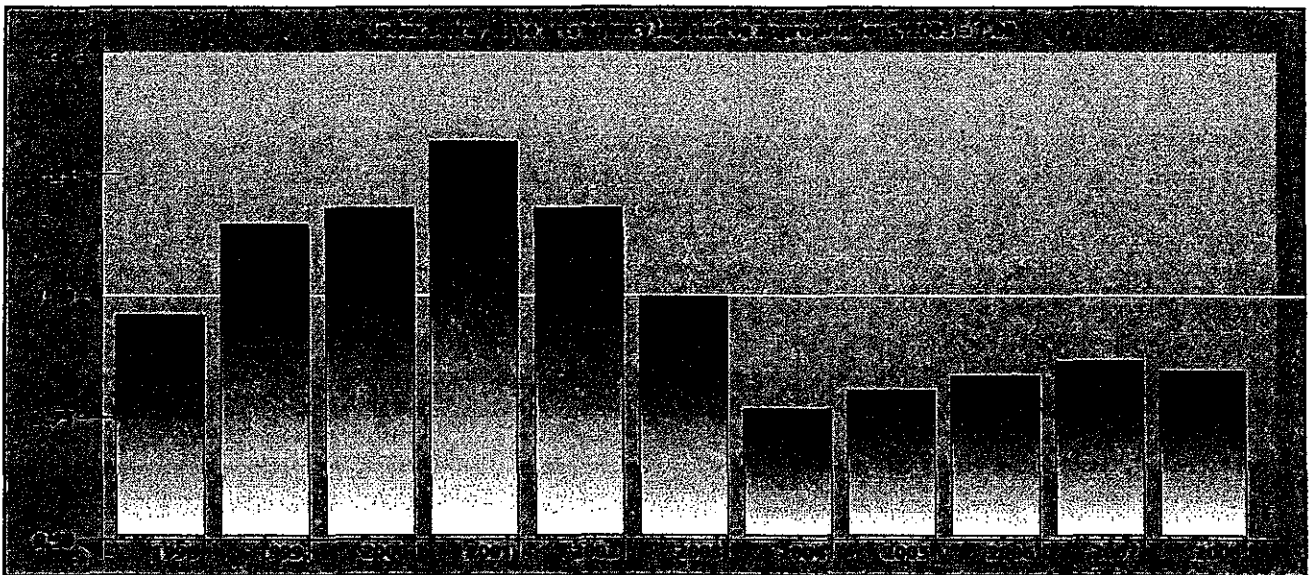
Sources: Congressional Research Service, *Arts and Humanities: Background on Funding Reports*, Government Printing Office *Budget of the United States*

Related Indicator(s): 14, 15, 63, 64

14. State Arts Agency Legislative Appropriations

State governments are important supporters of arts and culture, reaching many communities, organizations and artists. Every state has a state arts agency, which is funded by allocations from state legislators as well as by funds from Congress, passed through the National Endowment for the Arts.

This indicator measures funding in constant dollars provided to state arts agencies from their legislatures, using data from the National Assembly of State Arts Agencies. Arts funding is discretionary, and at the state level has typically tracked the business cycle, increasing in good times and declining when the economy is sliding. During the various "boom and bust" times between 1998 and 2008, total state funding grew by 17 percent in current dollars, from \$304 million to \$354 million. However, when converted to 2003 dollars, this increase disappears, as constant dollar state funding declined by more than 11 percent from start to finish, and by more than 37 percent from its peak in 2001.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
State arts agency legislative appropriations (2000)	370,311	450,577	355,673	304,209	350,122	342,922	408,986	419,209	468,132	419,063	355,673
CPI set to 2003 = 100.0	90.5	96.3	100.0	112.7	106.1	100.0	107.2	107.2	107.2	107.2	107.2
Constant dollar state arts agency legislative appropriations (\$000)	412,492	468,132	355,673	273,701	286,607	342,922	380,149	380,149	438,707	380,149	380,149
Indexed to 2003 = 1.00	0.96	1.15	1.00	0.77	0.81	1.00	1.11	1.11	1.17	1.11	1.07

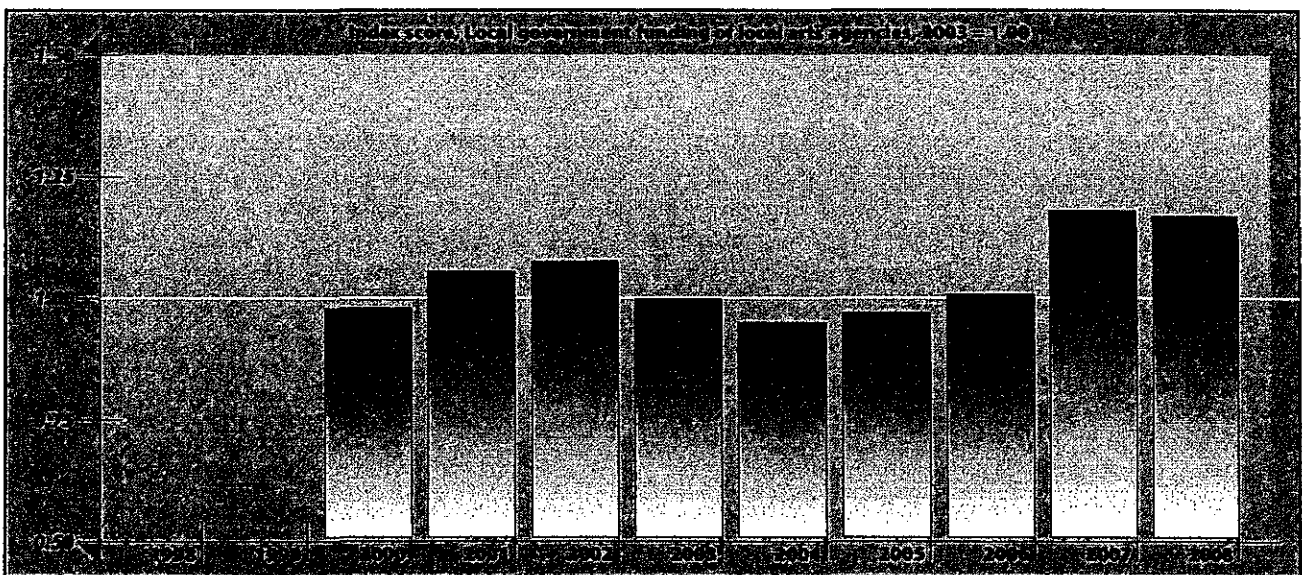
Sources: National Assembly of State Arts Agencies

Related Indicator(s): 13, 15, 65, 66

15. Local Government Funding of Local Arts Agencies

Local governments play a major role in public sector funding of the arts. With thousands of counties, cities, townships and other local entities, there is no consistent measure of local support that covers the entire country. One area in common is that local government funding is channeled through local arts agencies and councils. Arts councils in and of themselves vary widely in their structures and roles. Some are nonprofits that seek funds from private and public sources; others are offices of local government. Some arts councils give grants to artists and arts organizations, while others produce programs directly—and some do both. Through its United States Urban Arts Federation program, Americans for the Arts gathers annual data from the 60 most populous U.S. cities on local government support of local arts agencies.

This indicator measures the total level of funding provided by local governments to those arts agencies. The range of support to individual local arts agencies in this group is wide, ranging from about \$20,000 to more than \$150 million in 2008. The five largest local arts agencies account for about half of the total. During the last decade, local governments provided steadier levels of funding directly to local arts agencies, more than what state governments have provided to their counterparts.



	2003	2004	2005	2006	2007	2008	2009	2010
Total local government support of local arts agencies in 60 large cities (\$M)	281.702	327.641	325.951	308.339	300.963	340.685	362.685	395.358
CPI at 2003 = 100.0	93.6	97.8	100.0	102.7	106.4	109.6	117.1	117.1
Constant dollar local government support of local arts agencies in 60 large cities (\$M)	301.005	327.641	333.380	308.339	293.156	297.747	310.943	360.820
Indexed to 2003 = 1.00	N/D	0.98	1.06	1.08	1.00	0.95	0.97	1.01

Source: Americans for the Arts, United States Urban Arts Federation

Related Indicator(s): 12—14

Chapter 4. Capacity Indicators

There are 14 Capacity indicators that measure the numbers and strength of individuals and organizations providing arts and culture in the U.S. Capacity is also seen in the channels through which specific art forms (movies and music) reach their audiences, in the level of capital investment in arts businesses and nonprofits, and in organizational networks that create a supportive infrastructure. They are presented here in an order roughly from individuals to institutions.

The next two tables show the indicators used in the Capacity component, and the number of indicators that are used to make up the overall Capacity in each year. Those scores are shown in Figure N, below.

Table 4. Capacity Indicators

16.	Artists in the workforce
17.	Workers in arts and culture occupations
18.	Employees in arts and culture industries
19.	"Creative Industries" employment
20.	Arts union membership
21.	Independent artists, writers and performers
22.	CD and record stores
23.	Movie screens
24.	Establishments in arts and culture industries
25.	"Creative Industries" establishments
26.	Registered arts and culture 501(c)(3) organizations
27.	Arts support organizations
28.	Net capital stock of arts and culture industries
29.	Net capital stock of nonprofit arts organizations

Table 5. Capacity Indicators Per Year

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
8	9	11	11	11	14	14	14	14	14

Averaged across all available data, they produce the following ten-year trend:

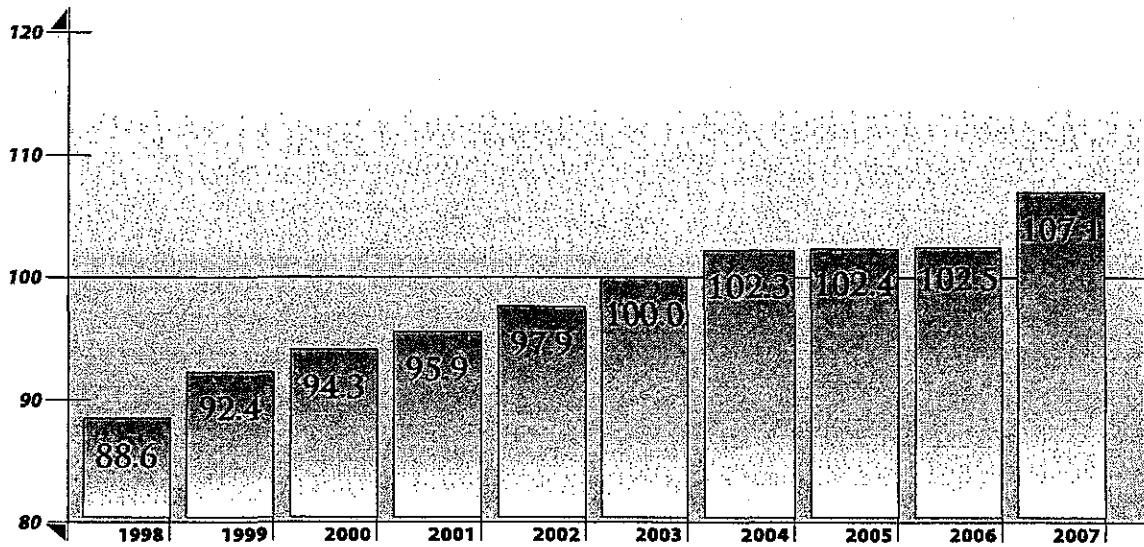


Figure N. National Arts Index Capacity Indicators (2003 = 100.0)

This figure illustrates one of the most striking results we found: the rapid increase in the capacity of the arts industries shown in this component. This was visible in both human and financial terms. In every year from 1998 through 2007, the arts attracted more and more workers, employees, and individual artists. These effects were seen in both the nonprofit and business sectors. A similar growth in capacity was seen at the organization level, with more arts businesses and nonprofits. Nonprofit growth in particular was rapid, but the number of CD stores has dropped sharply, as consumers switch their music buying to the Internet. What is more, the level of capital investment in the arts grew, in the familiar forms of concert halls and exhibition spaces, but also through capital spending on technology.

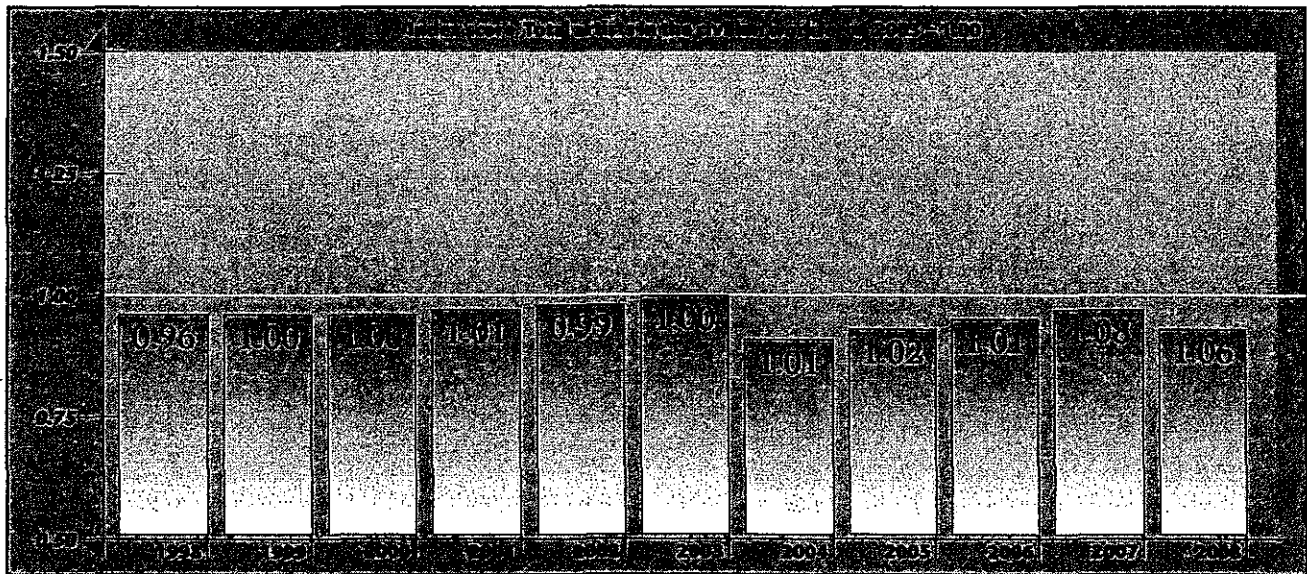
Taken together, every year in that span showed an increase, which is most marked in measurements of the capital assets of arts nonprofits and business, numbers of independent artists, numbers of arts organizations and arts support organizations, and workers in artistic occupations. These are only net increases, meaning that they only report on the total number of organizations, individuals, or the amount of capital each year. They can't tell us about the level of attrition in existing capacity, as some organizations fail or workers find other occupations. It is likely that in 2008, 2009, and beyond, the level of attrition will be more pronounced.

The individual indicators described in the following 14 pages provide additional detail on the overall increase in capacity in the arts and culture industries from 1998 to 2007. Of the 14 Capacity indicators, nine were available for 2008, and they show a decline in the Capacity component to 105.4.

16. Artists in the Workforce

Employment in the arts is perhaps the most fundamental signal of the health and vitality of the arts sector. In this report, three different measures provide alternative views of the arts labor market. This employment indicator is a measure of the kind of work people do. This measure in particular is based on data published by the National Endowment for the Arts (NEA). The NEA's research division uses data from the monthly Current Population Survey (CPS) of the Census Bureau, and classifies workers as "artists" if their primary occupation is one of eleven occupational types related to artistic work in the Bureau of Labor Statistics category scheme.

This indicator measures the total number of artists in the civilian workforce, based on the CPS data published by the NEA. According to this measure, there were between 2.0 million and 2.2 million artists in the workforce from 1998 through 2008. The jump from 2006 to 2007 was driven by increases in the number of architects, designers, producers and directors (four of the eleven). The total declined for 2008, but still remained higher than in most prior years. The CPS determines a respondent's occupation based on the work that he or she does —the work that takes the most time during the prior week. This is an important distinction because of how many artists work part time and/or hold multiple jobs.



Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Artists in the civilian workforce (000)	2,032	2,113	2,106	2,136	2,103	2,114	2,142	2,164	2,141	2,277	2,240
Indexed to 2003 = 1.00	0.96	1.00	1.00	1.01	0.99	1.00	1.01	1.02	1.01	1.08	1.06

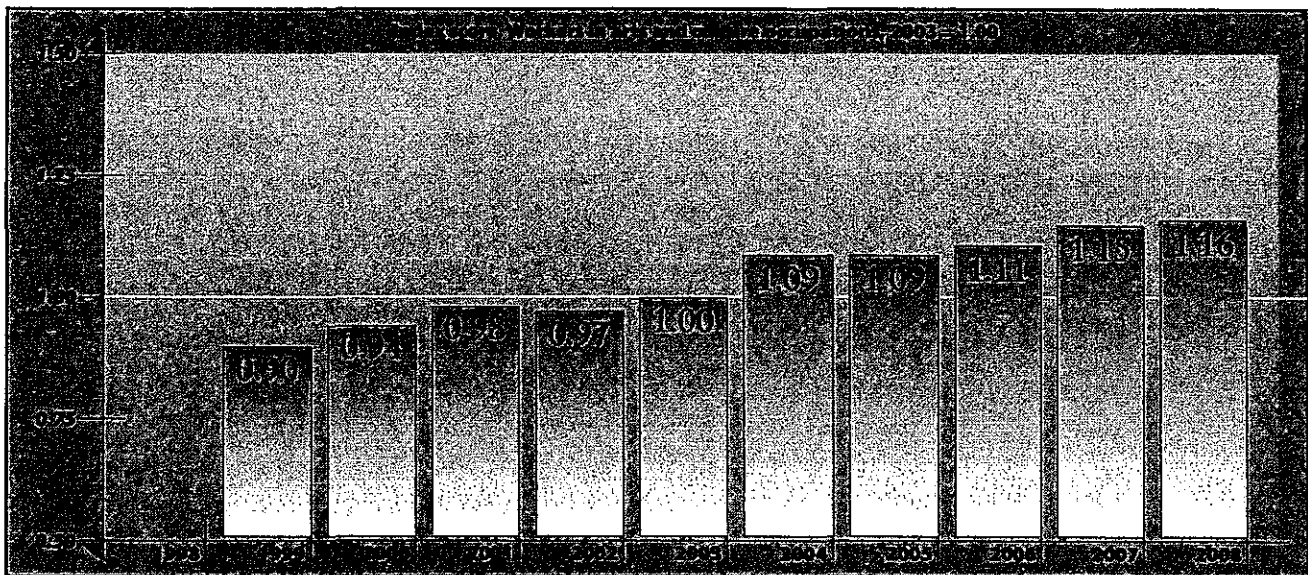
Source: National Endowment for the Arts, Research Notes 76, 87, 90, and 97

Related Indicator(s): 17-21, 56-58

17. Workers in Arts and Culture Occupations

This employment indicator is another measure of the kind of work people do. Other indicators have detailed the number of workers in arts industries. However, artistic work is defined by occupation as well as by industry. To illustrate the difference, consider that a theatre company (an organization in an arts industry) may employ one or more accounting staff (who are not specifically artistic workers). Correspondingly, a department store (not an arts and culture industry) may employ designers (who work in artistic occupations).

This indicator measures the total number of workers in 46 arts occupations defined by the Standard Occupational Code system of the Bureau of Labor Statistics (BLS) (see Appendix B). This total increased from 1.30 million to 1.66 million from 1999 to 2008, a rise of about 27 percent. It should be noted that the BLS periodically changes its measurement systems, and did so in 2004, recognizing more detailed types of occupations, and making the overall national estimates more accurate. This is part of the reason for the increase in the number of arts and culture workers between 2003 and 2004. However, the rise in numbers of workers from 2004 through 2008 is with a consistent set of occupations.



Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Workers in 46 arts and culture occupations (millions)	1,298	1,356	1,407	1,401	1,438	1,564	1,566	1,591	1,652	1,661	
Indexed to 2003 = 1.00	N/D	0.90	0.94	0.98	0.97	1.00	1.09	1.09	1.11	1.15	1.16

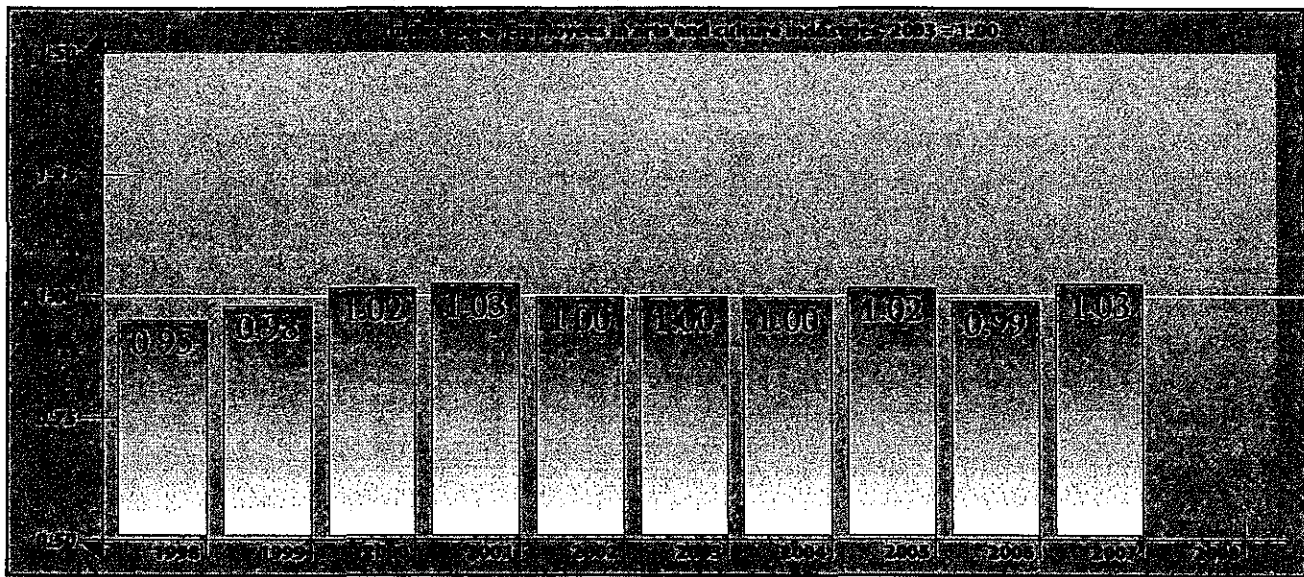
Source: Bureau of Labor Statistics, *Occupational Employment Statistics*

Related Indicator(s): 16, 18-21, 56-58

18. Employees in Selected Arts and Culture Industries

This employment indicator is a measure of where people work. Employment in the arts and culture industries signals overall economic vitality, engagement by workers and is a clear economic benefit of demand for artistic products and services. The federal government classifies businesses by industry using the North American Industrial Classification System, or NAICS. NAICS has about 1,800 six-digit codes, of which, 43 describe firms in the arts and culture industries. Because SIC-coded data are no longer easily available, this set of NAICS codes was selected to match the larger list of SIC codes used in the annual Creative Industries studies. Data on numbers of employers, employees and total payroll are available from the Census Bureau in County Business Patterns. These figures refer specifically to employees of companies in arts industries, not to all artists or to workers in all artistic occupations (which are the basis for other indicators).

This indicator measures the total number of employees working in those 43 industries (listed in Appendix A). According to this measure, there have been between 1.9 million and 2.1 million workers in these industries from 1998 through 2007, with a gradual increase, but no dynamic changes.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Employees in selected arts and culture industries (000)	1,942.8	2,008.8	2,100.2	2,108.9	2,055.0	2,051.8	2,053.0	2,084.0	2,026.0	2,103.3	
Indexed to 2003 = 1.00	0.95	0.98	1.02	1.03	1.00	1.00	1.00	1.02	0.99	1.03	N/D

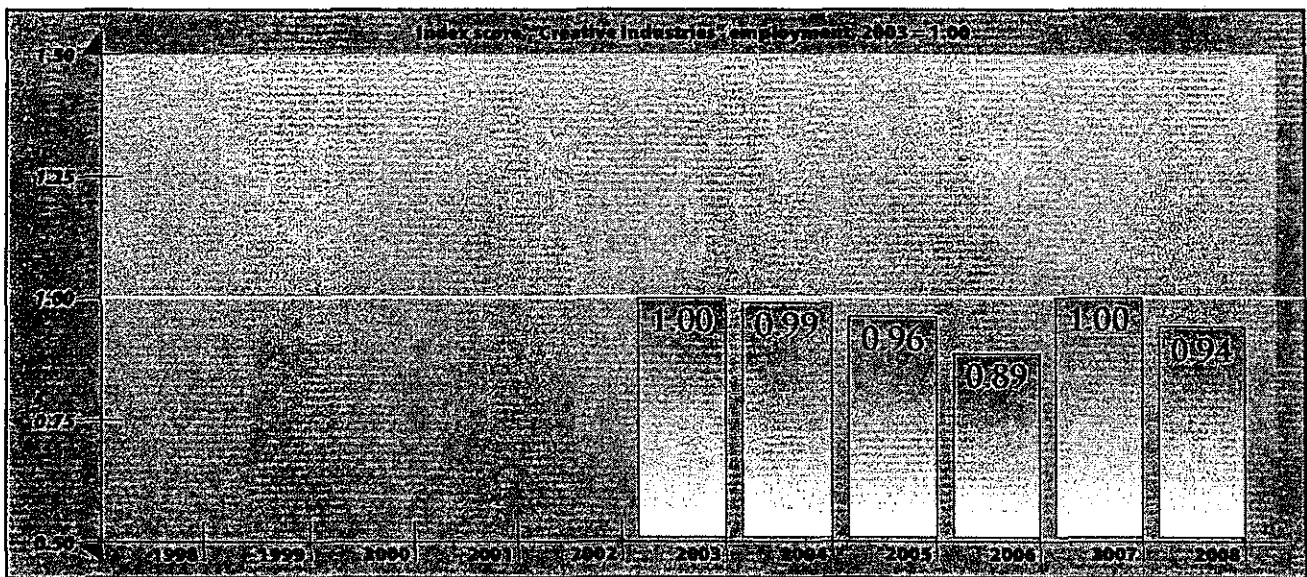
Source: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 16, 17, 19-21, 56-58

19. 'Creative Industries' Employment

Because employment is such a key measure of overall vitality of the economy and the nation, and because there is more than one way to measure employment, the index includes more than one reliable employment measure. Another research project of Americans for the Arts since 2003 is an annual "Creative Industries" study, examining only businesses involved with the production and distribution of the arts. These studies use data from Dun & Bradstreet, a well-known business information provider. The "Creative Industries" are defined by Americans for the Arts as fitting into one of 643 Standard Industrial Classification (SIC) codes. The SIC is the predecessor to NAICS, and was more detailed, with a total of about 18,500 individual codes at the eight-digit level. For example, the SIC system has 23 separate classifications for specific musical instrument manufacturers, whereas the NAICS system has only one.

This indicator measures the number of employees in creative industry organizations. As we note elsewhere, this measure does not distinguish between artistic and non-artistic workers, even though they are all in artistic industries (e.g., both actors and finance managers might work in a theatre organization). Employment in these industries remained steady at slightly fewer than 3 million, with a drop in 2006, and at least a one-year rebound since then. Viewed as a fraction of employees in all industries where D & B gathers data, the "Creative Industries" share of all employment has ranged from 2.0 percent to 2.2 percent.



	1998-2002	2003	2004	2005	2006	2007	2008
Employees in "Creative Industries" establishments		2,989,394	2,965,893	2,869,403	2,670,553	2,980,869	2,817,405
Indexed to 2003 = 1.00	N/D	1.00	0.99	0.96	0.89	1.00	0.94

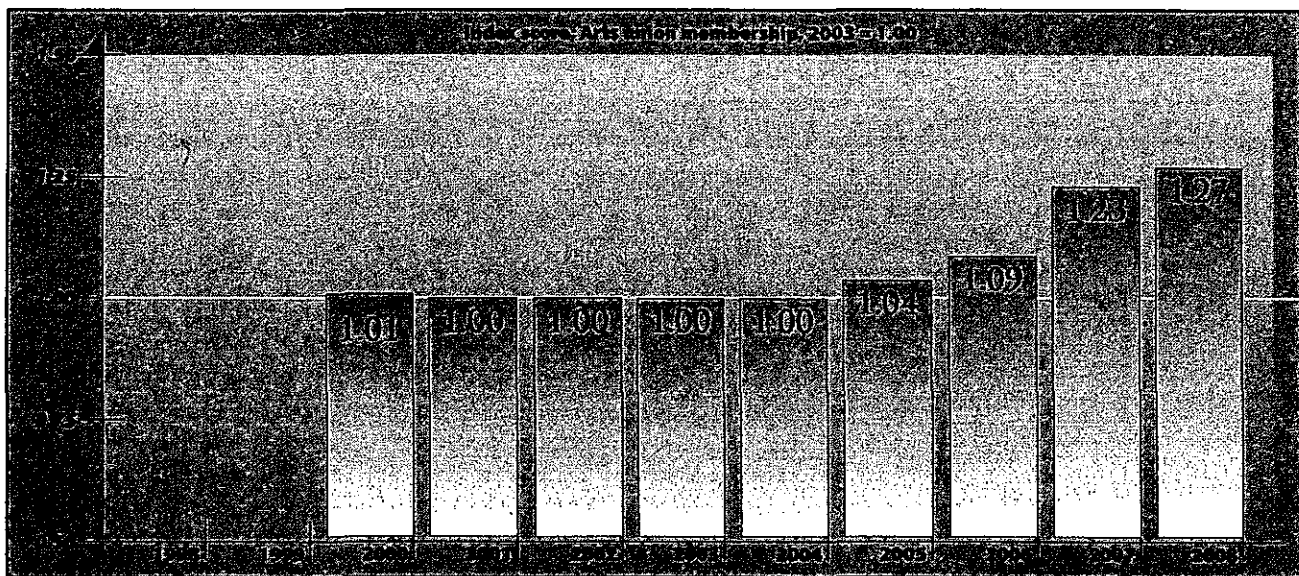
Sources: Americans for the Arts

Related Indicator(s): 16-18, 20, 21, 25, 56-58

20. Arts Union Membership

Professionals in many fields organize in associations and guilds to maintain professional standards and to protect their members' rights in the workplace. Certain unions, especially in performing arts and moviemaking, serve the arts and culture fields as bargaining agents for actors, musicians, writers, directors, choreographers and others. Union membership totals do not equate to the number of jobs, as most arts unions members are typically self-employed and freelance. Nonetheless, we treat labor organizing in the arts as a measure of arts capacity.

This indicator measures total membership in 10 such arts-related unions. Data are from the Office of Labor Management Standards in the U.S. Department of Labor, using self-reported data from those unions. Overall arts union membership was flat before rising sharply, starting in 2006. In the total tally, some of this increase results from multiple union memberships by some performing artists. For example, the Screen Actors Guild and American Federation of Television and Radio Artists may have as much as 40 percent shared membership, reflecting the work of performers in new digital media platforms. Further, some arts workers, such as ticket takers, are represented by unions not listed here (e.g., Teamsters or Service Employees International Union).



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Actor's Equity	44,000	44,247	45,096	45,018	46,772	49,597	39,969	41,338	42,166		
American Federation of Musicians	110,000	104,000	102,000	98,393	96,632	92,005	89,860	89,460	88,423		
American Federation of Television and Radio Artists	62,400	62,084	63,212	64,980	59,431	57,452	70,106	59,788	70,716		
American Guild of Musical Artists	5,835	5,835	7,000	6,778	8,775	9,525	6,886	6,821	7,084		
American Guild of Variety Artists	3,900	3,900	3,900	3,900	3,900	3,900	3,100	3,500	2,894		
Directors Guild of America	12,160	12,460	12,763	12,885	13,124	13,684	13,326	13,775	14,310		
International Association of Theatrical Stage Employees	100,000	101,890	103,506	104,102	105,180	105,273	105,366	108,386	110,784		
Motion Picture Industry Basic Crafts	5,600	5,600	5,600	5,600	5,600	5,600	6,329	6,015	6,075		
Screen Actors Guild	77,278	77,278	74,162	73,759	78,698	107,547	108,484	176,455	178,437		
Stage Directors and Choreographers Society	1,326	1,752	1,765	1,854	1,948	2,031	2,169	2,274	2,371		
Writers Guild of America East	3,900	4,107	4,173	4,161	4,229	3,810	3,770	3,800	3,791		
Writers Guild of America West	8,355	8,377	7,646	7,601	7,580	7,627	18,032	18,519	18,881		
Total arts union membership	434,754	431,515	430,823	430,526	431,869	447,852	467,397	530,151	545,932		
Indexed to 2003 = 1.00	N/D	1.01	1.00	1.00	1.00	1.00	1.04	1.09	1.23	1.27	

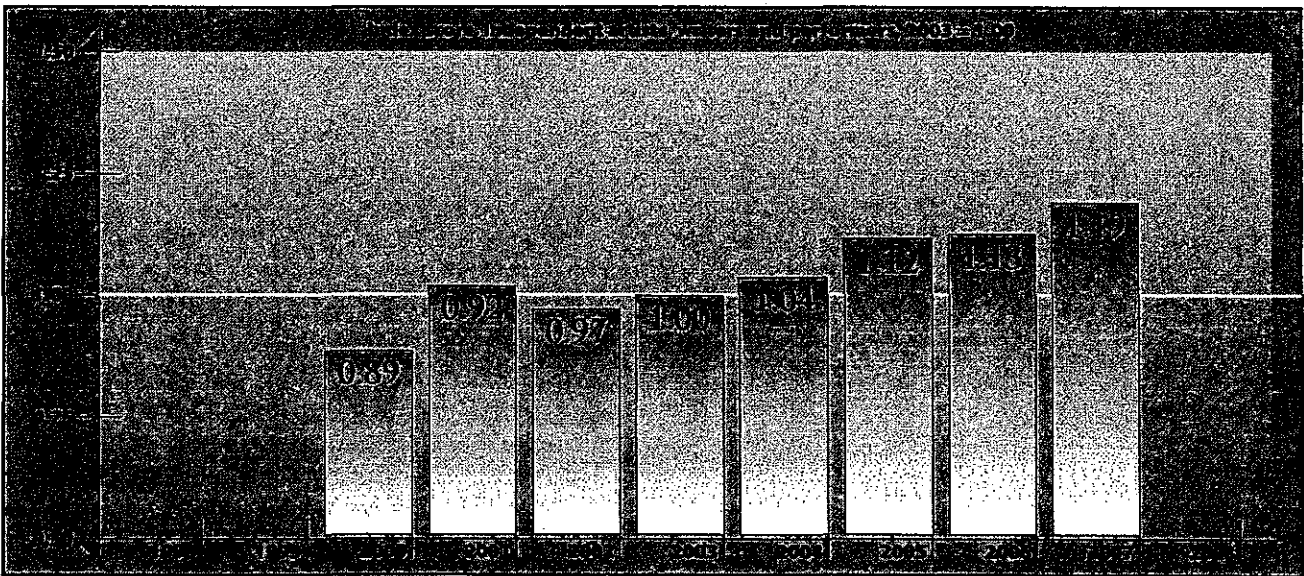
Source: Department of Labor, Office of Labor Management Standards

Related Indicator(s): 2, 3, 16—19, 21

21. Independent Artists, Writers and Performers

While much of the attention paid to the arts in the public arena is to established arts organizations and institutions, individuals also enter the arts as entrepreneurs and proprietors. Individual arts entrepreneurs or soloists are active as poets, painters, musicians, dancers, actors and in many other artistic disciplines. The solo artist who works without employees is one such entrepreneur. Many independent artists ply their cultural trade on a part-time basis, combining arts entrepreneurship with other jobs and work. Data on the number of “non-employers” in business are kept by the Census Bureau.

This indicator measures the total number of individual artists in NAICS 7115 who are not employers, labeled “Independent artists, writers, and performers.” This figure grew every year between 2000 and 2007, from 509,000 to 679,000. Of these, more than 97 percent are sole proprietors, with small numbers of corporations and partnerships. The steady growth in proprietor numbers—an increase of one-third during a seven-year period—is a mark of continuing interest, and shows enthusiasm on the part of individual artists to be commercial competitors.



	2000	2001	2002	2003	2004	2005	2006	2007	
Independent artists, writers and performers	508,608	525,921	533,776	570,577	595,845	639,149	646,865	679,247	
Indexed to 2003 = 1.00	N/D	0.89	0.92	1.00	1.04	1.12	1.13	1.19	N/D

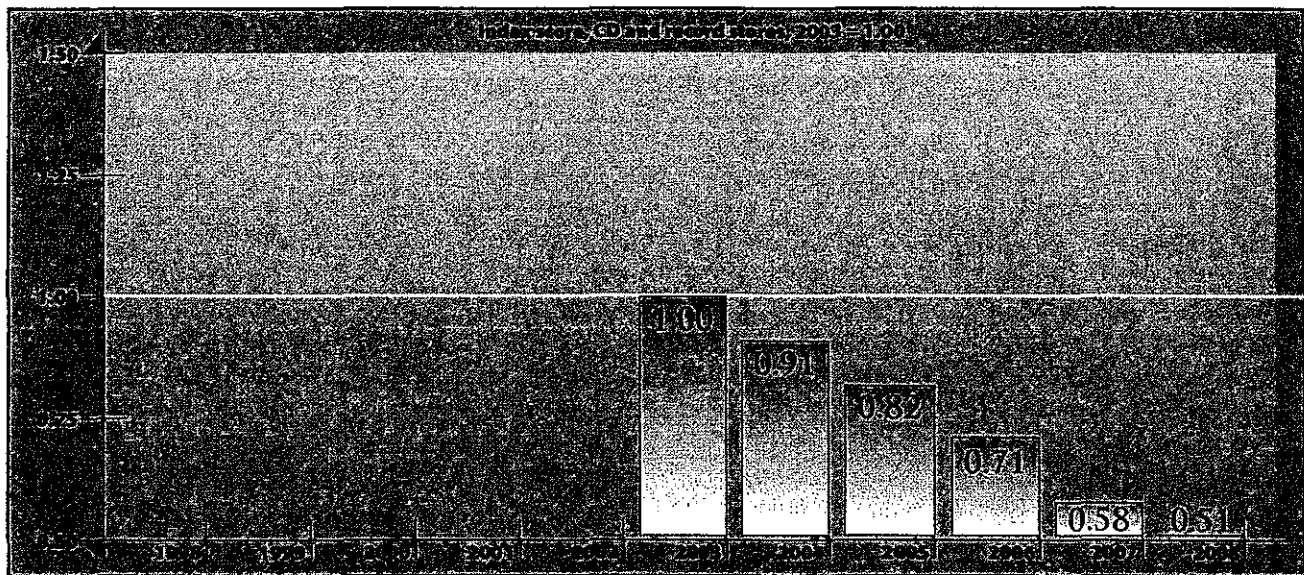
Sources: Bureau of the Census, *Non-Employer Statistics*

Related Indicator(s): 1, 16—20, 56—57

22. CD and Record Stores

Arts and culture products like books and records often reach their end consumer markets through traditional retailers. The number of retail outlets helps to indicate the capacity of the marketplace to serve the needs of music customers. Clearly, much of this traffic has moved to the Internet, changing the ways that recording artists and record labels each find their listeners. The Almighty Institute of Music Retailing is a company that monitors the retail sector, maintaining a database that is updated three times each year. The Institute covers all retailers including "big box" retailers, department stores, record company chains and independent "mom and pop" record stores, as long as they regularly stock a minimum of 200 unique new recordings.

This indicator measures the number of the independent retail locations and record store chains in the U.S. that fit this description. These are the stores that specialize in music retailing. The data show that record retailing has suffered as fewer small competitors remain in business, and as big box retailers, legal downloads, and online retail have been capturing market share. In 2003, there were more than 5,500 such independent retailers, but the number had declined by almost half, to 2,800, by 2008.



	2003	2004	2005	2006	2007	2008	
CD and record stores		5,515	5,000	4,540	3,910	3,200	2,800
Indexed to 2003 = 1.00	N/D	1.00	0.91	0.82	0.71	0.58	0.51

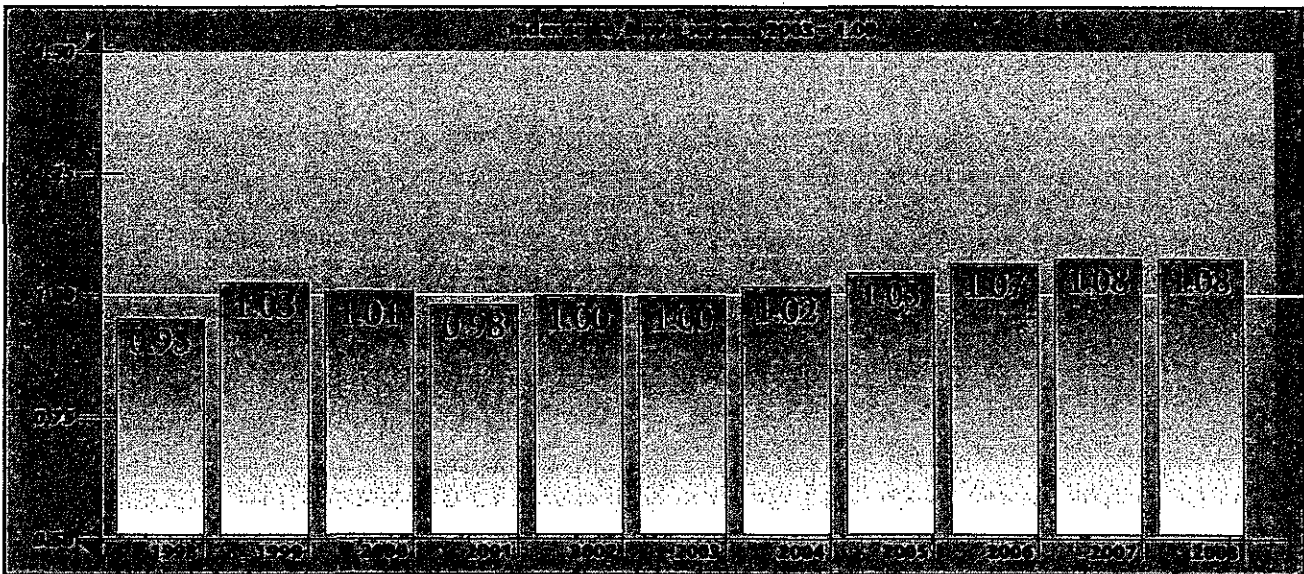
Source: Almighty Institute of Music Retailing

Related Indicator(s): 1, 16-21

23. Movie Screens

Film production reaches audiences on screens in movie houses, via their televisions, through film distribution or (increasingly) in the form of digital files. While some of this distribution migrates to the Internet, and bypasses movie houses, the viewing experience of the cinema is still a vital element of the movie ecology.

This indicator measures the number of movie screens, as reported by the National Association of Theatre Owners. Movie screens increased from about 34,000 in 1998 to about 39,000 in 2007. This translates into almost 130 screens available per million people, making movie screens one of the most widely available venues for public arts and culture presentations. It should be noted that there are fewer cinema facilities than movie screens, because multiplex cinemas house multiple screens.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Movie screens	34,168	37,131	36,280	35,173	35,836	35,995	36,652	37,740	38,426	38,794	38,834
Indexed to 2003 = 1.00	0.95	1.03	1.01	0.98	1.00	1.00	1.02	1.05	1.07	1.08	1.08

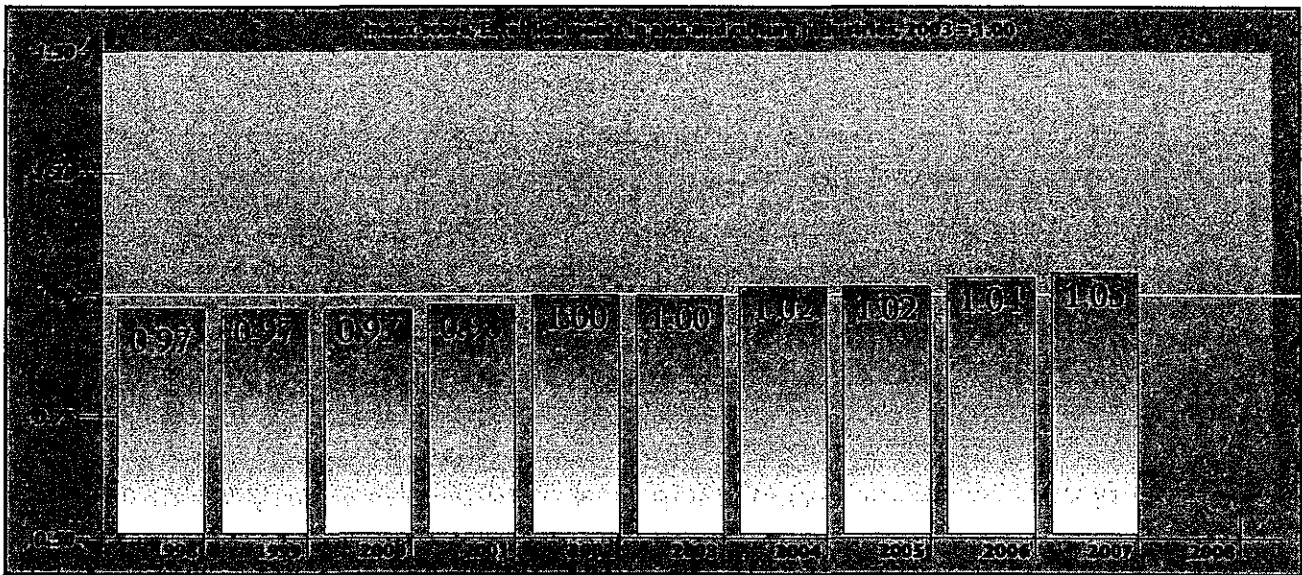
Source: Motion Picture Association of America, *MPAA Theatrical Statistics* annual reports

Related Indicator(s): 28, 45

24. Establishments in Arts and Culture Industries

Arts organizations and businesses are the backbone of arts and culture activities, as producers of arts goods, services and arts experiences. Both profit-seeking and nonprofit organizations have important roles to play. They are repositories of artistic and creative technique, maintain artistic traditions and provide employment for artistic workers.

This indicator measures the number of all establishments that are in arts and culture industries, using the same 43 NAICS codes and County Business Patterns data that are used to describe total employment. Almost 230,000 arts firms—both commercial and nonprofits—play important roles as intermediaries between individual artists & creative ensembles and audiences. The tally of arts establishments grew slowly, but steadily, from 1998 through 2007.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Establishments in selected arts and culture industries	210,627	210,599	210,785	211,448	216,995	216,480	216,480	220,185	225,880	228,377	
Indexed to 2003 = 1.00	0.97	0.97	0.97	0.98	1.00	1.00	1.00	1.02	1.04	1.05	N/D

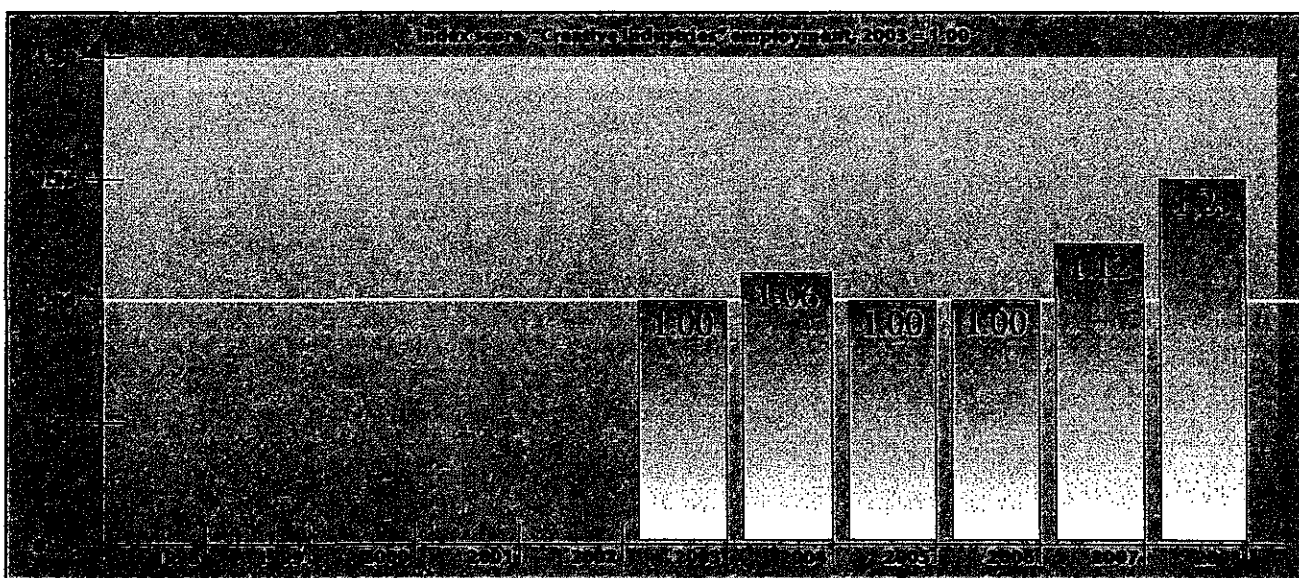
Source: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 22, 23, 25-27

25. 'Creative Industries' Establishments

In addition to studying the numbers of employees, the studies of the Americans for the Arts "Creative Industries" count the total number of establishments. This count includes different kinds of establishments, such as sole proprietors, business companies of any size and nonprofits. "Establishments" refers to locations, so that companies with more than one location are counted more than once. The "Creative Industries" are defined by the same set of SIC codes used in the count of "Creative Industries" employees.

This indicator measures the number of employees in the "Creative Industries." There were more than 680,000 such employees in 2008, an increase of 25 percent since 2003. As in the case of employment, the "Creative Industries" maintain a steady share of total establishments — between 4.2 percent and 4.4 percent of all establishments counted by Dun & Bradstreet.



	2003	2004	2005	2006	2007	2008
"Creative Industries" establishments		548,281	578,487	546,466	546,558	612,095
Indexed to 2003 = 1.00	N/D	1.00	1.06	1.00	1.00	1.12

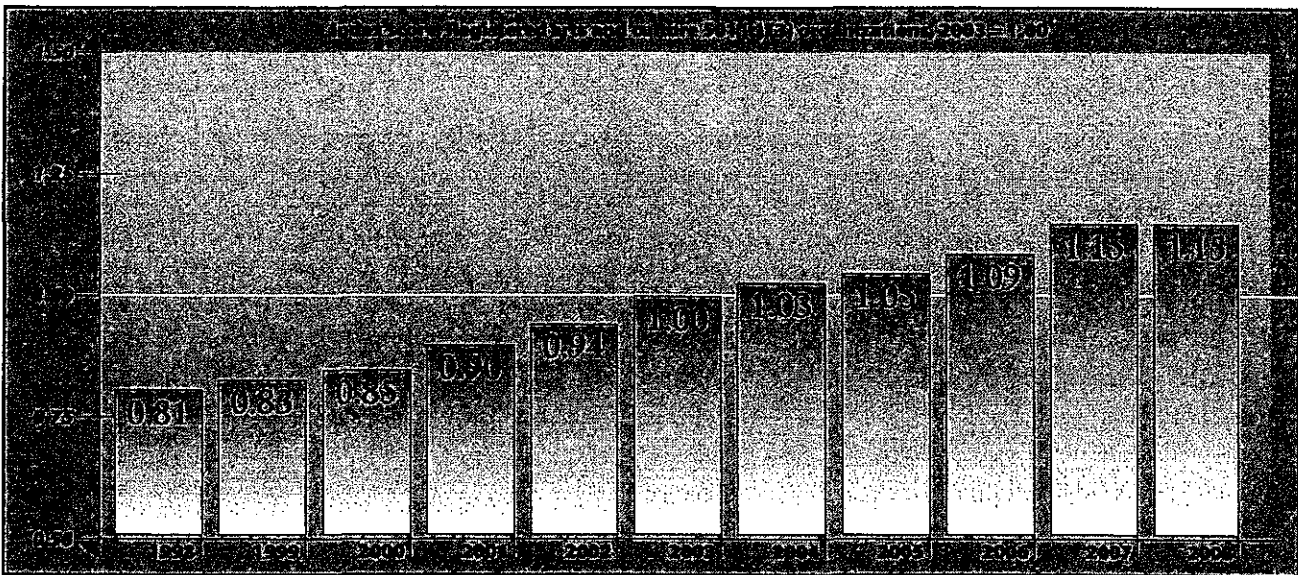
Sources: Americans for the Arts

Related Indicator(s): 19, 24, 26, 60

26. Registered Arts and Culture 501(c)(3) Organizations

The vigor of the arts rests in many ways on thousands of nonprofit organizations that present and organize arts programs in communities around the country. In many arts and humanities disciplines (visual and performing arts, historical and museum organizations and arts education), nonprofit status is the norm. Most of these are charitable organizations as defined by section 501(c)(3) of the Internal Revenue Code.

This indicator is based on the National Taxonomy of Exempt Entities (NTEE), which includes about 400 different organizational types. Of special interest are those in 43 different categories in NTEE Major Group "A" (Arts Culture and Humanities), such as music, theatre, visual arts, dance, museums, media, and those in group N52, Fairs and Festivals. The data come from the National Center for Charitable Statistics in the Urban Institute. The total number of organizations in these categories increased from about 72,000 in 1997 to almost 104,000 in 2008. It should be noted that only about 35 percent of these organizations file IRS Form 990 in any given year. The most likely reason for this is that they are small; organizations with less than \$25,000 in total revenues are not required to file Form 990.



	1997	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008
Registered arts and culture 501(c)(3) organizations	72,751	75,037	76,981	80,889	84,518	90,354	93,151	94,503	98,359	103,563	103,937
Indexed to 2003 = 1.00	0.81	0.83	0.85	0.90	0.94	1.00	1.03	1.05	1.09	1.15	1.15

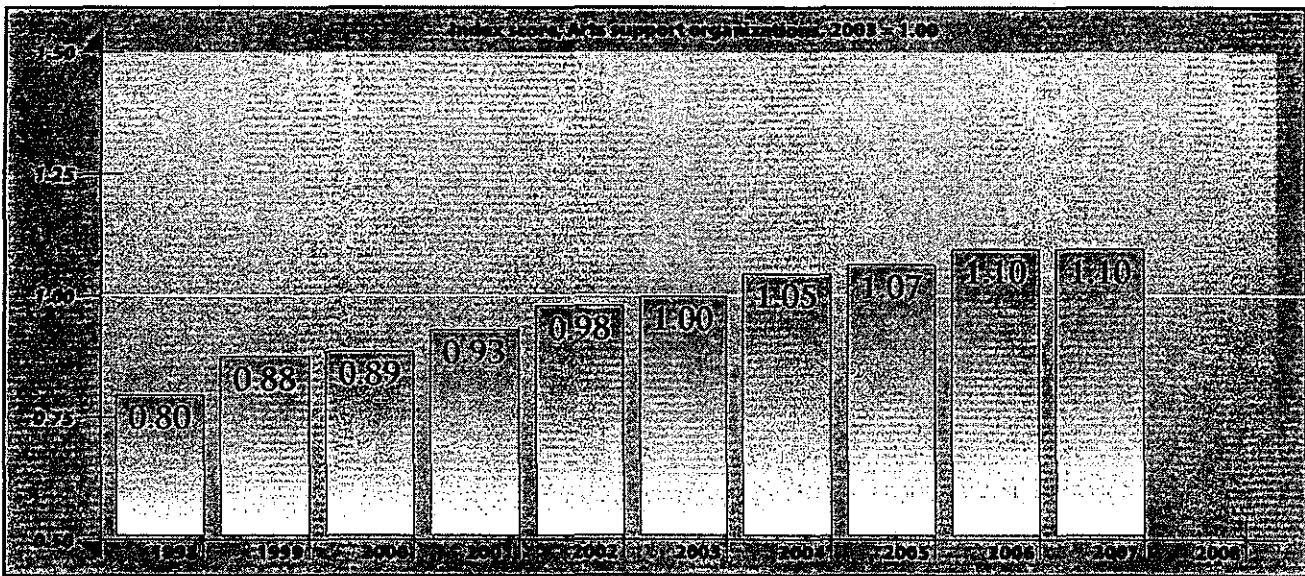
Source: National Center for Charitable Statistics at the Urban Institute

Related Indicator(s): 8, 24, 25, 27, 29

27. Arts Support Organizations

A healthy arts ecology clearly requires organizations whose primary mission is to actually create arts products, services and experiences. Those producing organizations can benefit from the help of partners to support them through advocacy, fundraising and research. Examples include local arts agencies, united arts funds, national service organizations for many artistic disciplines, auxiliary groups or guilds raising money for specific arts organizations, advocacy groups focused on cultural policy, researchers on philanthropy, and more (many such organizations have generously provided data for this report).

This indicator measures the number of arts organizations classified in the National Taxonomy of Exempt Entities as Alliance/Advocacy Organizations, Research Institutes and/or Public Policy Analysis, Monetary Support—Single Organization, Monetary Support—Multiple Organizations and Nonmonetary Support Not Elsewhere Classified. The number of such support organizations increased from about 2,600 in 2000 to more than 3,600 in 2007.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Arts support organizations	2,647	2,893	2,945	3,061	3,223	3,305	3,458	3,546	3,620
Indexed to 2003 = 1.00	0.80	0.88	0.89	0.93	0.98	1.00	1.05	1.07	1.10

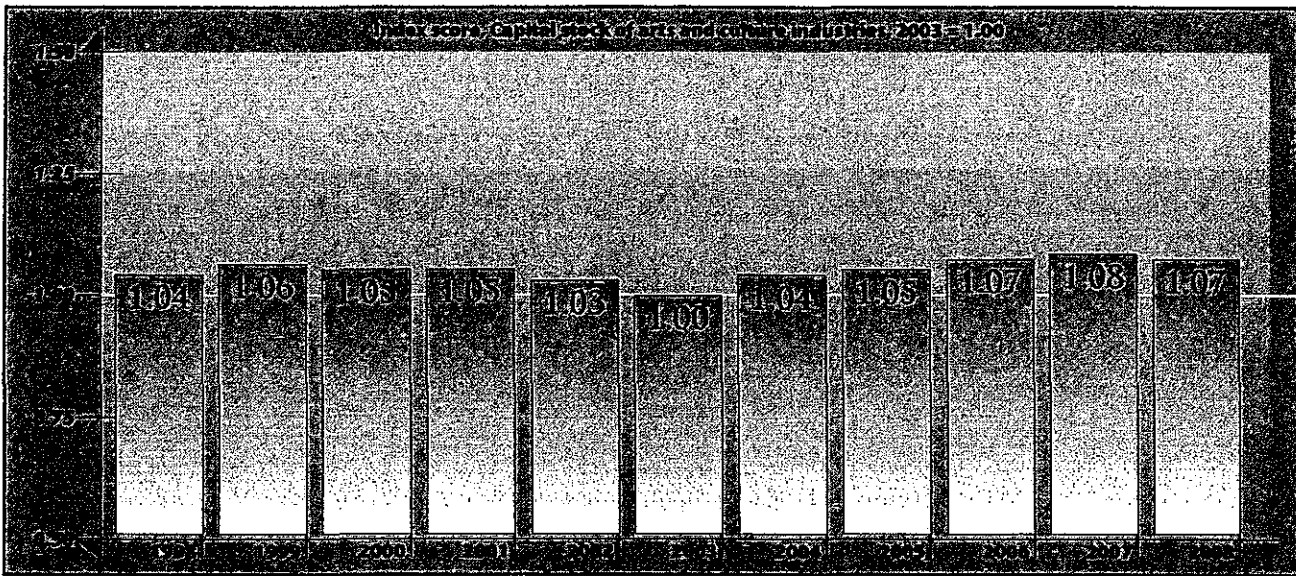
Source: National Center for Charitable Statistics at the Urban Institute

Related Indicator(s): 7, 75

28. Capital Stock of Arts and Culture Industries

Most forms of artistic production need one or another kind of capital equipment, if not to produce the most basic form (the song or the dance), then certainly to reach larger audiences. "Capital" here refers to long-lasting assets that organizations use to produce output. In accounting statements, capital assets are designated as "property, plant, and equipment" or some similar language. The Bureau of Economic Analysis (BEA) estimates the depreciated value of capital stock of firms in different industries at the national level, classified at the four-digit level in NAICS.

This indicator tracks inflation-adjusted net capital in industries related to arts and culture (Motion Picture and Sound Recording and Book Publishing). The bureau's data do not describe all six-digit NAICS industries, so the share of the entire publishing industry (which includes software, directories, and magazines as well as books) was adjusted using the share of revenue earned by different kinds of publishers. Companies in industries that create and disseminate literature, film and music invested more every year (except during the early-decade recession). In any year, some capital spending is for expansion, and some is to replace equipment that has been fully depreciated, so total capital spending is probably understated in the table. Current dollar capital increased 37 percent to \$65 billion in 2008, but constant dollar change was only three percent.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net capital stock of NAICS 511 Publishing Industries (\$M)	47,238	47,371	50,099	51,736	50,752	51,412	52,968	54,404	57,340	60,665	65,328
Book publisher share of 511 revenues	17.5%	17.6%	17.5%	18.5%	19.1%	18.5%	19.4%	18.8%	18.7%	19.0%	19.0%
Book publisher share of 511 capital (\$M)	7,740	8,333	8,750	9,567	9,718	9,496	10,261	10,231	10,749	11,540	12,426
Net capital stock of NAICS 5120 Motion Picture and Sound Recording Industries (\$M)	30,128	30,997	31,567	31,890	31,697	31,620	33,467	35,543	37,500	38,267	39,108
Total net capital stock of selected industries (\$M)	37,868	39,330	40,317	41,457	41,415	41,116	43,728	45,774	48,249	49,807	51,534
CPI at 2003 = 100.0	88.6	90.5	93.6	96.3	97.8	100.0	102.7	106.1	109.6	112.7	117.0
Constant dollar total net capital of selected industries (\$M)	42,747	43,438	43,080	43,072	42,359	41,116	42,594	43,126	44,037	44,200	44,042
Indexed to 2003 = 1.00	1.04	1.06	1.05	1.05	1.03	1.00	1.04	1.05	1.07	1.08	1.07

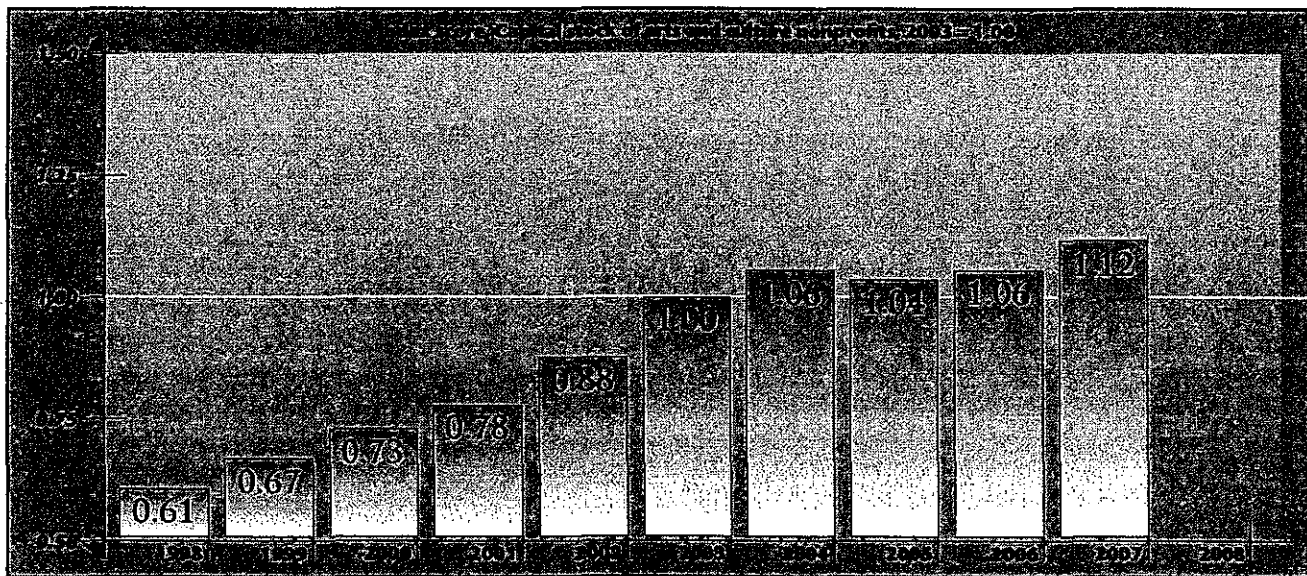
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Bureau of the Census, Service Annual Survey

Related Indicator(s): 24, 29

29. Capital Stock of Arts and Culture Nonprofits

The physical capital of nonprofit arts organizations includes property, plant, equipment and facilities. Museums, theatres, concert halls and the equipment in them are examples of this kind of asset. These are one measure of the capacity of nonprofits to provide services and activities, even while they only reach their full potential for the arts when artists and audiences fully activate them. In the business sector, the NAICS system can be used to identify companies that operate in one industry or another. In the nonprofit sector, the NTEE system is used.

This indicator measures the constant dollar average annual value of physical capital on the balance sheets of nonprofits in NTEE Major Group A, plus group N52 (fairs and festivals) —net of depreciation. The average is the sum of beginning and end-of-year values for each year, divided by two, then converted to 2003 dollars to adjust for inflation. After several years of steady increase from 1998 through 2004, capital stock leveled off, then grew again through 2007, ending at \$24.3 billion in constant dollars. Because these figures are reduced from their original value by depreciation, and because they are converted to constant dollars, they reflect a vigorous level of capital investment. Further, as in the figures for nonprofit revenue, they only describe the 35 percent of arts organizations that file Form 990. The overall growth in capital spending is probably greater than reported, because the reports do not distinguish between capital spending for expansion, and capital spending to replace equipment that has been fully depreciated.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Average capital assets net of depreciation (\$M)	11,178	12,474	14,080	15,471	17,744	20,563	22,480	22,610	23,867	27,424	
CPI set to 2003 = 100.0	88.6	90.5	93.6	96.3	97.8	100.0	102.7	106.1	109.6	112.7	
Constant dollar net capital assets (\$M)	12,618	13,777	15,045	16,074	18,149	20,563	21,897	21,302	21,784	24,336	
Indexed to 2003 = 1.00	0.61	0.67	0.73	0.78	0.88	1.00	1.06	1.04	1.06	1.12	N/D

Sources: National Center for Charitable Statistics at the Urban Institute

Related Indicator(s): 8, 28, 76

Chapter 5. Arts Participation Indicators

There are 25 indicators of arts participation, mainly showing arts and culture activity in the marketplace. They measure the activity and experience in the arts in the form of personal engagement; being a part of audiences for public broadcasting, museums, and live performances; and spending on cultural experiences and products. Like some of the Financial Flows Indicators, the indicators in this section offer visible and easily recognized measures of the arts as they answer the questions, "how much art is being produced," and "how many people are consuming the arts?" Here, however, they are tracked mainly in terms of numbers of people.

The next two tables show the indicators used in the Arts Participation component, and the number of indicators that make up the overall Arts Participation score in each year. Those scores are shown in Figure O, below.

Table 6. Arts Participation Indicators

30.	Personal arts creativity experiences
31.	Copyright applications
32.	Personal expenditures on arts and culture
33.	New work in theatre, orchestra, opera, Broadway and film
34.	Volunteering for the arts
35.	Performance of SAT test takers with four years of art or music
36.	Arts majors by college-bound seniors
37.	Visual and performing arts degrees
38.	Noncommercial radio listenership
39.	Public television viewing
40.	Foreign visitor participation in arts and culture leisure activity
41.	Attendance at Broadway shows in New York
42.	Attendance at touring Broadway shows
43.	Attendance at live popular music
44.	Attendance at symphony, dance, opera and theatre
45.	Motion picture attendance
46.	Museum visits
47.	Art museum visits
48.	Opera attendance
49.	Symphony attendance
50.	Nonprofit professional theatre attendance
51.	Citations of arts and culture in bibliographic databases

Table 7. Arts Participation Indicators Per Year

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
14	14	15	15	18	22	22	22	22	22

Averaged across all available data, they produce the following ten-year trend:

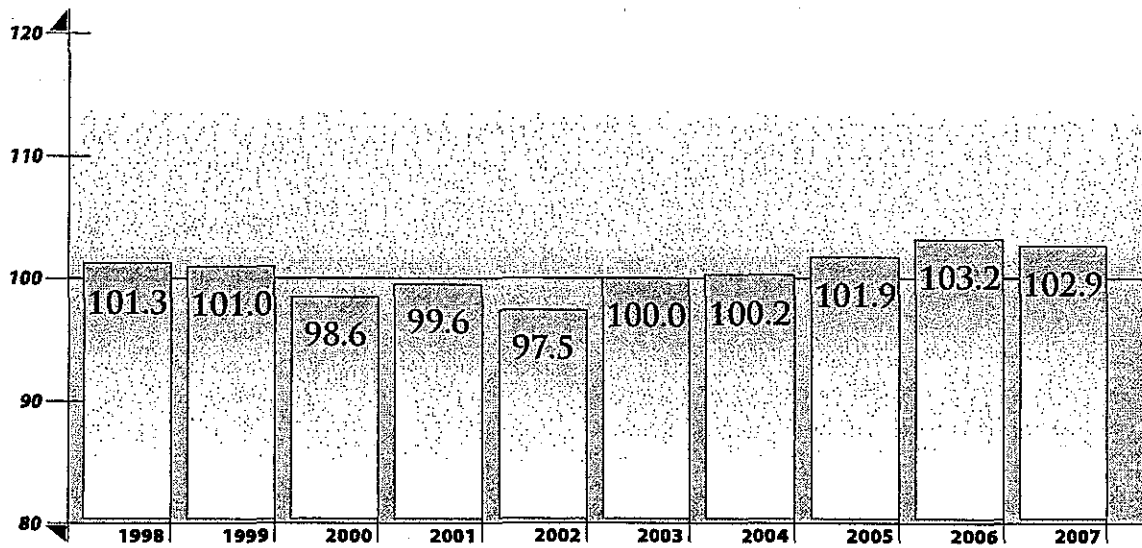


Figure O. National Arts Index Arts Participation Indicators (2003 = 100.0)

The Capacity indicators in Chapter 4 showed a steady increase over the ten-year span. An initial look at the chart suggests that this has not been echoed in the consumption and delivery of art services. This is one of the more striking findings of this research, that the vigor of the arts industries did not generate a steadily increasing level of participation and engagement. Capacity has expanded, but demand has not kept pace when measured in the number of people who are consuming, as opposed to the dollars generated.

The participation measure is composed of 22 indicators. Taken together, they steadily increased since 2002, but very slowly. The 2006 index score of 103.3 is the highest of the 10 years studied, and the slight decline in 2007 may only have been a warning of more substantial decreases to follow. In important ways, demand for long-standing art forms lagged over the ten-year period. These indicators show major shifts in how Americans are consuming the arts, some of which are positive, others more or less stable, but many negative.

Attendance at mainstream nonprofit arts organizations is in a long-term decline. Market data gathered by Scarborough Research (200,000 surveys annually in the largest 81 metropolitan areas) indicates a steady decline in the percentage of the population attending museums and performing arts events (symphony, dance, opera, theater)—decreases of 13 percent and 17 percent, respectively, between 2003-2008.

Personal arts creation by the public, however, has generally been increasing (making art, playing music). Technology has also had an impact: while the number of CD stores has been reduced by half in just past five years, online downloads of singles and albums grew four-fold in three years. Attendance at Broadway shows and participation by foreign visitors in American arts and culture increased by varying amounts. College students maintain vigorous interest in the arts in their choice of majors.

Arts participation and vitality is being heavily driven by smaller, community-based and culturally specific arts organizations. The number of these organizations has grown faster than the rate of growth for all nonprofit arts organizations and even faster than the rate of the minority population in the U.S. Additional analysis of their financial data reveals that they are more likely to complete their fiscal year without a deficit than the remaining universe of nonprofit arts organizations.

Overall, levels of production and consumption of the arts were not very satisfying. The concern that these indicators raise is that despite the virtues of the arts, the attention they receive, and the vigorous increase in arts capacity, demand is not vigorous. Some of these effects will be seen again in Chapter 7, which looks at the competitiveness of the arts.

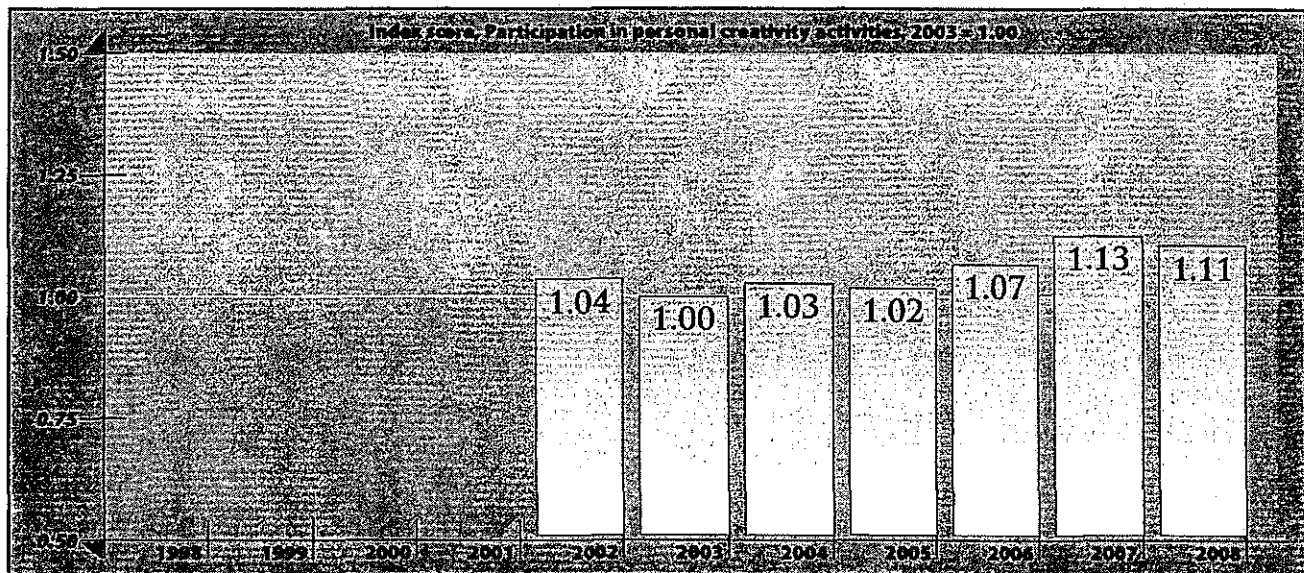
The individual indicators described in the following 22 pages provide additional detail on the sometimes stable, but mostly declining levels of consumption and participation in arts industries, including goods, services, and experiences in arts and culture from 1998 to 2007.

The estimate of the 2008 Arts Participation component score was 99.2, based on 16 indicators that were available as this report was finalized. This is a 3.7 percentage point drop from the 2007 score.

30. Participation in Personal Creativity Activities

Personal engagement in the creative process is a basic driver of arts and culture vitality, typically driven by individual creativity, a desire to express oneself and interest in creative technique. Some evidence of personal engagement and creativity is shown in the indicator that measures purchases of musical instruments. Writing poetry and prose, or exploring movement through dance and drama through theatre performance are other examples of this engagement, as is the creation of visual art work through painting or drawing. Photography is another individual creative process, one that has both grown in accessibility and declined in expense with the advent of digital photography.

This indicator uses Mediamark data reported in the Statistical Abstract of the United States to measure activity in making music, painting, drawing and/or photography. These activities have engaged tens of millions of Americans in recent years, with total participation peaking at 60 million in 2007 and remaining close in 2008. It should be noted that these totals do not differentiate between those people who participate in only one of these creative activities and those who participate in all of them; there are certainly people who paint *and* take photographs *and* play musical instruments. Thus, this is a maximum number of participants. Correspondingly, this is not a comprehensive list of all creative activities, only those covered by this data source. For example, the Statistical Abstract reported that between 2 and 3 million people also participated in ceramics in years through 2006—but stopped reporting these data in 2007. It also does not explicitly count the 6.3 million Americans whose main volunteer service is to make music—presumably, many of them as choral singers, among other community music settings.



	1998	2001	2002	2003	2004	2005	2006	2007	2008
Participants in painting, drawing (000)			15,145	14,089	14,020	13,746	12,356	15,146	14,425
Participants in photography (000)			24,973	23,794	24,645	25,561	28,504	28,340	28,445
Play musical instrument (000)			15,744	15,828	16,680	15,727	16,852	17,108	16,526
Total participation in music making, painting, drawing and/or photography (000)			55,862	53,711	55,345	55,034	57,712	60,594	59,396
Indexed to 2003 = 1.00		N/D	1.04	1.00	1.03	1.02	1.07	1.13	1.11

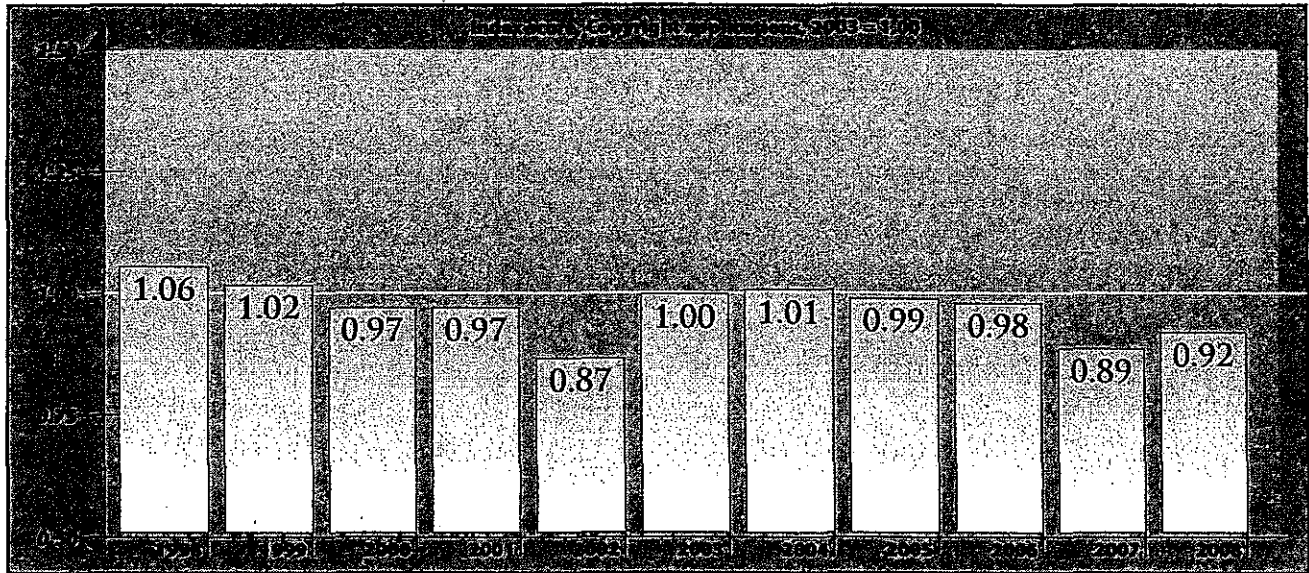
Source: Bureau of the Census, *Statistical Abstract of the United States*

Related Indicator(s): 31, 21, 52, 54

31. Copyright Applications

The copyright system gives the creators or authors of original material a way to register ownership of their creations, which may include literary, dramatic, musical, artistic and certain other intellectual works. The rights of copyright are distribution, duplication, public performance and/or exhibit, and preparation of derivative works. In the common law, copyright exists from the moment a work is created, but registering a work creates a more formal and legally defensible documentation of ownership. Of course, the formal copyright system is inherently only the tip of the iceberg —many more artistic creations are not registered. However, these additional protections are meaningful to many creators for artistic and/or commercial reasons. The Copyright Office in the Library of Congress administers copyright in the United States. Creators of new work such as authors, composers, lyricists, playwrights and others claim copyright by submitting a copy of their work, along with an information form. The Copyright Office then formally registers the claim.

This indicator measures the number of claims to copyright made in each year in the U.S. Claims flow in from the creators of artistic work, rather than out from the Copyright Office. There is a time lag from when a copyright claim is submitted to when it is registered. In recent years, there have been an unusually high number of claims in process. Therefore, claims submitted by creators of new work represent a better measure of underlying artistic activity. The number of claims declined about 14 percent from 1998 through 2008. Part of this may be attributable to an increase in registration fees in 1999 and 2006, making it more costly for creators to register their work.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Copyright claims submitted	645,000	619,022	588,498	590,091	526,138	607,492	614,235	600,535	594,125	541,212	561,428
Indexed to 2003 = 1.00	1.06	1.02	0.97	0.97	0.87	1.00	1.01	0.99	0.98	0.89	0.92

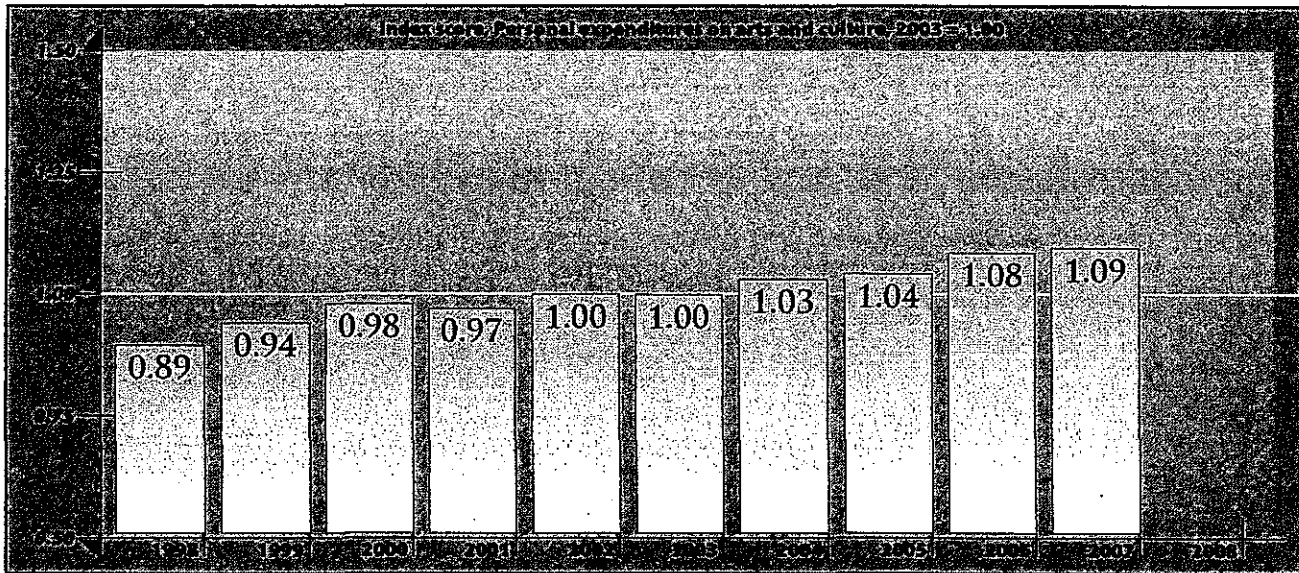
Source: Copyright Office, annual reports

Related Indicator(s): 30, 54

32. Personal Expenditures on Arts and Culture

Personal consumption spending is motivated by underlying demand by individuals and households through the entire population. Personal spending makes up about two-thirds of all economic activity in the U.S. In the National Income and Product Accounts, the Bureau of Economic Analysis presents yearly data on total personal consumption expenditure on different kinds of consumer items. Of the 100-odd kinds of expenditures listed, four specific types are closely related to arts and culture.

This indicator measures the total of those expenditures, and is the largest-scale economic indicator in this Index. The items covered include arts and culture goods, services and experiences: books, recorded audio and video media, and tickets to live performing arts and movies. Between 1998 and 2007, these expenditures increased from \$108 billion to \$169 billion in current dollars, a total growth of 44 percent. The tempering effects of inflation reduce that to a constant dollar rise of 16 percent over 10 years, a fairly steady pace.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Books and maps (\$B)	28.8	31.5	33.7	34.6	37.1	38.7	40.4	41.8	44.0	46.3	
Video and audio goods including musical instruments (\$B)	62.7	67.8	72.8	73.6	75.4	76.5	81.7	86.8	95.0	97.5	
Motion picture theaters (\$B)	7.2	7.9	8.6	9.0	9.6	9.9	9.9	9.1	9.4	9.7	
Legitimate theaters and opera, and entertainments of nonprofit institutions (\$B)	9.2	9.9	10.3	10.9	11.7	11.9	12.5	13.2	14.3	15.5	
Total of selected goods (\$B)	107.9	117.1	125.4	128.1	133.8	137.0	144.5	150.9	162.7	169.0	
CPI set to 2003 = 100.0	88.6	90.5	93.6	96.3	97.8	100.0	102.7	106.1	109.6	112.7	
Constant dollar personal consumption on selected products (\$B)	121.8	129.3	134.0	133.1	136.8	137.0	140.8	142.2	148.5	150.0	
Indexed to 2003 = 1.00	0.89	0.94	0.98	0.97	1.00	1.00	1.03	1.04	1.08	1.09	N/D

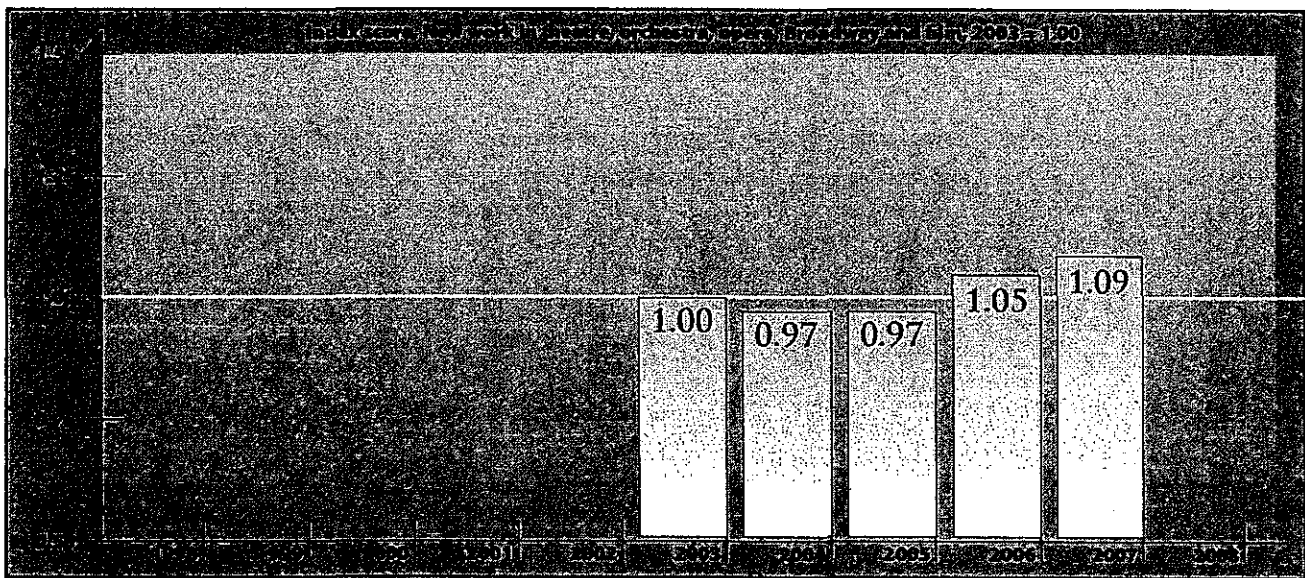
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Bureau of the Census, *Service Annual Survey*

Related Indicator(s): 29

33. New Work in Theatre, Orchestra, Opera, Broadway and Film

The creation of new artistic work is critical to a successful arts ecology. The major performing arts disciplines are exciting settings for the presentation of new work. Data on premieres by American theatre companies, symphony orchestras, operas, Broadway producers and filmmakers are available from their national service organizations: The Broadway League, League of American Orchestras, Motion Picture Association of America, Opera America and Theatre Communications Group. These service organizations do valuable work in gathering information on their members' activities and providing a summary of that information for the public.

This indicator measures the number of world premieres and new films presented by these arts organizations as they report to their associations. The figures below are the only ones reported to these organizations, and therefore probably understate the numbers. There is a time lag between the concept for a new work and its eventual premiere, because performing arts seasons and films are planned years in advance. It is probable that the 2004-to-2007 increase occurred some time beforehand, reflecting optimism and willingness to invest among producers in different disciplines. Of the different sources for new productions, film is the most dynamic, while the live performing arts disciplines maintained approximately the same level of new work from 2003 through 2007. During the longer term, there have also been large proportional jumps in the reported premieres in symphony and in theatre.



	1999-2002	2003	2004	2005	2006	2007	2008
World premieres performed by American opera companies		8	13	9	8	10	
New productions on Broadway		36	33	39	39	35	
World premieres performed by American orchestras		104	109	79	111	124	
World premieres performed by American theatres		348	288	262	310	337	
Movies released		528	549	607	603	610	
Total new work in opera, Broadway, symphony, theatre and film		1,024	992	996	1,071	1,116	
Indexed to 2003 = 1.00	N/D	1.00	0.97	0.97	1.05	1.09	N/D

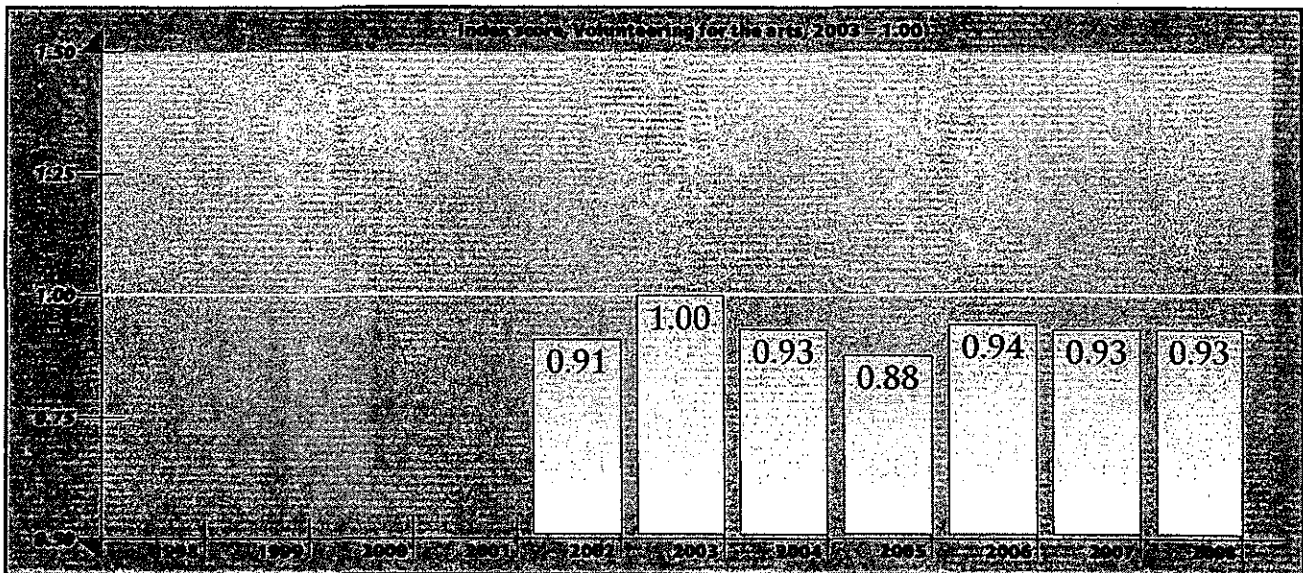
Source: Opera America, Broadway League, League of American Orchestras, Theatre Communications Group, Motion Picture Association of America

Related Indicator(s): 21, 31, 41—45, 48-50

34. Volunteering for the Arts

Nonprofit arts organizations can accomplish their missions using a combination of paid staff and volunteers. Some arts organizations, like choruses and community theatre, only use or mainly use volunteers, while others are more likely to be fully staffed with professionals (such as urban symphonies). Overall, voluntarism is critical to the arts. In its annual Current Population Survey (CPS), the Census Bureau gathers data on Americans' volunteer activity, including the organizations where they volunteer.

This indicator measures the number of volunteers who identify an arts and culture organization as the 1st, 2nd or 3rd choice among the organizations they serve. In the list of possible organizations, arts ranked between 10th and 12th from 2003 to 2007, behind religion, youth sports, social and community groups, health and education —among other types. The number of arts volunteers reported in the CPS has stayed between 1.8 million and 2.0 million in the years since the CPS started reporting volunteering activity. The number of arts volunteers, however, is believed to be —with certainty— much higher than these numbers suggest. In the 2005, 2006 and 2007 editions of the CPS, the Census Bureau gathered additional data on the work that volunteers perform. In 2007, an estimated 6.3 million volunteers said that they serve mainly as musicians. This most likely refers to choral singers in worship and community settings —among other avocational artists.



	1998-2001	2002	2003	2004	2005	2006	2007	2008
Volunteering for arts and culture organizations (1st)		1,092,554	1,205,615	1,029,455	1,037,312	1,166,473	1,084,873	1,082,362
Volunteering for arts and culture organizations (2nd)		476,682	568,618	595,106	517,735	480,229	503,286	552,077
Volunteering for arts and culture organizations (3rd)		249,940	232,451	236,249	210,708	237,449	278,439	240,973
Volunteering for arts and culture organizations (1st, 2nd or 3rd)		1,819,176	2,006,684	1,860,810	1,765,755	1,884,151	1,866,598	1,875,412
Indexed to 2003 = 1.00	N/D	0.91	1.00	0.93	0.88	0.94	0.93	0.93

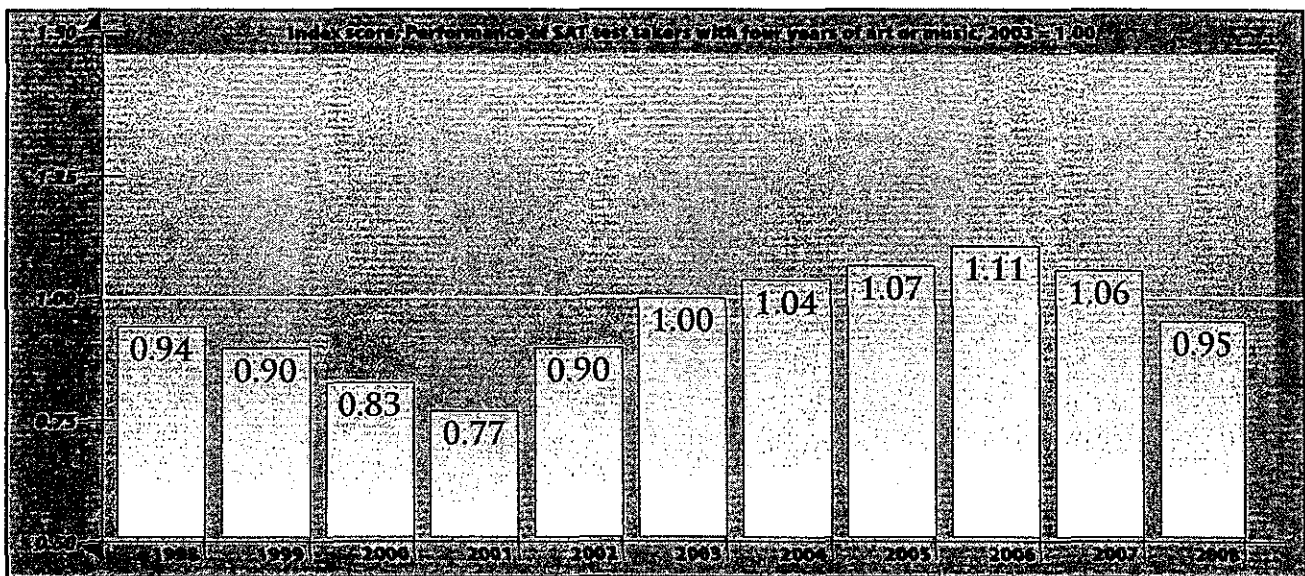
Source: Bureau of the Census, *Current Population Survey*

Related Indicator(s): 16—21, 26, 27, 56, 57

35. Performance of SAT Test Takers with Four Years of Art or Music

Arts education is generally associated with higher scores on student achievement tests. One way to evaluate this is to compare standardized testing scores such as the SAT 1 Reasoning Test offered by the College Board. SAT scores are a measure primarily used by college admissions officers as a factor in college admission decisions, and typically predict about nine percent of the variation in first-year GPA. The Board publishes SAT 1 scores of college-bound seniors that illustrate the impact of studying the arts in school.

This indicator is the percentage difference in SAT 1 scores between students with four years of art or music courses and the scores of all other test takers. It is calculated by taking the total of verbal and math for 1998 to 2005 (critical reading and math in 2006 and 2007), subtracting a minimum score of 400 that is reached by every test taker, and calculating the percent difference between those with four years of arts courses and all other test takers. This adjusted margin averaged almost nine percent from 1998 to 2008 and rose steadily from 2001 through 2006, then declined through 2008. While they are consistent, these results and trends should be interpreted carefully and do not imply that taking arts courses is the sole reason for this difference. Other factors influencing test scores include the type of school, student socioeconomic status, and other high school coursework, so high school students with multiple years of arts education may not be representative of all college-bound seniors. Without information on within- or between-group variation, it is not possible to draw any inferences about the statistical significance of these margins.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mean score of SAT 1 test takers with four years art and/or music	1,071	1,069	1,068	1,065	1,070	1,075	1,074	1,084	1,053	1,050	1,063
Mean score of all other SAT 1 test takers	1,013	1,013	1,016	1,017	1,014	1,013	1,010	1,017	1,014	1,014	1,005
Mean score of SAT 1 test takers with four years art and/or music less minimum score	671	669	668	665	670	675	674	684	653	650	663
Mean score of all other SAT 1 test takers less minimum score	613	613	616	617	614	613	610	617	614	614	605
Performance margin for four years	9.5%	9.1%	8.4%	7.8%	9.1%	10.1%	10.5%	10.9%	11.2%	10.7%	9.6%
Indexed to 2003 = 1.00	0.94	0.90	0.83	0.77	0.90	1.00	1.04	1.07	1.11	1.06	0.95

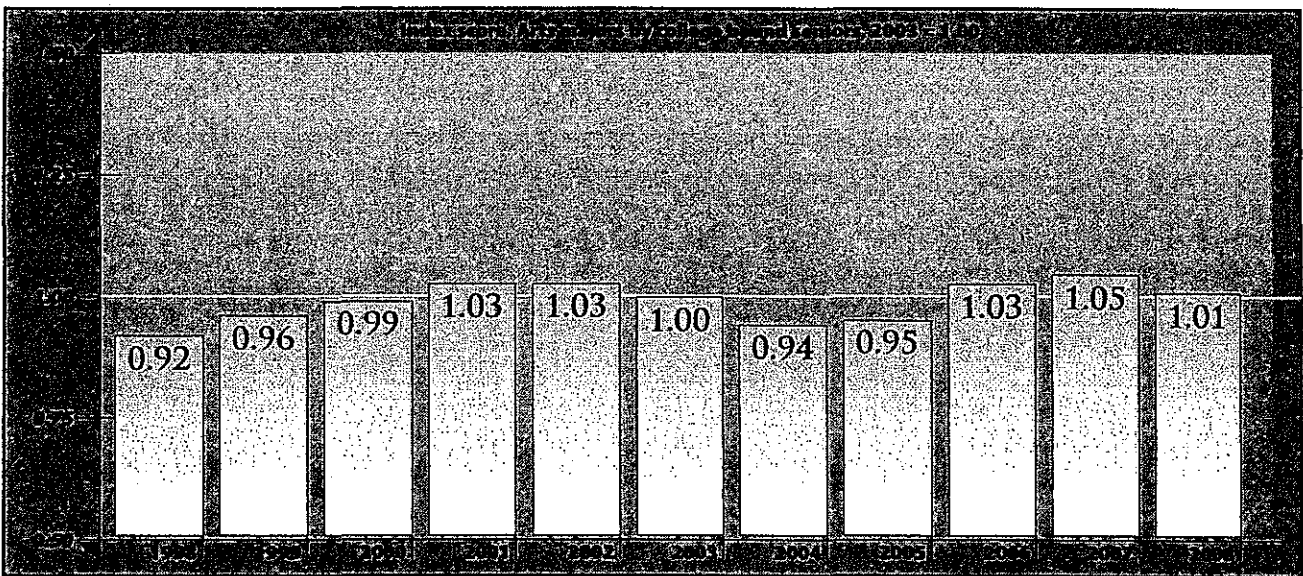
Source: The College Board, *College-Bound Seniors annual reports*

Related Indicator(s): 36, 37, 59

36. Arts Majors by College-Bound Seniors

High school students taking the SAT I are asked to indicate a major that they may pursue. Certainly many students in all prospective majors change their path to pursue new majors, so their responses are not sole indicator of students' final educational plans. Still, they do point to later graduation and career expectations and inform colleges and universities about trends in demand for particular programs. While some students will change out of arts majors, there are others who change into and add majors and minors in the arts disciplines.

This indicator measures the share of college-bound seniors taking the SAT I reasoning tests who declare an initial interest in a major in the performing or visual arts. The number of such students rose from about 70,000 in 1998 to 85,000 in 2007, while the share has ranged close to seven percent.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SAT test takers declaring a major											
In visual or performing arts	70,323	75,808	78,736	80,154	79,865	75,823	76,172	84,367	84,828	88,575	84,496
All SAT test takers declaring a major (million)	1098.4	1129.4	1142.8	1118.6	1104.3	1084.8	1164.2	1276.7	1173.6	1203.7	1160.0
Visual and performing arts degrees share of intended majors by SAT test takers	6.4%	6.7%	6.9%	7.2%	7.2%	7.0%	6.5%	6.6%	7.2%	7.4%	7.1%
Indexed to 2003 = 1.00	0.92	0.96	0.99	1.03	1.03	1.00	0.94	0.95	1.03	1.05	1.01

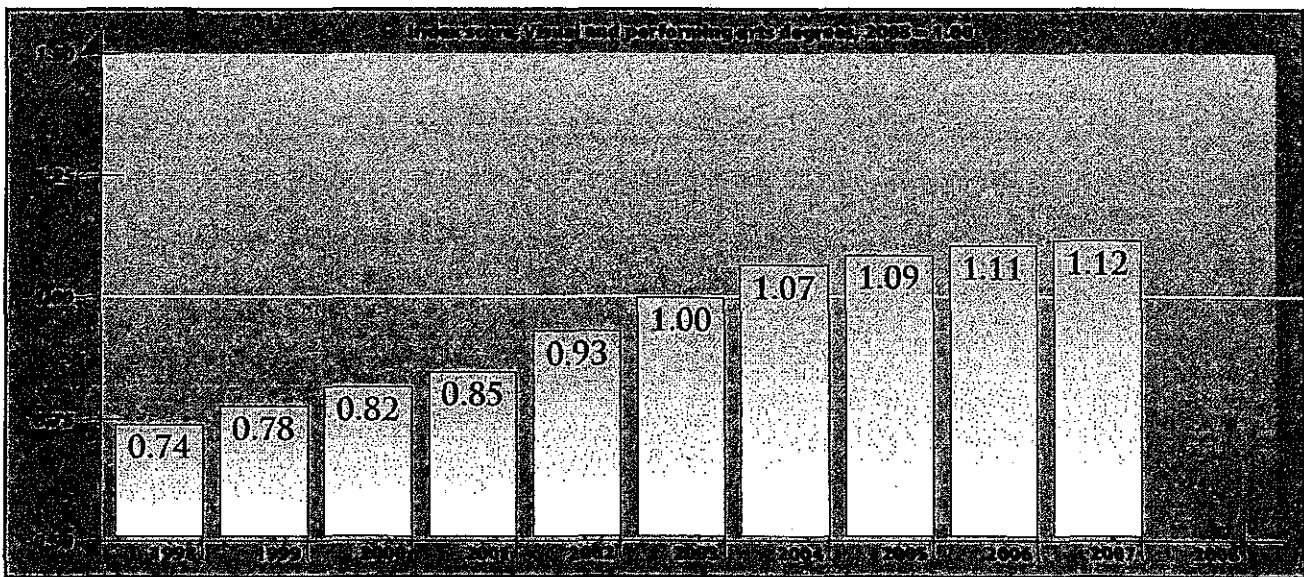
Source: The College Board, *College-Bound Seniors annual reports*

Related Indicator(s): 35, 37, 55, 59

37. Visual and Performing Arts Degrees

Educated artists make long-lasting contributions to artistic creation and activity. They sustain quality, technique, and artistic traditions. The personal investment in an associate, bachelor's, master's, or doctoral degree in the arts is not just a signal of an individual's personal interest and accomplishment—it also holds the promise for future artistic creation. Growing demand for arts training is self-sustaining, too, as some trained artists themselves become educators, and as graduates at one level continue on to further study.

This indicator measures the total number of associate, bachelor's, master's and doctoral degrees in the visual and performing arts. The data for this measure are from the National Center for Educational Statistics in the federal Department of Education. This Center uses the Classification of Instructional Programs (CIP), an exhaustive list of postsecondary instructional programs and majors. From 1998 to 2007, more than 1 million degrees were awarded in the visual and performing arts, with annual graduations growing from 79,000 to more than 120,000—an increase of 52 percent.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Visual and performing arts											
(VPA) associates degree	14,980	17,640	17,100	18,435	20,911	23,120	23,949	22,650	21,754	20,244	
VPA bachelors degree	52,077	54,404	58,791	61,148	66,773	71,474	77,181	80,955	83,297	85,186	
VPA masters degree	11,145	10,753	10,918	11,404	11,595	11,986	12,906	13,183	13,530	13,676	
VPA doctoral degree	1,163	1,130	1,127	1,167	1,114	1,293	1,282	1,278	1,383	1,364	
All VPA degree:	79,365	83,927	87,936	92,154	100,393	107,873	115,318	118,066	119,964	120,470	
Indexed to 2003 = 1.00	0.74	0.78	0.82	0.85	0.93	1.00	1.07	1.09	1.11	1.12	N/D

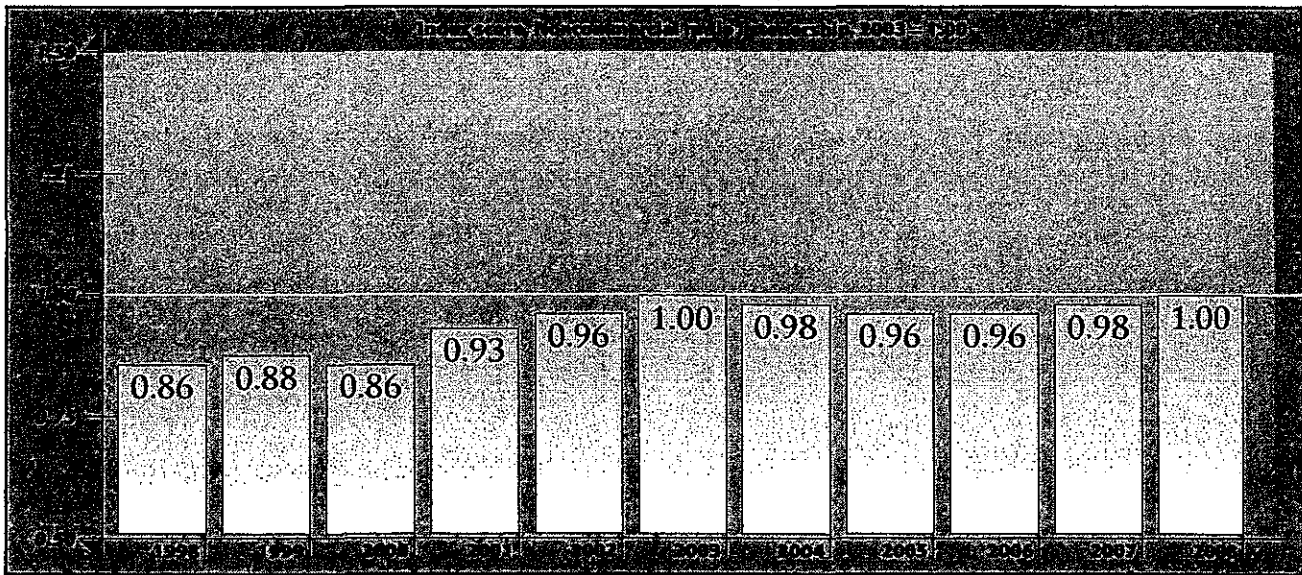
Source: National Center for Education Statistics, Department of Education, *Digest of Education Statistics*

Related Indicator(s): 35, 36, 55, 59

38. Noncommercial Radio Listenership

Public broadcasting, both radio and television, has long been regarded as one of the principal means of transmitting culture. Public radio incorporates a wide range of radio station types, from the well-known National Public Radio stations to more community- or campus-based stations.

This indicator measures the share of the U.S. population age 12 and older that listens to noncommercial radio supported by the Corporation for Public Broadcasting at least once during the year. The measure is calculated by Radio Research Consortium (RRC), the firm that publishes the industry standard Arbitron ratings. These figures are reported as share data by RRC. Public radio, in all its forms, attracted a share of listeners that rose to 11.3 percent of adults in 2003 and has maintained that level ever since. Because the population has been growing, this represents a progressively larger listenership.



	1990	1991	1992	2003	2004	2005	2006	2007	2008		
Share of U.S. population listening to noncommercial radio	9.7	9.9	9.7	10.5	10.8	11.3	11.1	10.9	10.8	11.1	11.3
Indexed to 2003 = 1.00	0.86	0.88	0.86	0.93	0.96	1.00	0.98	0.96	0.96	0.98	1.00

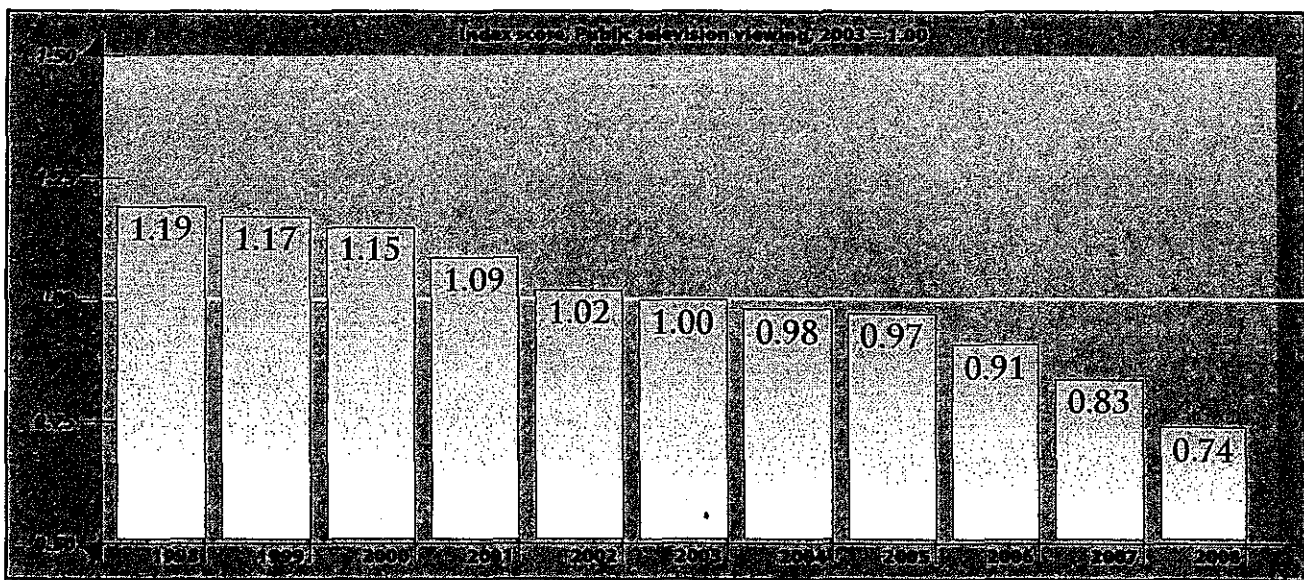
Source: Radio Research Consortium

Related Indicator(s): 39

39. Public Television Viewing

While public radio is fragmented among different kinds of stations, public television broadcasting is primarily in the domain of affiliates of the Public Broadcasting System (PBS). The national programming of PBS in educational, cultural, news, and scientific content is broadcast in full or in part over a network of 356 TV stations. While there are other noncommercial and cable access TV stations, PBS is recognized as an especially significant contributor to arts and culture.

This indicator measures the so-called "household cume," the percentage of homes that tune to a particular station for six minutes or more during a measurement time period. These data were provided by PBS from the Nielsen Television Index. They measure average public television cumulative households viewing (24 hours/7 days) using the average of one week per month in September and October each year. The percentage of households that view public television broadcasting has declined fairly consistently from 56 percent to 39 percent. It is likely that some of the decline is attributable to shifts in viewing from broadcast networks and towards cable, satellite and Internet transmission, as well as changes in data collection by Nielsen during the change to digital TV broadcasting.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Household Cume	55.9	55.1	54.0	51.4	47.8	47.0	46.2	45.4	42.9	39.0	34.8
Indexed to 2003 = 1.00	1.19	1.17	1.15	1.09	1.02	1.00	0.98	0.97	0.91	0.83	0.74

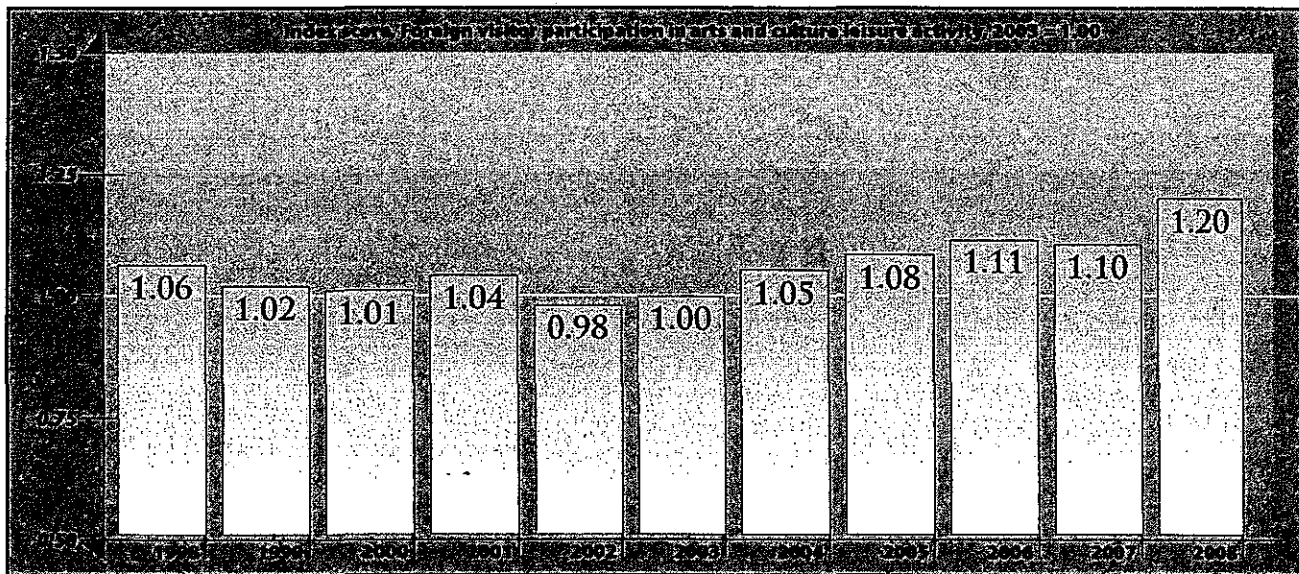
Source: Public Broadcasting System

Related Indicator(s): 38

40. Foreign Visitor Participation in Arts and Culture Leisure Activity

Effectively, cultural tourism by foreign visitors is a form of export by domestic arts and culture industries. Like Americans who travel abroad, foreign tourists in the U.S. also participate in the American arts and culture sectors as audience members at arts events and as visitors to cultural attractions.

This indicator measures participation by tourists who fly to the U.S. in arts and culture activities as a part of their total leisure activities in the U.S. The data are collected by the International Trade Administration in the Department of Commerce (ITA). The ITA's monthly Survey of International Air Passengers is conducted on a voluntary basis on in- and out-bound flights to the U.S. The survey lists 29 leisure activities, of which six are most closely related to arts and culture: Art Gallery/Museum, Concert/Play/Musical, Cultural Heritage Sites, Ethnic Heritage Sites, Visit American Indian Community, and Visit Historical Places. Survey sample sizes have exceeded 21,000 since 2002, and were more than 31,000 in 2008. The indicator shows a gradual decline from 1998 through 2002, with fairly steady growth since.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Art Gallery/Museum (% foreign tourists attending)	19.8	19.6	19.6	19.4	18.1	17.7	18.9	20.2	20.4	21.1	22.3
Concert/Play/Musical (% foreign tourists attending)	12.8	12.4	12.7	12.3	12.9	13.7	13.4	14.7	14.5	15.3	16.3
Cultural Heritage Sites (% foreign tourists attending)	18.8	18.3	17.8	18.4	17.7	18.1	19.4	18.5	19.9	19.5	22.2
Ethnic Heritage Sites (% foreign tourists attending)	5.0	4.9	4.8	4.9	4.6	4.9	4.8	4.5	5.2	4.1	4.3
Visit Am. Indian Comm. (% foreign tourists attending)	4.3	4.1	3.7	3.8	3.0	3.1	3.7	3.3	3.2	2.9	3.4
Visit Historical Places (% foreign tourists attending)	33.4	31.8	31.2	33.3	30.9	31.4	33.3	34.8	35.7	35.3	37.9
Cumulative participation (% foreign tourists attending)	94.1	91.1	89.8	92.1	87.2	88.9	93.5	96.0	98.9	98.2	106.4
Indexed to 2003 = 1.00	1.06	1.02	1.01	1.04	0.98	1.00	1.05	1.08	1.11	1.10	1.20

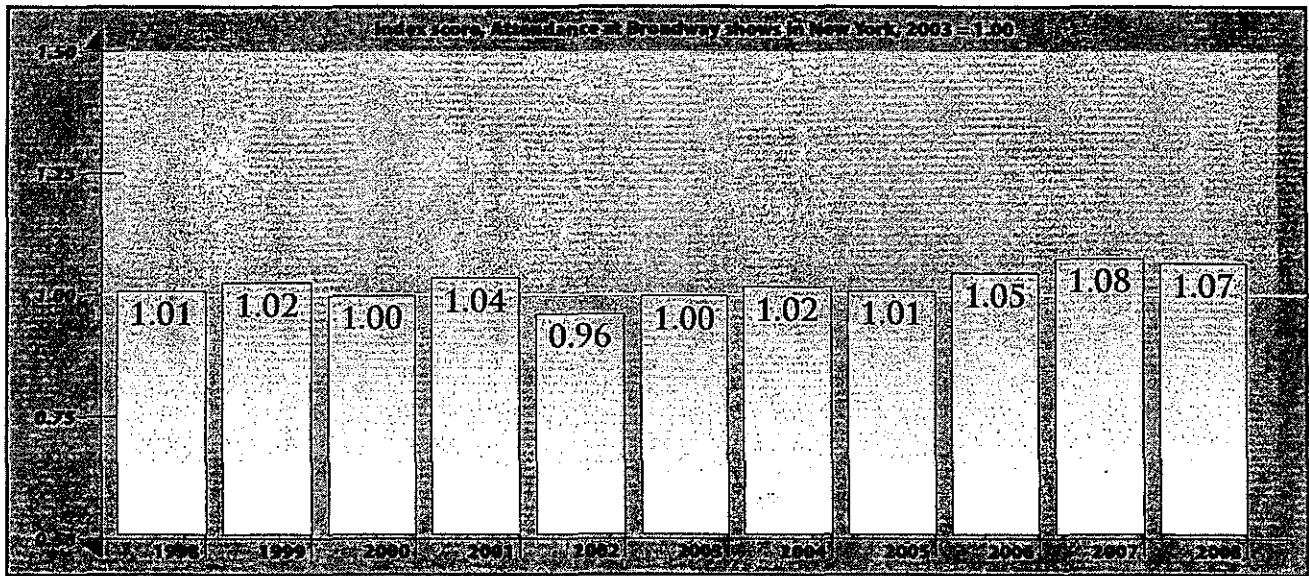
Source: Department of Commerce, International Trade Administration

Related Indicator(s): 41—50

41. Attendance at Broadway Shows in New York

Broadway refers to the theatre district in New York, generally thought of as the most prominent venue for American theatre. The success of Broadway has long been regarded as a significant measure of the overall health of live theatre around the country, not only in New York.

This indicator is total attendance at Broadway shows in New York, using data from the Broadway League (formerly the League of American Theaters and Producers). Until 2000-2001, the Broadway League reported data rounded to the nearest 10,000; the data have been more precise since. The indicator illustrates a widely reported trend, that attendance dropped after September 11, 2001 (in the 2002 season), but gradually increased in the years since —reaching historically high levels in 2007 and 2008.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Tickets sold to Broadway shows in NYC, (000)	11,480	11,670	11,380	11,896	10,955	11,423	11,605	11,527	12,003	12,312	12,267
Indexed to 2003 = 100	1.01	1.02	1.00	1.04	0.96	1.00	1.02	1.01	1.05	1.08	1.07

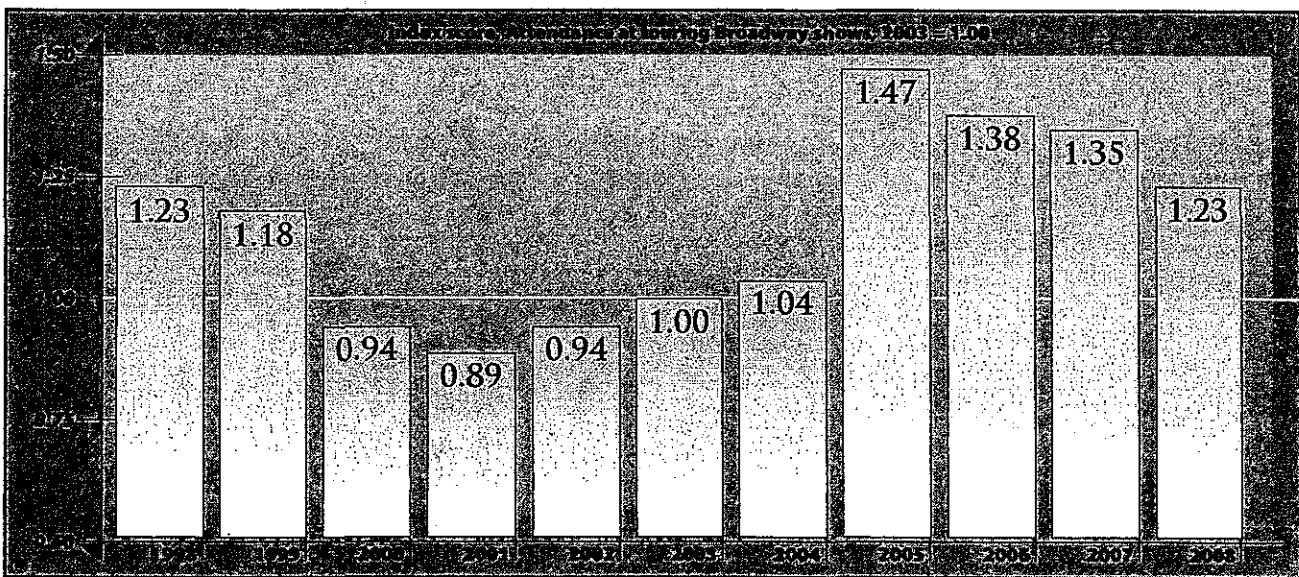
Source: The Broadway League, *Broadway Season Statistics*

Related Indicator(s): 33, 42—44, 48-50, 67—69, 71-73

42. Attendance at Touring Broadway Shows

Musicals, plays, songs and stars come to wide attention and national prominence on Broadway, and shows that have succeeded there have spawned successful tours over the entire span of American theatrical history ("If you can make it there ..."). Broadway shows tour the U.S. to audiences in many other cities and communities, bringing productions from the New York theatre district all over the country.

This indicator measures attendance at touring productions of Broadway shows, rounded to the nearest 100,000 (provided by the Broadway League). Through almost all years, more people saw Broadway shows on tour than in New York —almost twice as many in the mid 1990s, about one-quarter more in recent years. While attendance at Broadway shows in New York has remained steady, touring Broadway attracted progressively smaller audiences from 2005 through 2008.



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Tickets sold (millions)	15.2	14.6	11.7	11.0	11.7	12.4	12.9	18.2	17.1	16.7	15.3				
Indexed to 2003 = 1.00	1.23	1.18	0.94	0.89	0.94	1.00	1.04	1.47	1.38	1.35	1.23				

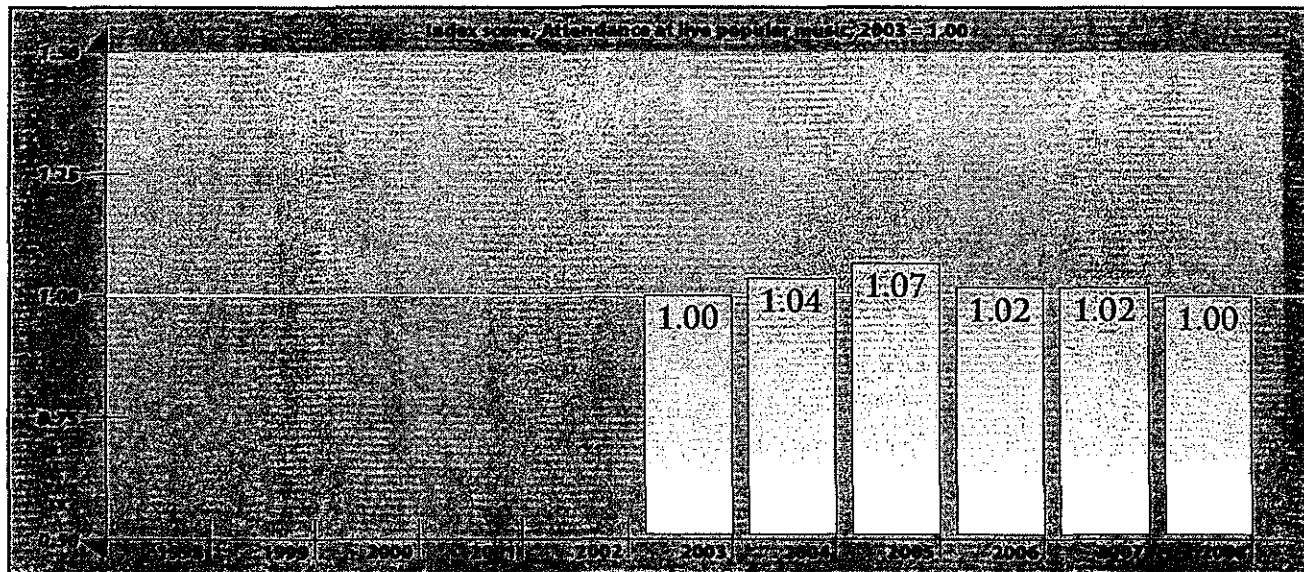
Source: Broadway League, *Touring Broadway Statistics*

Related Indicator(s): 41, 43, 44, 48-50, 67-69, 71-73

43. Attendance at Live Popular Music

Attending the many varieties of popular music in concert is one of the main ways for the public to hear new songs, styles and sounds. While the natural domicile of symphonic or operatic music may be the concert hall, pop styles like rock, hip-hop, or country are more likely to be heard in clubs, arenas, outdoor amphitheatres and stadiums. Scarborough Research conducts large-scale studies on a wide range of consumer behaviors, including participation in cultural activities, gathering data from more than 200,000 interviews and questionnaires in 81 metropolitan areas in the U.S.

This indicator, using data obtained by Scarborough, estimates the number of people in its survey base who attended one or more popular music concerts in the prior 12 months. Scarborough estimates that the population in the 81 markets it studies is about 228 million in 2008, or about 75 percent of total U.S. population. Attendance at these events has ranged from 48.6 million people to 51.8 million people over the five years of available data, peaking in 2005 and declining annually since.



	2003	2004	2005	2006	2007	2008	
Attend country music concert (estimated)	15,835,220	16,976,085	17,424,189	16,906,187	17,543,696	16,657,784	
Attend R&B/rap/hip-hop concert (estimated)	7,507,585	7,658,740	8,122,202	7,624,862	7,038,861	6,937,999	
Attend rock concert (estimated)	25,236,355	26,107,070	26,271,258	25,226,627	24,930,625	25,061,507	
Attend total live popular music (estimated)	48,579,160	50,741,895	51,817,649	49,757,676	49,513,182	48,657,290	
Indexed to 2003 = 1.00	N/D	1.00	1.04	1.07	1.02	1.02	1.00

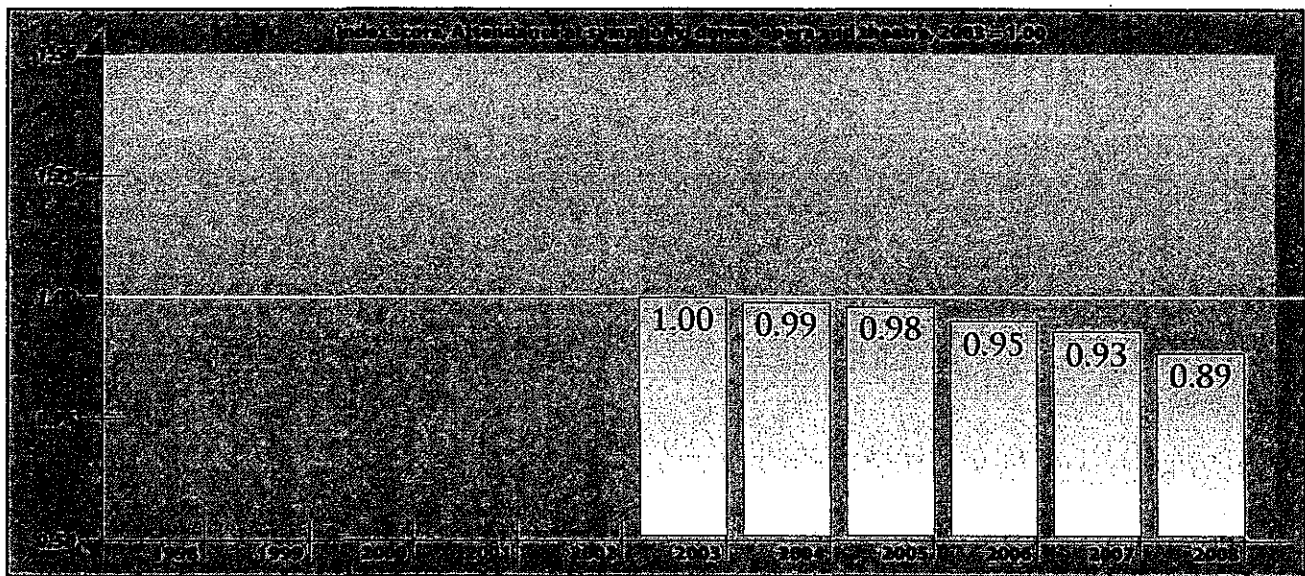
Source: Scarborough Research, Inc.

Related indicator(s): 41, 42, 44, 48-50, 67-69, 71-73

44. Attendance at Symphony, Dance, Opera and Theatre

For many decades, the performing arts have been associated especially strongly with the fields of dance, opera, symphony and theatre. For this reason, it helps to understand the vitality of arts and culture overall to look at attendance at these four art forms collectively as well as individually. These kinds of programs are typically presented by nonprofit entities that are often influential not only for the quality of their performances, but because they are important cultural institutions. Data on attendance at these kinds of arts events is gathered by Scarborough Research in 81 metropolitan areas that have about 75 percent of the entire U.S. population, along with data Scarborough collects on attendance at museums and at popular music events.

This indicator is Scarborough's estimate of attendance at these performing arts events. This wide diversity of artistic genres contributes to a large audience base, of some 86.4 million in 2003, declining to 80.1 million in 2007. Certainly, there is some double counting among all of these measures, as audience members for one genre may well be devotees of others as well—and may also attend popular music concerts and visit museums. However, the trend of continuing decline is a cause for attention and concern.



	1999-2003	2003	2004	2005	2006	2007	2008
Dance performance attendance in 81 metro markets (estimated)		15,796,500	15,153,420	15,258,275	14,802,928	15,114,212	14,879,670
Theater attendance in 81 metro markets (estimated)		50,058,640	50,291,790	49,153,726	48,336,921	48,099,050	47,306,930
Symphony concert, opera, etc. attendance in 81 metro markets (estimated)		20,521,290	20,151,015	20,063,287	19,140,215	16,920,476	14,491,862
Total performing arts attendance in 81 metro markets (estimated)		86,376,430	85,596,225	84,475,288	82,280,064	80,133,738	76,678,462
Indexed to 2003 = 1.00	N/D	1.00	0.99	0.98	0.95	0.93	0.89

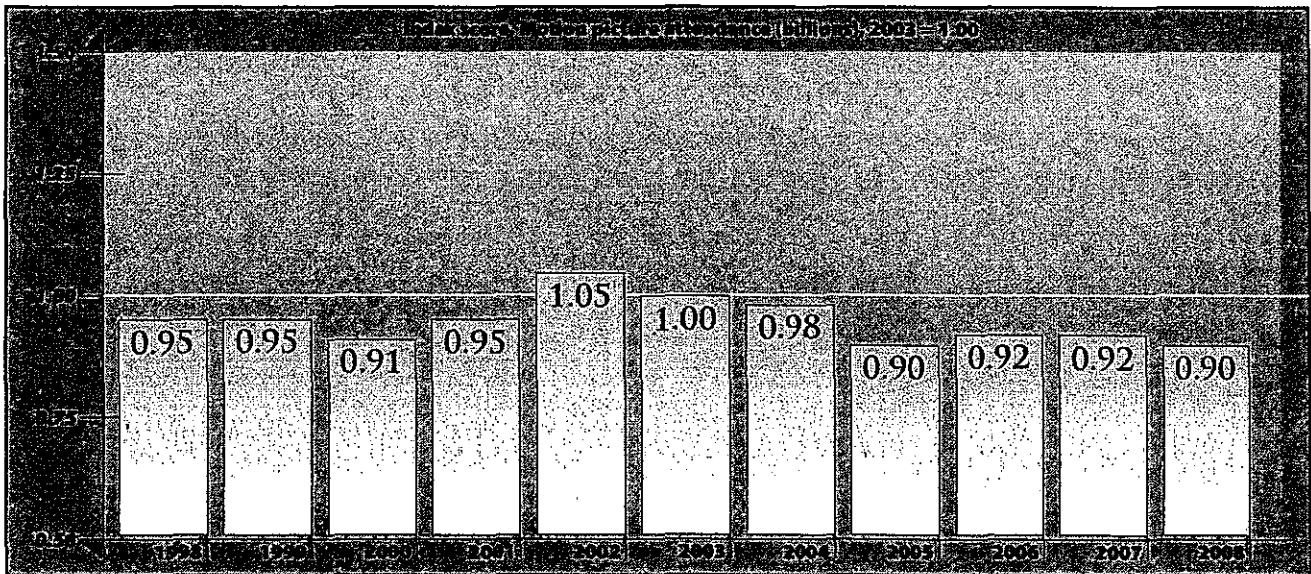
Source: Scarborough Research, Inc.

Related Indicator(s): 41-43, 48-50, 67-69, 71-73

45. Motion Picture Attendance

Attendance at feature films is one of the most popular and widespread forms of participation in the arts. Hundreds of millions of people attend showings of hundreds of films, presented in tens of thousands of movie theatres around the country. While digital video over the Internet continues to grow in popularity and grow in its impact on how feature films are delivered, cinema showings continue to attract the largest audiences of the activities tracked in this Index.

This indicator measures total attendance at movies according to the Motion Picture Association of America (MPAA) data in the U.S. and Canada. MPAA, like some other trade associations, combines Canadian and U.S. data in its annual tallies. This is problematic in some ways because the data include some foreign activities. However, it is very likely that Canadian moviegoing is sufficiently close to American moviegoing that rates of change are very close in both countries. Total attendance peaked in 2002, declined until 2005, and then grew slightly through 2007 before falling in 2008.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motion picture attendance (billions)	1.438	1.440	1.383	1.438	1.599	1.521	1.484	1.376	1.395	1.400	1.363
Indexed to 2003 = 1.00	0.95	0.95	0.91	0.95	1.05	1.00	0.98	0.90	0.92	0.92	0.90

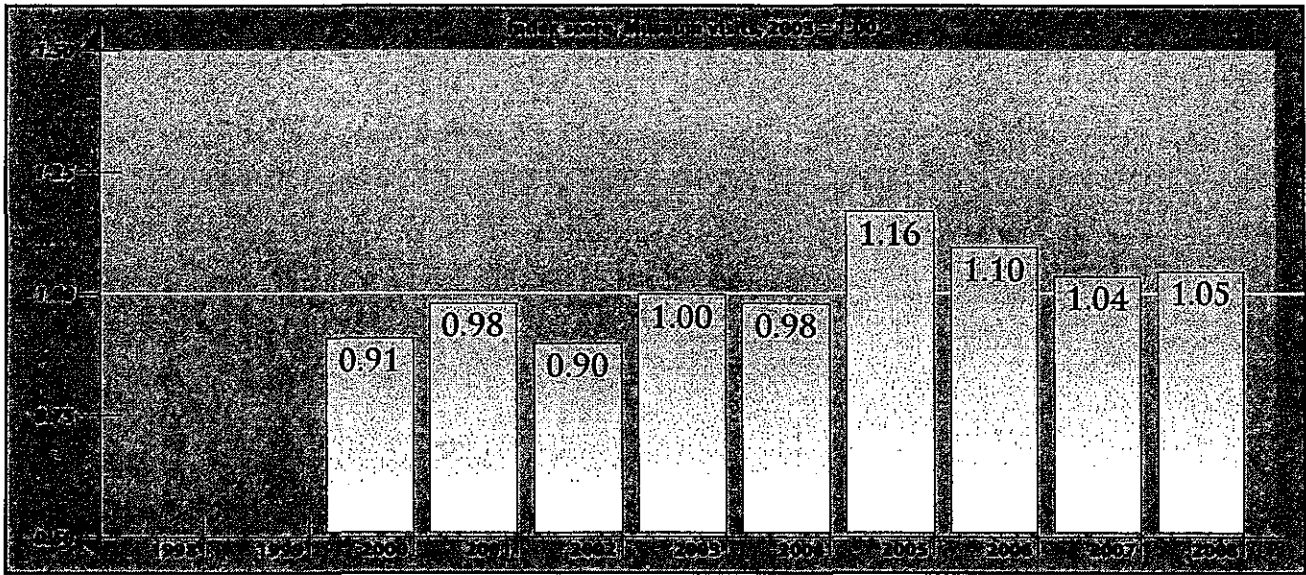
Source: Motion Picture Association of America, *MPAA Theatrical Statistics annual report*

Related Indicator(s): 23

46. Museum Visits

Museums are educational centers, repositories of cultural materials, and places of vision —often with singular architectural appearance, presence and location. These attributes make them destinations for visitors, whom they attract through permanent and special programs. Museum visits, with their opportunities for discovery and adventure, are cultural experiences that almost every American has had at least once; these visits are important for education in art, history, culture and the sciences. The American Association of Museums (AAM) gathers annual data from its members on operations, finances and attendance, receiving between 600 and 900 total responses per year, including 125 museums that have responded every year that the survey has been administered.

This indicator measures the annual visitor counts at the median museum in this group of 125. AAM membership is diverse, composed of large metropolitan art museums and specialized museums in smaller places and many other types. Nonetheless, the median attendance in that trend group tracks overall increases or decreases in attendance. While museum attendance declined since 2005, it is still higher than in the late 1990s.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Median attendance at museums		76,500	81,905	75,731	83,953	82,617	97,509	92,761	87,063	88,022
Indexed to 2003 = 1.00	N/D	0.91	0.98	0.90	1.00	0.98	1.16	1.10	1.04	1.05

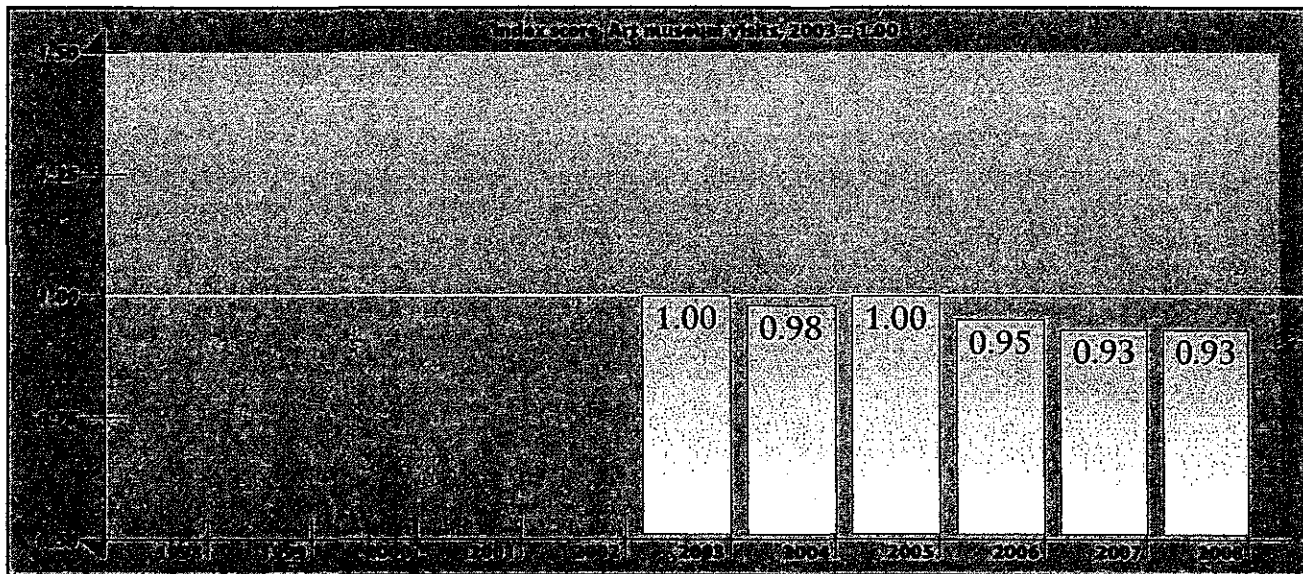
Source: American Association of Museums

Related Indicator(s): 47, 70

47. Art Museum Visits

While concert attendance events are widely distributed and are accessible in both larger and smaller markets, art museums tend to be concentrated in metropolitan areas —including the 81 regions where Scarborough Research collects data. Art museums are only a subset of the whole museum field; art museum attendance is a subset of total museum attendance. Scarborough gathers data on art museum attendance, along with other data on attendance at performing arts and popular music events.

This indicator, provided by Scarborough, is an estimate of the number of people in its survey base who visited an art museum one or more times in the prior 12 months. Art museum attendance in metropolitan areas declined from about 33.0 million visitors to 30.9 million between 2003 and 2008.



	1999-2002	2003	2004	2005	2006	2007	2008
Art museum attendance in 81 metropolitan markets (estimated)		33,070,245	32,412,840	33,190,473	31,448,974	30,828,672	30,862,704
Indexed to 2003 = 1.00	N/D	1.00	0.98	1.00	0.95	0.93	0.93

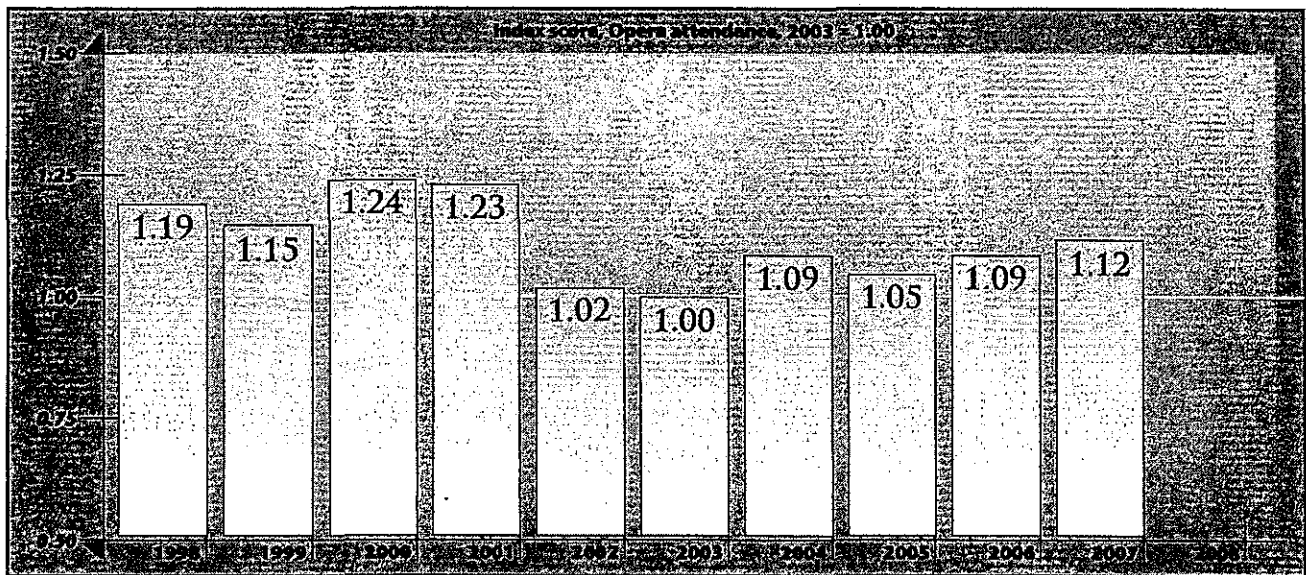
Source: Scarborough Research, Inc.

Related Indicator(s): 46, 70

48. Opera Attendance

Opera is one of the most comprehensive of live performance enterprises, encompassing visual, musical and dramatic elements in a complex performance. There are more than 100 professional opera companies in the U.S., collectively offering hundreds of productions and more than 2,000 performances each year. OPERA America, the national service organization for the opera field, conducts an annual Professional Opera Survey. Opera companies responding to this survey conduct more than 90 percent of professional opera activity in the U.S.

This indicator measures total attendance at mainstage season performances by reporting opera companies. From 1998 through 2007, this ranged between 3.1 million and 3.9 million, with a peak last reached in 2000. Like symphony, theatre and other art forms, much opera activity is offered outside of the concert hall, reaching community audiences in other educational and community settings. Systematic counts of those audiences, however, are not available.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Attendance at professional opera main stage performances (000)	3,742	3,624	3,887	3,872	3,211	3,142	3,436	3,309	3,411	3,518	
Indexed to 2003 = 1.00	1.19	1.15	1.24	1.23	1.02	1.00	1.09	1.05	1.09	1.12	N/D

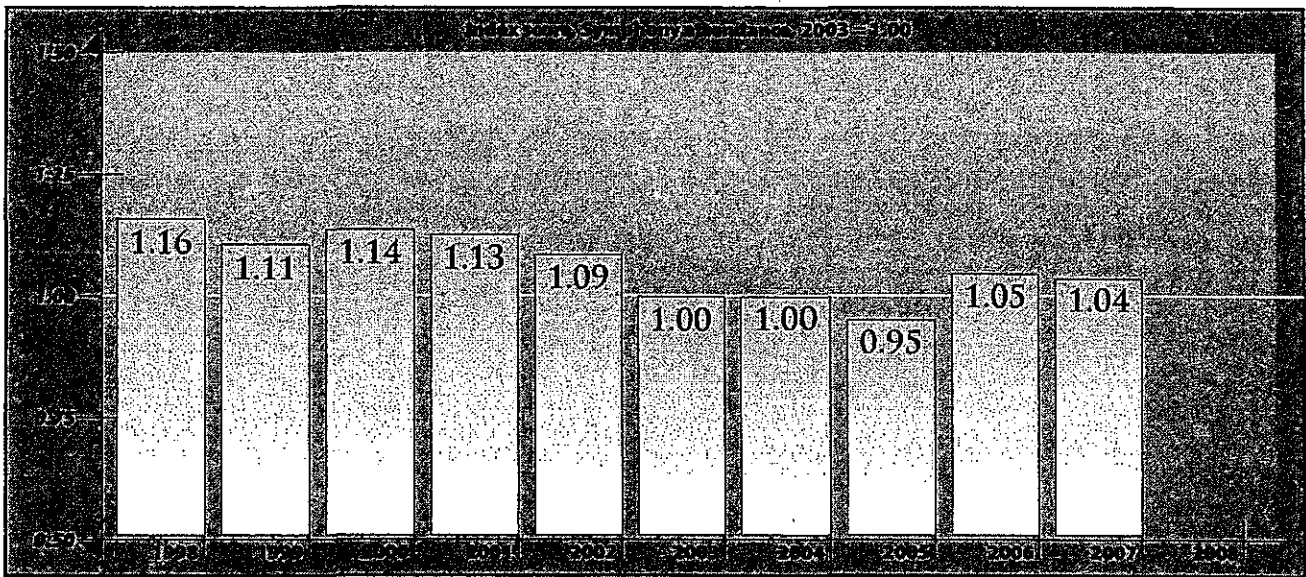
Source: Opera America

Related Indicator(s): 41—44, 49, 50, 67—69, 71—73

49. Symphony Attendance

Symphony as both an art form in the concert hall, and as an institutional presence in American communities, is one of the mainstays of the lively arts in the American cultural experience, a role it shares with opera, theatre and dance. With hundreds of symphony orchestras around the country, founded in every time period from the mid-19th century to the 1970s and even later, orchestral music is among the most accessible and widely available classical music types. Data on symphony orchestra attendance is gathered annually by the League of American Orchestras for publication in its Orchestral Survey Reports.

This indicator tracks total attendance at symphony concerts in the U.S. as estimated by the League. In addition to reporting data from responding orchestras, the League estimates attendance at all orchestra concerts by extrapolating from the population of symphony orchestras. This indicator reports those estimates.



	2001	2002	2003	2004	2005	2006	2007	2008
Total attendance at symphony performances (000)	32,162	30,796	31,667	31,533	30,305	27,802	27,683	26,471
Indexed to 2003 = 1.00	1.16	1.11	1.14	1.13	1.09	1.00	1.00	0.95

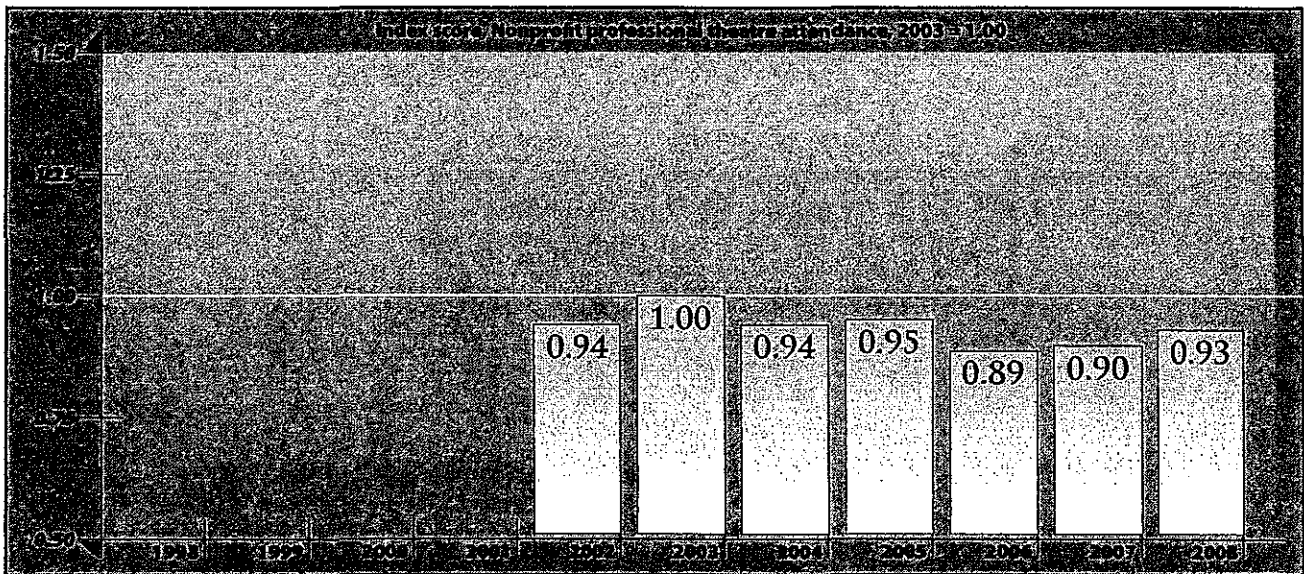
Source: League of American Orchestras

Related Indicator(s): 41—44, 48, 50, 67—69, 71—73

50. Nonprofit Professional Theatre Attendance

Live theatre is another core component of the performing arts that is deeply embedded in the American cultural experience. Theatre is presented in any number of venues, by nonprofit groups with volunteer or professional actors, in private and public schools at all levels, and by professional theatrical businesses, on Broadway and elsewhere.

This indicator measures total annual attendance at nonprofit professional theatres using data published annually by Theatre Communications Group (TCG) in its annual Theatre Facts report. TCG makes an annual estimate of attendance based on responses to its annual survey, and extrapolates that to attendance at all nonprofit professional theatres. Total attendance peaked in 2003 at more than 34 million, and was again climbing after 2005. Earlier years are not included because of a significant change in TCG's method of estimating total attendance prior to 2002.



	1994-2001	2002	2003	2004	2005	2006	2007	2008
Attendance at nonprofit professional theatre		32,200	34,300	32,100	32,500	30,500	31,000	32,000
Indexed to 2003 = 1.00	N/D	0.94	1.00	0.94	0.95	0.89	0.90	0.93

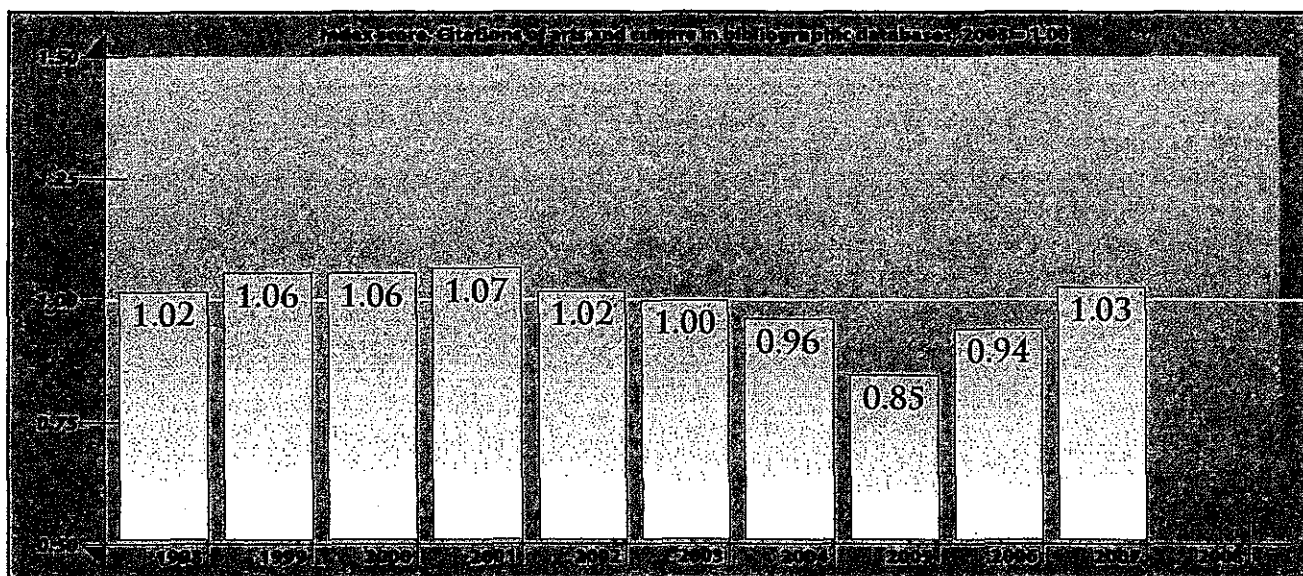
Source: Theatre Communications Group, *Theatre Facts* annual reports

Related Indicator(s): 41—44, 48, 49, 67—69, 71—73

51. Citations of Arts and Culture in Bibliographic Databases

Arts and culture activities in all domains are the subject of communication in conversation, correspondence, and writing. Much —probably most— of the interaction between people about the arts goes on away from the public view or is only disseminated via the Internet. However, many documents that are more formally published refer to arts and culture. In particular, we can measure what people write and publish about the arts in bibliographic databases of published work in newspapers, magazines and academic journals.

This indicator shows how commonly some arts-related search terms are used as keywords in some well-known bibliographic research databases. The terms are: "Musician," "Artist," "Playwright," "Dancer," "Arts and Culture," "Creativity, Aesthetic," "Arts Education," "Opera," "Fine Arts," "Theatre and Symphony. The databases were Ebsco Academic Search Premier, Proquest Classic Research Library, Proquest Dissertation, and WilsonWeb OmniFile, all of which are commonly used for scholarly research —but also for locating articles in magazines and newspapers with general circulation. The total of arts entries was compared to all entries in the databases. The arts terms were in about 224,000 entries dated 1998, increasing to 477,000 by 2007, while total entries grew from about 2.3 million to about 6.2 million. So, the arts-related items appear in between 7.2 percent and 8.0 percent of entries over those years. What these sources do not include is material that is first published on the Web.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total articles	2,943,726	2,978,311	2,983,814	2,970,350	3,427,276	3,749,084	4,381,915	5,394,257	6,184,418	6,215,636	
Total arts articles	223,729	235,877	236,252	237,998	260,078	279,779	313,409	342,786	432,409	476,535	
Arts article share of total	7.6%	7.9%	7.9%	8.0%	7.6%	7.5%	7.2%	6.4%	7.0%	7.7%	
Indexed to 2005 = 1.00	1.02	1.06	1.06	1.07	1.02	1.00	0.96	0.85	0.94	1.03	N/D

Sources: Selected Proquest, Gale, Ebsco and Wilson databases

Related Indicator(s): 5

Chapter 6. Arts Competitiveness Indicators

There are 25 indicators of arts participation, mainly showing arts and culture activity in the marketplace. They measure the activity and experience in the arts in the form of personal engagement; being a part of audiences for public broadcasting, museums, and live performances; and spending on cultural experiences and products. Like some of the Financial Flows indicators, the indicators in this section offer visible and easily recognized measures of the arts as they answer the questions, "how much art is being produced," and "how many people are consuming the arts?" Here, however, they are tracked mainly in terms of numbers of people.

The next two tables show the indicators used in the Arts Participation component, and the number of indicators that make up the overall Arts Participation score in each year. Those scores are shown in Figure P, below.

Table 8. Competitiveness Indicators

52.	Population share engaged in personal creativity experiences
53.	Arts and culture share of private giving
54.	Arts and culture share of personal expenditures
55.	Visual and performing arts share of all college degrees
56.	Share of employees in arts and culture industries
57.	Share of workers in arts and culture occupations
58.	Share of payroll in arts and culture industries
59.	Share of SAT test takers with four years of art or music
60.	Share of establishments in arts and culture industries
61.	Arts and culture share of foundation funding
62.	Arts and culture share of corporate funding
63.	Federal arts and culture funding per capita
64.	Arts and culture share of federal domestic discretionary spending
65.	State arts agency funding per capita
66.	State arts agency share of state general fund expenditures
67.	Population share attending Broadway shows in New York or on tour
68.	Population share attending live popular music
69.	Population share attending symphony, dance, opera or theatre
70.	Population share visiting art museum
71.	Population share attending opera
72.	Population share attending symphony orchestra concerts
73.	Population share attending nonprofit professional theatre
74.	Arts, culture, and humanities in the Philanthropic Giving Index
75.	Financial performance of arts and culture businesses
76.	Share of nonprofit arts organizations with end-of-year surplus

Table 9. Competitiveness Indicators Per Year

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
16	17	17	18	22	25	25	25	25	25

Averaged across all available data, they produce the following ten-year trend:

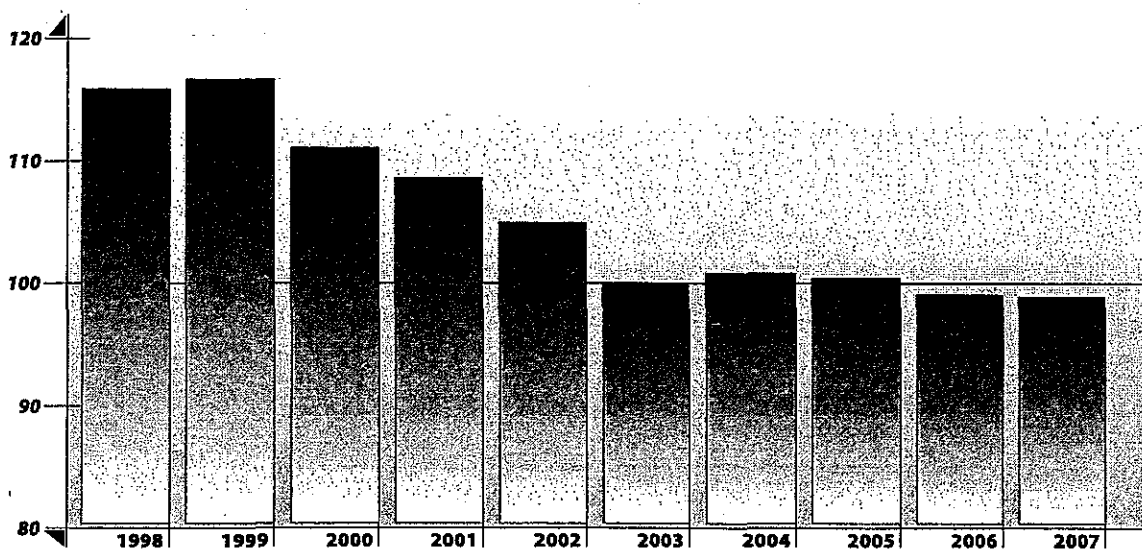


Figure P. National Arts Index Competitiveness Indicators (2003 = 100.0)

The term “competitiveness” is not often applied to the arts. Yet a number of these indicators assess the position of the arts in their various markets against other possible uses of audience members’ time, donors’ contributions, and institutional funding. The logic is similar to what companies use when assessing their market share: it shows how an organization is faring when taking into account all of the other providers of its goods and services, as well as overall growth (or shrinkage) of the marketplace. Similarly, the percentage of the overall population engaging in one or more arts activities points to how the arts are competing against all of the other ways that consumers can spend their time and money. Some of the Capacity indicators measure changes in the number of workers in artistic industries or artistic occupations; in the Competitiveness component, the focus is on the artistic share of total workers or total industries, because these are also changing all the time. For example, a one percent annual increase in attendance for a given art form is a positive, but it has less of an impact if the population has grown more than one percent.

Other measures in this component relate to arts education, including the prior arts education of college-bound seniors, and the visual and performing arts share of higher education degrees. There are views of the role of government funding derived by looking at the per capita funding of the arts provided by the federal and state governments, and at the share of discretionary spending that Congress and the state legislatures commit to the arts. Where indicators describing corporate and financial philanthropy in the Financial Flows section were measured in dollars, those same dollars here are used to evaluate the share of total corporate and foundation dollars.

The overall trend in these Competitiveness indicators is even less encouraging than the trend for Arts Participation indicators. To the extent that the arts are viewed as co-existing in ecology with other powerful forces in society, its impact will necessarily be affected by those other forces. The other forces—population growth and diversity, multiple public policy changes, the global environment, changes in peoples’ access to and use of technology—are not our main subject in this report, but their general effects, and especially the way in which they contend with arts for resources and attention, are vital matters for this study.

Overall, we see the cumulative evidence of indicators in this component as showing that the arts are becoming less competitive and that this decline threatens the vitality of the arts, just as increased participation fuels its future.

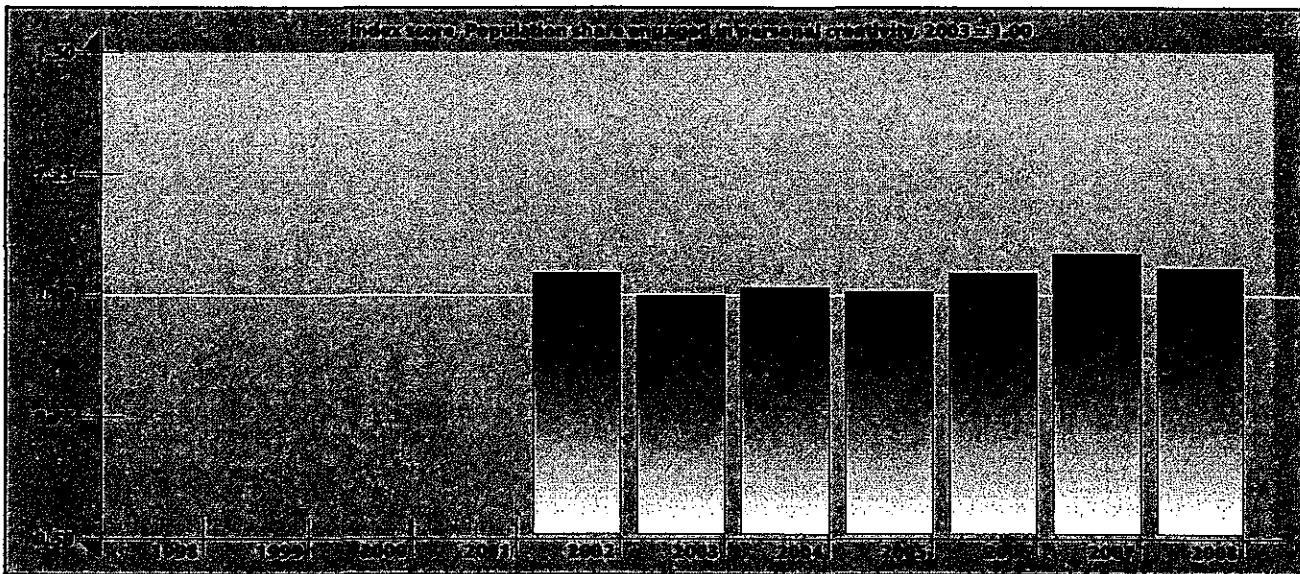
The individual indicators described in the following 25 pages provide additional detail on the competitiveness of arts and culture from 1998 to 2007.

The initial estimate of the Competitiveness component score for 2008, using 15 indicators, is 95.8. This continues the steep slide in competitiveness that began in 2000 and continued through the decade, with only a brief pause in 2004.

52. Population Share Engaged in Personal Creativity

People who engage directly in personal creativity do so in addition to (or even in place of) other choices that they make for spending leisure time. As with many other variables, we calculate the share of the population that is engaged in personal creativity.

This indicator is created by taking the total of individuals involved in specific creative activities —as reported in Mediamark data in the Statistical Abstract of the United States— and dividing that count of individuals by total U.S. population in that year. The maximum rate of participation in these specific activities ranged over five years, from 19.3 percent to 20.1 percent of the population. This is a maximum because the numbers used to calculate the index score assume that the individuals participating in each of these are all different people, even though some engage in multiple kinds of creativity. This maximum is a total of 54 million through 61 million people. After increasing 2005 through 2007, the share declined by 0.6 percentage points in 2008.



	1998-2001	2002	2003	2004	2005	2006	2007	2008
Total participation in music making, painting, drawing, and/or photography (000)		55,862	54,011	55,345	57,513	57,712	58,201	59,396
Total U.S. population (000)		287,727	292,011	292,892	295,513	298,363	298,201	304,060
Share of population engaged in selected activities		19.4%	18.5%	18.9%	18.6%	19.3%	20.1%	19.5%
Indexed to 2003 = 1.00	N/D	1.05	1.00	1.02	1.01	1.05	1.09	1.06

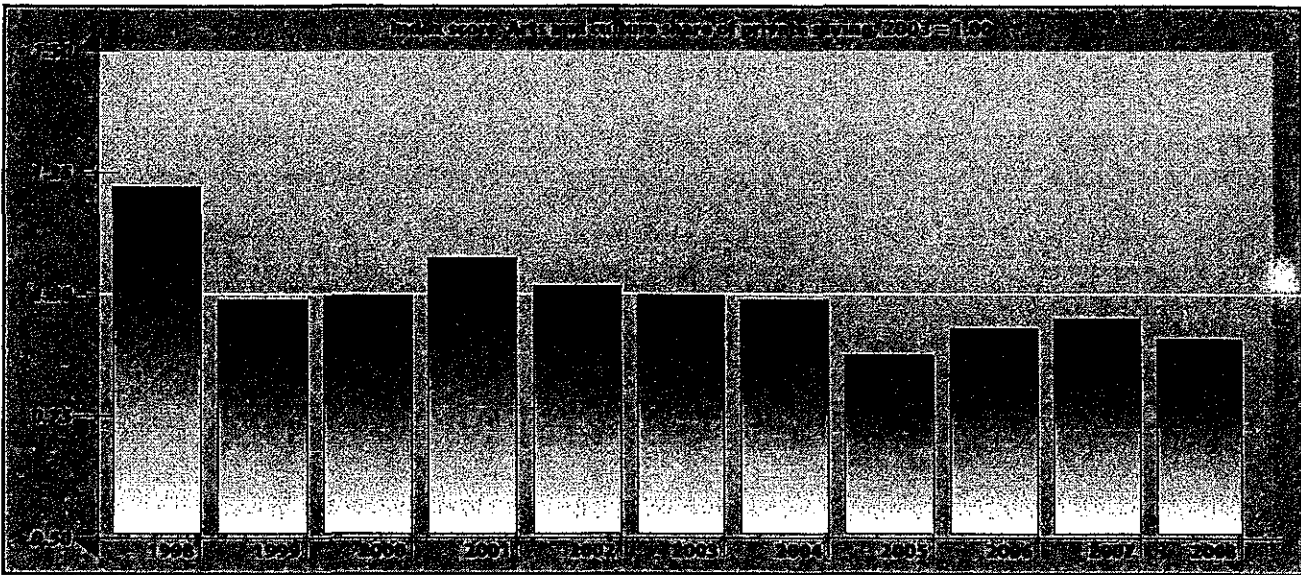
Source: Bureau of the Census, *Statistical Abstract of the United States*

Related Indicator(s): 30, 32, 54

53. Arts and Culture Share of Private Giving

Nonprofit arts organizations seeking philanthropic support have to compete with the many other nonprofit industries that depend on private giving. Arts and culture are only one of several targets for individuals, corporations and foundations when they spend money to support charitable action. The question of interest is, how well do arts and culture do in this competition?

This indicator measures the share of total private philanthropy given to arts and culture organizations. This share averaged 4.6 percent over the whole 11-year span, but only 4.3 percent since 2003. While total private giving (in current dollars) increased every year, support of the arts went up and down over the years. The cumulative effect is that the "market share" of arts and culture in the overall philanthropy market in this decade has generally declined, especially when compared to the late 1990s.



	2004	2002	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total private giving (\$B)		202.74		231.08		236.28		283.05		306.39	
Private arts and culture giving (\$B)		9.24	10.98	11.41	10.88	10.83	11.78	11.38	12.81	13.67	14.09
Arts and culture share of private giving	5.6%	4.6%	4.6%	4.9%	4.7%	4.6%	4.5%	4.0%	4.2%	4.5%	4.3%
Indexed to 2003 = 1.00	1.22	0.99	1.00	1.08	1.02	1.00	0.99	0.88	0.93	0.95	0.91

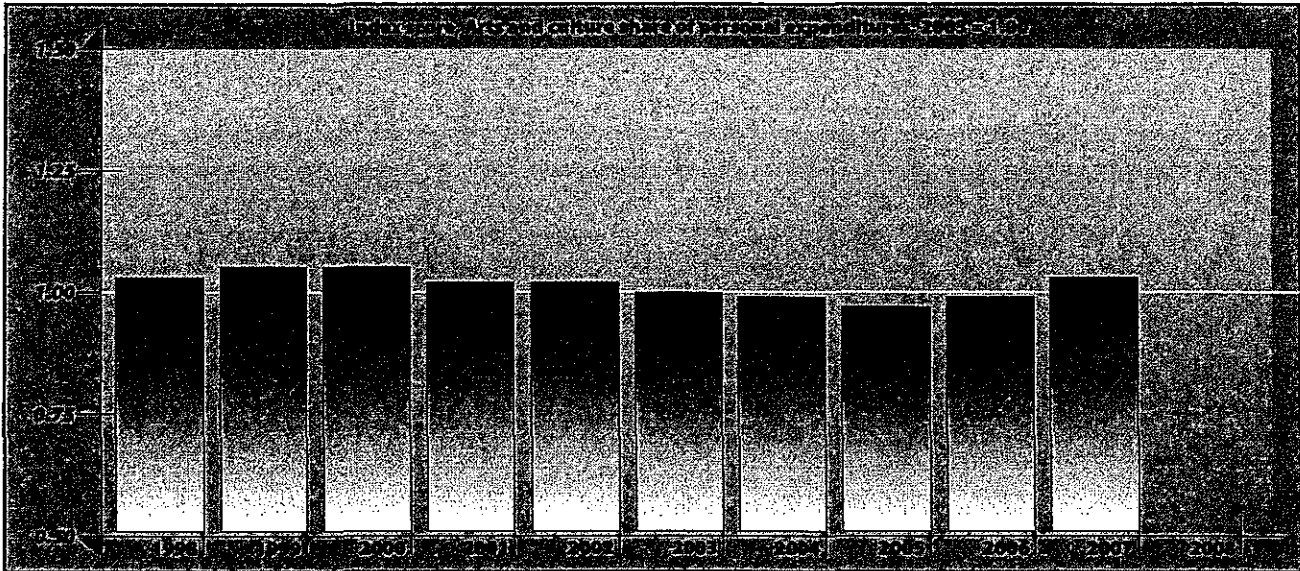
Source: Giving USA

Related Indicator(s): 9—12, 26, 27, 61—62, 74

54. Arts and Culture Share of Personal Expenditures

In the U.S. economy, personal and household consumer spending represents about two-thirds of total activity, a proportion that has stood up well over time. However, the actual composition of consumer spending within that aggregate can and does change. For this reason, it is important to track how discretionary consumer spending on arts and culture changes as a component of overall consumption.

This indicator measures the total of those expenditures as a share of total personal consumption expenditures, using the National Income and Product Accounts available from the Bureau of Economic Analysis. Total personal consumption spending increased (in current dollars) from \$5.9 trillion to \$9.2 trillion between 1998 and 2007. During the same time period, arts and culture consumption grew from \$108 billion to \$169 billion, staying close to 1.8 percent of total consumer expenditure. This rose somewhat in the 2006 and 2007 to almost the same level as in the late 1990s.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
All personal consumption expenditures (\$B)		6,282.5	7,055.0	7,703.6	8,742.5	9,207.2					
Books and maps (\$B)		31.5	34.6	38.7	41.8	46.3					
Video and audio goods, including musical instruments (\$B)		67.8	73.6	76.5	86.8	97.5					
Motion picture theaters (\$B)		7.9	9.0	9.9	9.1	9.7					
Legitimate theaters and opera, and entertainments of nonprofit institutions (\$B)	9.2	9.9	10.3	10.9	11.7	11.9	12.5	13.2	14.3	15.5	
Total of selected products (\$B)	107.9	117.1	125.4	128.1	133.8	137.0	144.5	150.9	162.7	169.0	
Selected products share of total	1.84%	1.86%	1.86%	1.82%	1.82%	1.78%	1.76%	1.73%	1.77%	1.84%	
Indexed to 2003 = 1.00	1.03	1.05	1.05	1.02	1.02	1.00	0.99	0.97	0.99	1.03	N/D

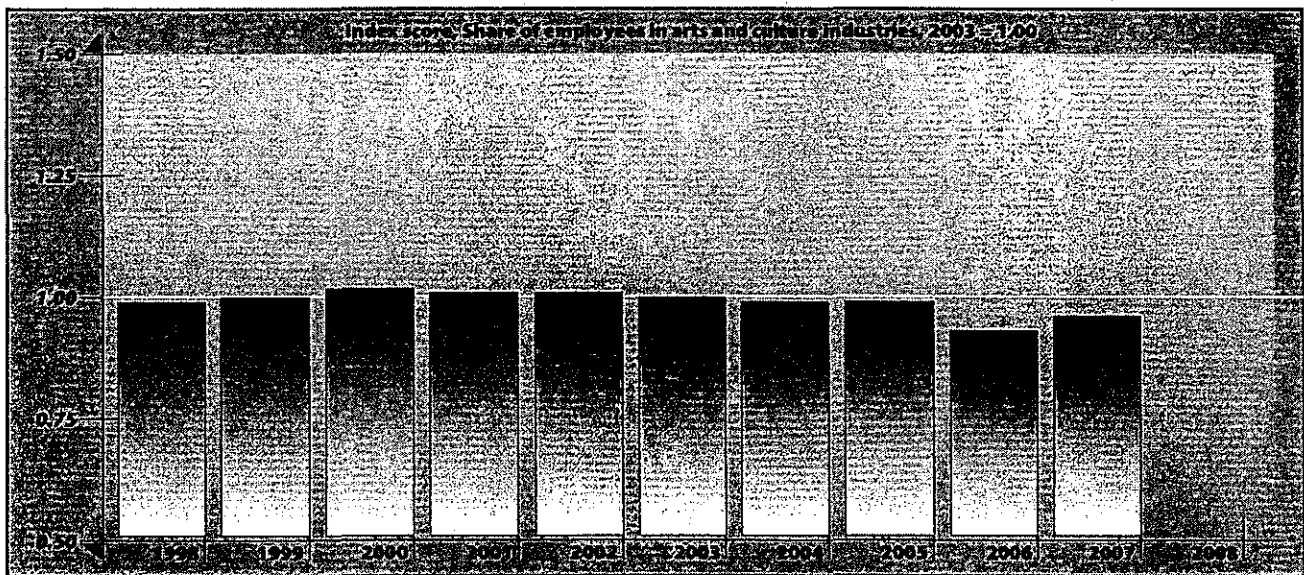
Source: Bureau of Economic Analysis, National Income and Products Accounts

Related Indicator(s): 30, 32

56. Share of Employees in Arts and Culture Industries

In a dynamic economy, the total number of workers changes as people enter and exit the labor force. The long-running (multi-decade) trend is an expansion of the labor force as the population grows, though the rate of growth is inconsistent and even becomes negative in times of poor economic performance. As the labor force grows and contracts, some industries will tend to have larger shares of all employees, while others will see their share of the workforce decline.

This indicator measures the employees in arts and culture industries as a share of total employees in all industries, using the 43 NAICS code industries listed in Appendix A. This indicator has remained between 1.7 percent and 1.8 percent of total employees, though it has declined since 2000.



	1994	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Employees in all industries (000)	108,711.5	110,706	114,057	115,061	111,401	113,398	117,075	116,317	119,917	120,604	
Employees in selected arts and culture-related industries (000)	1,942.8	2,008.8	2,100.2	2,108.9	2,055.0	2,051.8	2,053.0	2,084.0	2,026.0	2,103.3	
Share of arts and culture-related employees	1.80%	1.81%	1.84%	1.83%	1.83%	1.81%	1.78%	1.79%	1.69%	1.74%	
Indexed to 2003 = 1.00	0.99	1.00	1.02	1.01	1.01	1.00	0.99	0.99	0.93	0.96	N/D

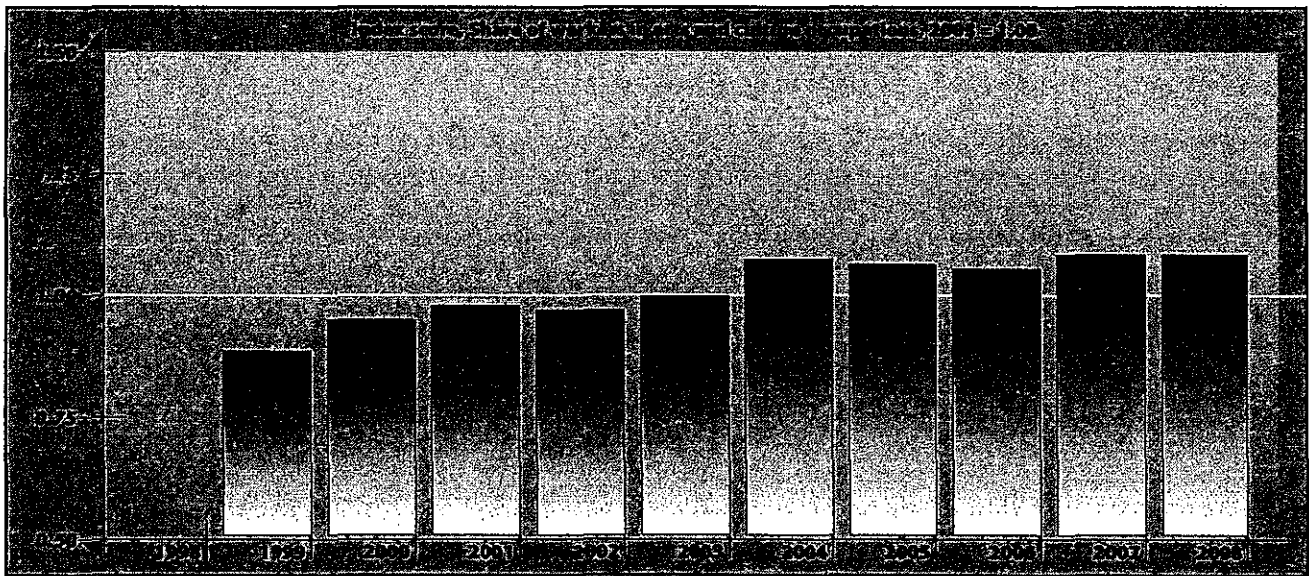
Source: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 17, 18, 57

57. Share of Workers in Arts and Culture Occupations

The increase in the number of workers in artistic occupations can be evaluated against changes in the total number of workers in all occupations over the same time period in order to determine the proportion of all workers who are in artistic occupations. The same Bureau of Labor and Statistics (BLS) data that describe occupations of workers can be used to make this comparison.

This indicator measures the share of workers in all 450 occupations classified in the Standard Occupational Code system that have arts and culture occupations (see Appendix B). These workers have an increasing share of total work, with their share increasing 23 percent between 1999 and 2008. This occurred because the total number of workers in all occupations increased by four percent, while the total number of workers in arts and culture occupations grew by 28 percent. A change in measurement systems to identify occupations more precisely accounts for part of the increased number of workers in arts and culture occupations after 2003.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Workers in all occupations (000)	129,739	127,980	127,568	130,308	134,354					
Workers in 46 arts and culture occupations (000)	1,298	1,356	1,407	1,401	1,438	1,564	1,566	1,591	1,652	1,661
Share of workers in arts and culture occupations	1.00%	1.07%	1.10%	1.10%	1.13%	1.22%	1.20%	1.20%	1.23%	1.23%
Indexed to 2003 = 1.00	N/D	0.89	0.95	0.98	0.97	1.00	1.08	1.07	1.06	1.09

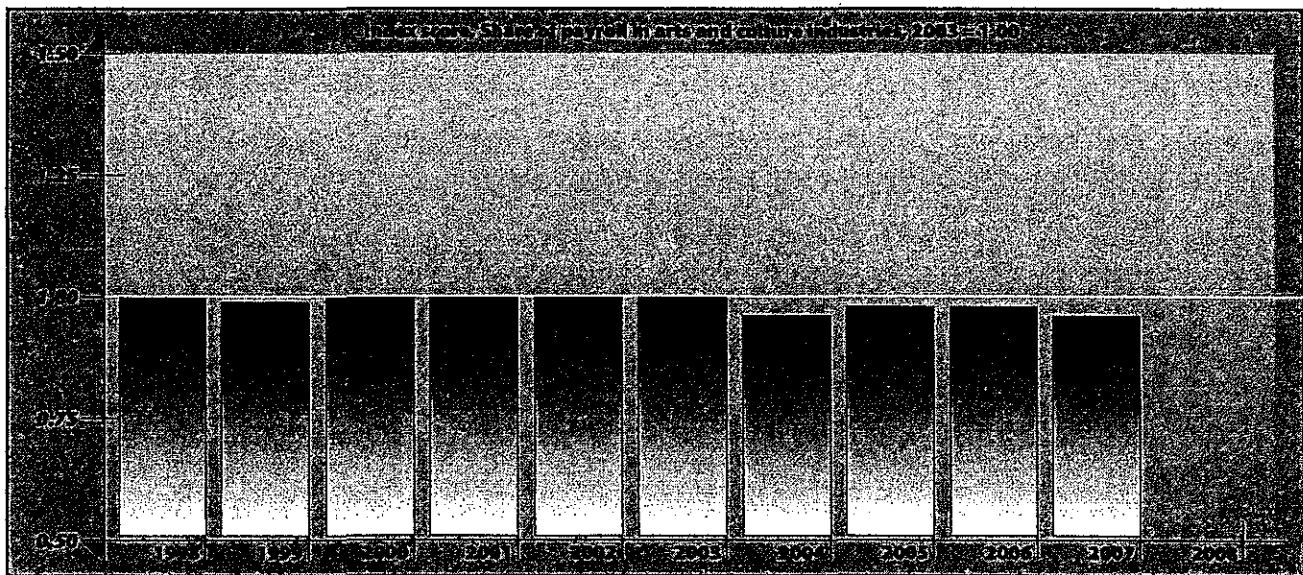
Source: Bureau of Labor Statistics, *Occupational Employment Statistics*

Related Indicator(s): 17-19, 56, 58

58. Share of Payroll in Arts and Culture Industries

Absolute payroll dollars give a sense of scale, but do not convey how much of all worker payroll is earned in arts and culture businesses and nonprofits. That can be evaluated by comparing to total payrolls for all industries.

This indicator measures the share of all payroll in the arts and culture industries, defined by the same set of 43 NAICS codes used to estimate numbers of employees and establishments shown in Appendix A. This represented close to 1.9 percent of payroll in all industries—a range that was fairly stable over the past decade, though lower in the last years of the series. The share of total payroll in arts and culture industries is larger than the share of total employees in those same industries, additional evidence that while competition for arts employment is fierce, workers in arts industries earn a premium over workers in all industries.



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Payroll in all industries (\$M)	3,554.7	3,554.7	3,554.7	3,554.7	3,989.1	3,989.1	4,040.9	4,040.9	4,482.7	4,482.7	5,026.8	5,026.8
Payroll in selected arts and culture industries (\$M)	64,180	68,528	75,815	77,866	76,583	78,722	79,431	85,167	91,574	94,302	94,302	94,302
Arts and culture industries' share of payroll	1.94%	1.93%	1.95%	1.95%	1.94%	1.95%	1.87%	1.90%	1.91%	1.88%	1.88%	1.88%
Indexed to 2003 = 1.00	1.00	0.99	1.00	1.00	1.00	1.00	1.00	0.96	0.98	0.98	0.96	N/D

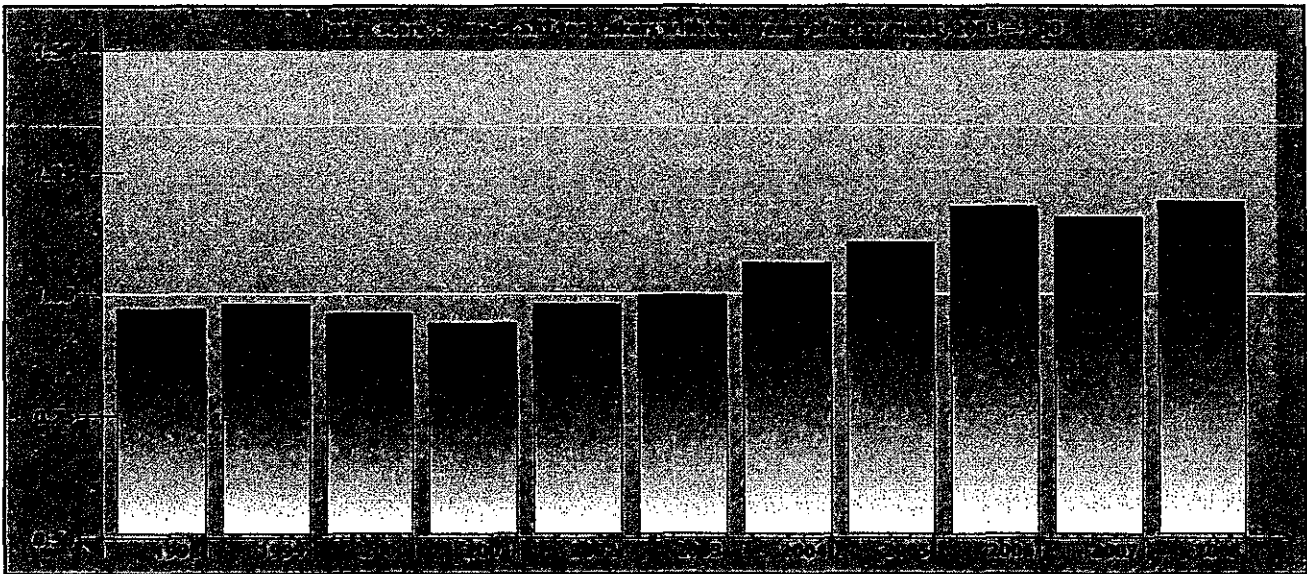
Source: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 2, 3, 16—19, 56, 57

59. Share of SAT Test Takers with Four Years of Art or Music

It is widely reported that art and music instruction in public education are declining because of competitive pressures from other subjects and the difficulty of obtaining necessary resources. Some evidence of the impact of these declines comes from the curriculum experience of students, as shown in the courses that they have taken. For college-bound high school seniors, data on SAT I test takers in the College Board's annual "College-Bound Seniors" reports provide this information. The reports show that over the years, the average length of time that a college-bound senior student takes art and/or music is two years.

This indicator measures the number of SAT test takers with four years of art and music as a share of all test takers who provide data on their curriculum experience. Students with four years of art and/or music in high school made up a growing percentage of college-bound seniors, especially from 2001 to 2006. The data also show that the share taking three years rose from 10.8 percent to 12.3 percent from 1998 to 2007.



All SAT I test takers (000)	1,220.1	1,365.9	1,504.8	1,576.0	1,494.5						
Non-respondents to Student Descriptive Questionnaire	173.5	250.3	420.0	299.2	290.8						
SAT I test takers with four years of art and/or music (000)	156.8	162.5	156.0	180.8	212.5	219.4	221.5	219.7			
Share of responding SAT I test takers with four years of art and/or music	15.4%	15.5%	15.3%	14.9%	15.6%	15.9%	17.0%	17.7%	18.7%	18.4%	18.9%
Indexed to 2003 = 1.00	0.97	0.98	0.96	0.94	0.98	1.00	1.07	1.11	1.18	1.16	1.19

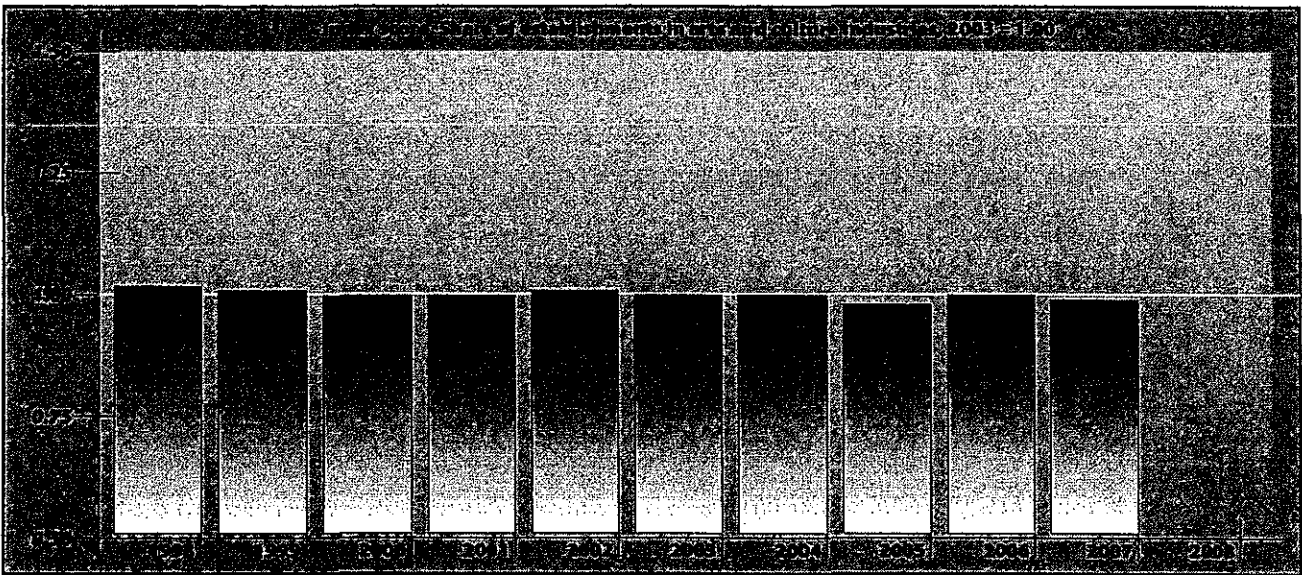
Source: The College Board, *College-Bound Seniors* annual reports

Related Indicator(s): 35—37

60. Share of Establishments in Arts and Culture Industries

In a dynamic economy that mostly grows and sometimes contracts, the number of firms in a particular industry will change. Economic circumstances may favor one kind of company over another. The increase in the total number of arts and culture establishments parallels similar change in the broader economy, as the total number of establishments grew in every industry.

This indicator measures the share of all establishments that are in arts and culture industries, i.e., in the industries defined by the NAICS codes listed in Appendix A. This stayed quite steady at about 3.0 percent of all establishments, which is higher than the share of total employees in the same industries (usually about 1.7 percent to 1.8 percent). This implies that the typical arts and culture firm has fewer employees than other businesses.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Establishments in all industries (000)	7,008.4	7,095.3	7,254.7	7,499.7	7,601.5	7,705.0			
Establishments in arts and culture industries	210,627	211,448	216,480	221,107	225,880	228,377			
Arts and culture share of establishments	3.03%	2.98%	2.98%	2.99%	2.94%	2.97%			
Indexed to 2003 = 1.00	1.02	1.01	1.00	1.00	0.98	1.00	0.99	N/D	

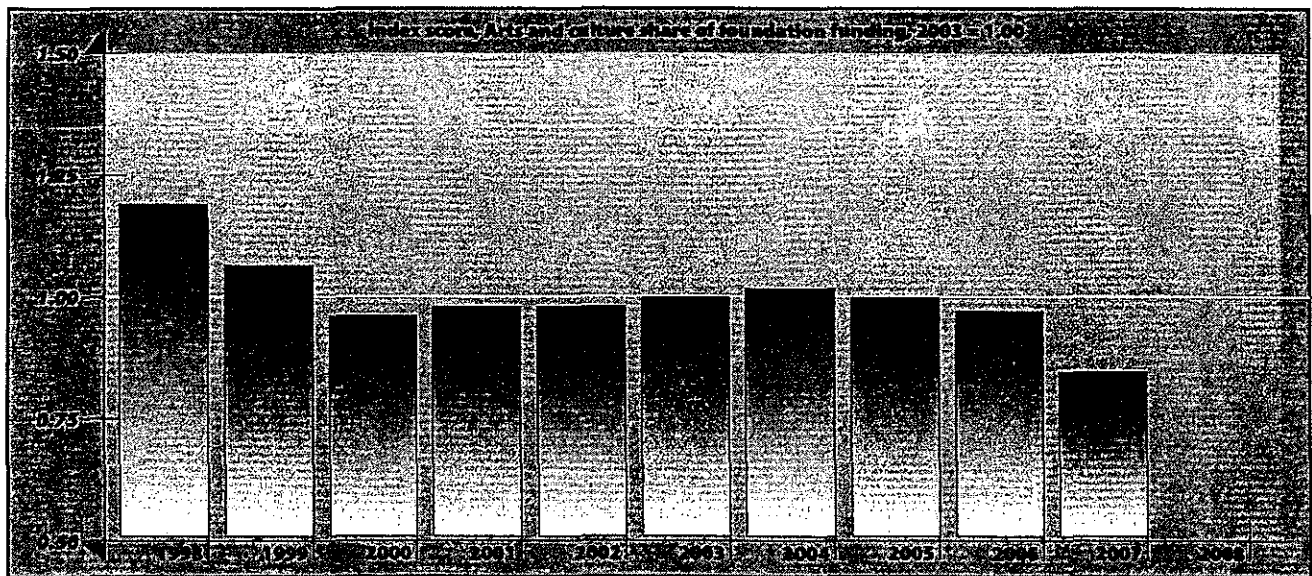
Source: Bureau of the Census, *County Business Patterns*

Related Indicator(s): 21—27, 57, 58

61. Arts and Culture Share of Foundation Funding

Foundations that support the arts often support other nonprofit areas as well, such as human service, health, education, or the environment. Arts organizations, therefore, have to compete against these other worthy demands for support.

This indicator measures the share of total foundation funding of arts and culture organizations as a share of all foundation funding. The Foundation Center's annual tallies are based on grants of \$10,000 or more, made by approximately 1,200 of the nation's foundations. The number of grants of this scale that are reported in the Center's FC Stats program has increased from 97,000 in 1998 to more than 140,000 in 2007. From 1998 to 2000, the arts and culture share declined compared to other nonprofit causes, and then increased through 2004, before declining again through 2007.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total reported foundation grants (\$M)	10,706	11,574	15,715	16,763	18,523	14,323	15,176	16,428	17,105	21,650	
Reported foundation grants to arts and culture (\$M)	1,439	1,554	1,729	2,048	1,946	1,790	1,980	2,055	2,300	2,294	
Share of reported foundation funding to arts and culture	14.0%	13.4%	12.0%	12.2%	12.2%	12.5%	12.8%	12.5%	12.2%	10.6%	
Indexed to 2003 = 1.00	1.19	1.07	0.96	0.98	0.98	1.00	1.02	1.00	0.97	0.85	N/D

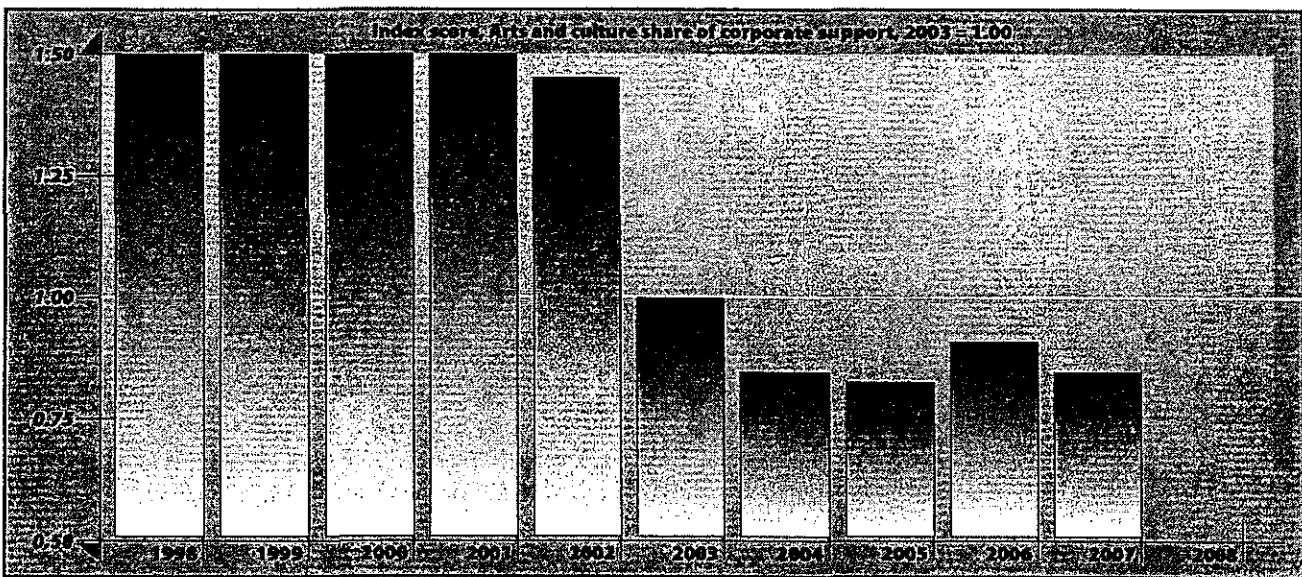
Source: Foundation Center

Related Indicator(s): 10.53

62. Arts and Culture Share of Corporate Funding

Corporate support is vital to the arts, and also to health, human services, environmental, education and other areas of nonprofit activity. The Conference Board surveys major corporations every year on their charitable contributions, including the sectors to which they give. Response levels range from 189 to 232 companies. The Board estimates that in 2006, these contributions represented 62 percent of overall corporate contributions from U.S.-based companies that year. Respondents to Conference Board surveys typically are major corporations; it is important to note that besides these companies, many small businesses, numbering in the millions, also contribute to arts and culture activity, though typically at lower levels.

This indicator measures the share of total corporate giving (by survey respondents) targeted to arts and culture. The survey is annual, but different companies respond each year. The indicator shows how arts and culture compete for corporate dollars with other nonprofit service areas. Total corporate support reported in the survey grew strongly since the late 1990s, from \$2.1 billion to \$8.6 billion—a four-fold increase. Reported support of the arts doubled from \$2.2 billion to \$4.4 billion. While the arts and culture support is beneficial, the growth in total giving far exceeds the growth in giving to the arts. As other nonprofit services have captured a progressively larger share of business support, the arts and culture share of major corporate funding has dwindled to less than half of what it was in 1998.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total corporate philanthropy (\$M)	2,198	2,198	3,911	4,473	6,151	5,727	7,783	7,783	8,640		
Total corporate funding to arts and culture (\$000)	215,689	304,868	346,527	372,394	354,093	313,465	298,617	352,841	351,911	400,009	
Arts and culture share of total corporate funding	10.28%	13.87%	8.86%	8.32%	7.95%	5.47%	4.67%	4.53%	4.95%	4.63%	
Indexed to 2003 = 1.00	1.88	2.53	1.62	1.52	1.45	1.00	0.85	0.83	0.91	0.85	N/D

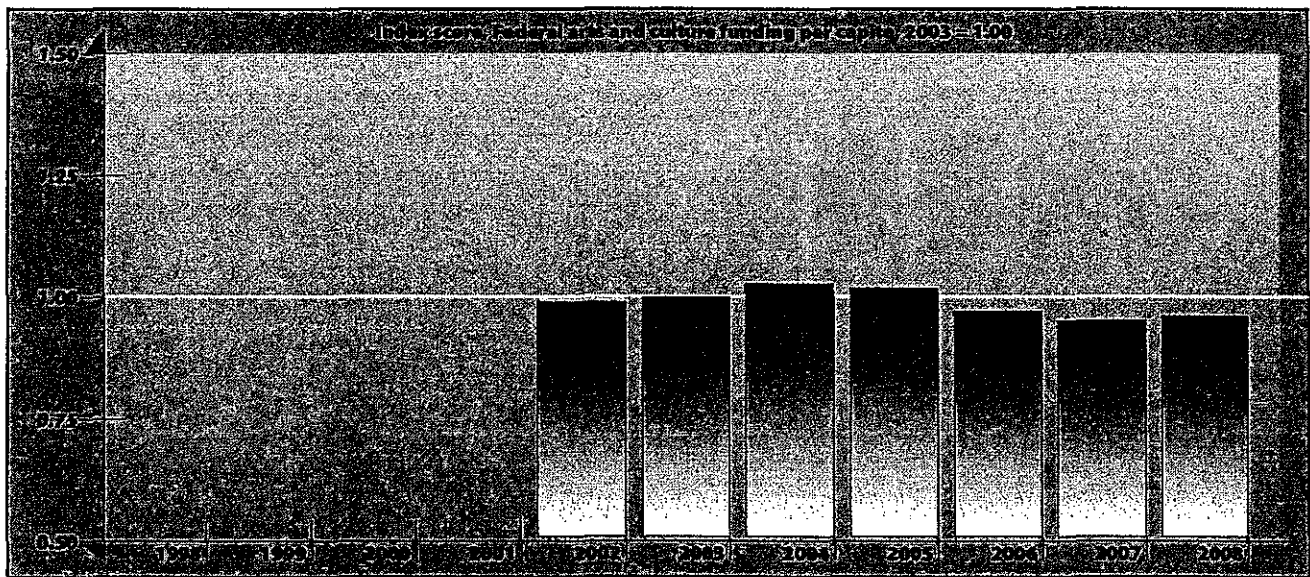
Source: The Conference Board

Related Indicator(s): 9, 53

63. Federal Arts and Culture Funding Per Capita

Government spending reaches the public through funded programs and activities, and funding changes need to account for population changes as well as for inflation. Considering services provided to an entire population on a per capita basis helps to show how the federal government has kept up with growth in the American population. Of course, per capita measures do not provide any indication of which parts of a population are consuming a particular kind of arts and culture—they do not indicate how much the different groups that make up the population are each participating.

This indicator measures the provision of arts and culture funding by the federal government to every American. This amount averaged around \$5.47 in constant dollars from 2001 to 2007, peaking in 2004. In current dollars, it was \$5.30 in 2008. This includes funding of various programs and offices, including: the National Endowment for the Arts; National Endowment for the Humanities; Institute for Museum and Library Services; Corporation for Public Broadcasting; Smithsonian Institution; Holocaust Museum; National Gallery; and the Kennedy Center.



	2001	2002	2003	2004	2005	2006	2007	2008
Total federal arts spending (\$000)		1,525,486		1,705,139		1,750,583		\$1,887,650
CPI set to 2003 = 100.0		97.8		102.7		109.6		117.1
Constant dollar federal arts spending (\$000)		1,560,252	1,707,626	1,660,908	1,637,758	1,597,754	1,678,648	\$1,611,460
Total U.S. population		287,888,021	290,447,464	293,191,511	295,895,897	298,754,819	301,621,157	304,059,724
Constant dollar federal arts spending per person		\$5.42	\$5.51	\$5.67	\$5.62	\$5.36	\$5.23	\$5.30
Indexed to 2003 = 1.00	N/D	0.99	1.00	1.03	1.02	0.97	0.95	0.96

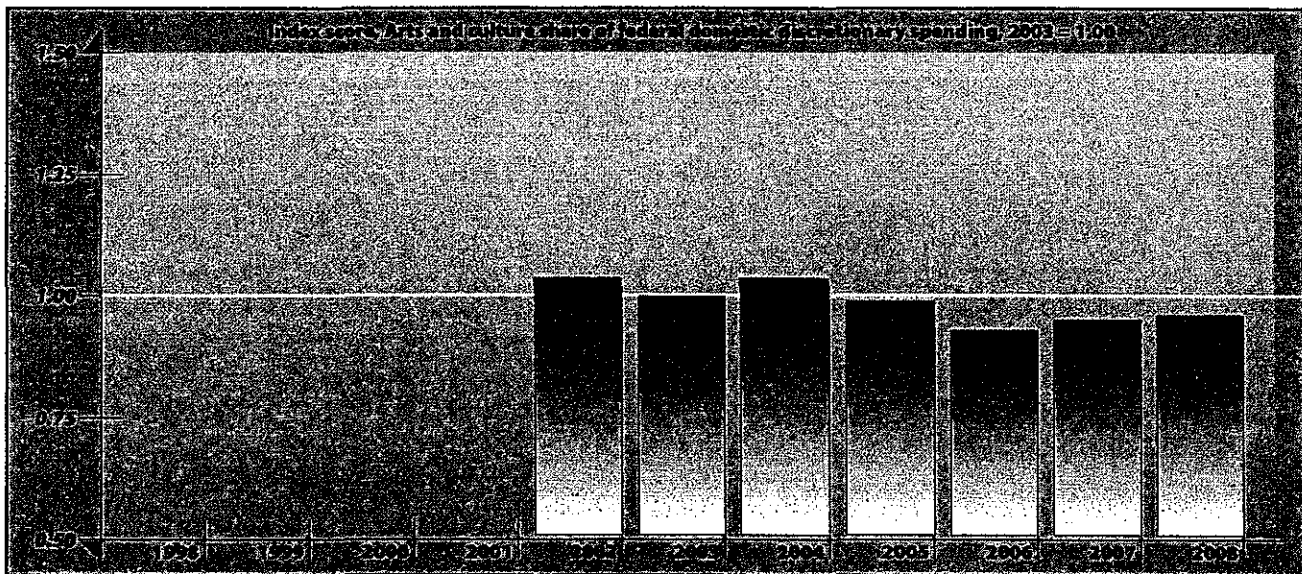
Sources: Congressional Research Service, *Arts and Humanities: Background on Funding Reports*, Government Printing Office *Budget of the United States*

Related Indicator(s): 13-15, 64-66

64. Arts and Culture Share of Federal Domestic Discretionary Spending

Arts and culture competes for federal funding within the domestic discretionary portion of the budget. The federal government has grown significantly in recent years. While much of the increase has been on defense, there has also been a significant growth in domestic discretionary spending. "Domestic" means that this money is not allocated by Congress for any international use (whether foreign aid or military); "discretionary" means that it is money that Congress has the discretion to allocate or not (i.e., not an entitlement program such as Medicare).

This indicator measures total funding of the same arts and culture programs as a share of total federal domestic discretionary spending. From 2002 through 2007, this total grew by 34 percent in current dollars, while arts and culture funding grew by 24 percent. The arts and culture share dropped from 0.42 percent of the federal domestic discretionary budget to 0.39 percent.



	1998-2001	2002	2003	2004	2005	2006	2007	2008
Congressional domestic discretionary spending (\$B)		359		408		461		482
Total federal arts spending (\$000)		1,525,486	1,577,626	1,705,139	1,751,689	1,750,583	1,773,530	1,867,650
Federal arts funding share of Congressional domestic discretionary spending		0.42%	0.41%	0.42%	0.40%	0.38%	0.39%	0.39%
Indexed to 2003 = 1.00	N/D	1.04	1.00	1.03	0.99	0.93	0.95	0.96

Sources: Congressional Research Service, Arts and Humanities: Background on Funding Reports, Government Printing Office Budget of the United States

Related Indicator(s): 13-15, 63, 65, 66

65. State Arts Agency Funding Per Capita

Just as for federal arts spending, it is possible to use per capita measures to evaluate how state funds are reaching citizens. Combining the data provided by the National Assembly of State Arts Agencies with Census Bureau data on total population makes it possible to calculate this measure for all U.S. residents. The focus again is on funding provided by state legislatures to their state arts agencies.

This indicator measures constant dollar per capita funding by the states. It shows the relationship between total state legislative appropriations to all state arts agencies on the one hand, and total population on the other. State arts funding is volatile, whether rising or falling. Population, on the other hand, has grown steadily. The measure is calculated by converting legislative appropriations to constant 2003 dollars and dividing by total U.S. population. After rising from the late 1990s through 2001, state support (measured in constant dollars per capita) dropped sharply through 2004 and only gradually began to grow through 2007. In 2007, states were spending \$1.16 in current dollars on average per person for the arts—but only \$1.03 per person on a constant dollar basis.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
State arts agency legislative appropriations (\$000)	342,922	408,986	419,209	468,132	419,063	355,673	273,701	286,607	300,149	310,707	302,842
CPI set to 2003 = 100.0	90.5	90.5	96.3	96.3	100.0	100.0	106.1	106.1	112.7	112.7	117.1
Constant dollar state arts agency legislative appropriations (\$000)	275,854	279,040	282,172	285,040	287,727	290,211	222,892	295,561	298,363	301,290	304,060
Total U.S. population (000)	275,854	279,040	282,172	285,040	287,727	290,211	292,892	295,561	298,363	301,290	304,060
Constant dollar state arts agency legislative appropriation per capita	\$1.24	\$1.47	\$1.49	\$1.64	\$1.46	\$1.23	\$0.93	\$0.97	\$1.01	\$1.03	\$1.00
Indexed to 2003 = 1.00	1.01	1.20	1.21	1.34	1.19	1.00	0.76	0.79	0.82	0.84	0.81

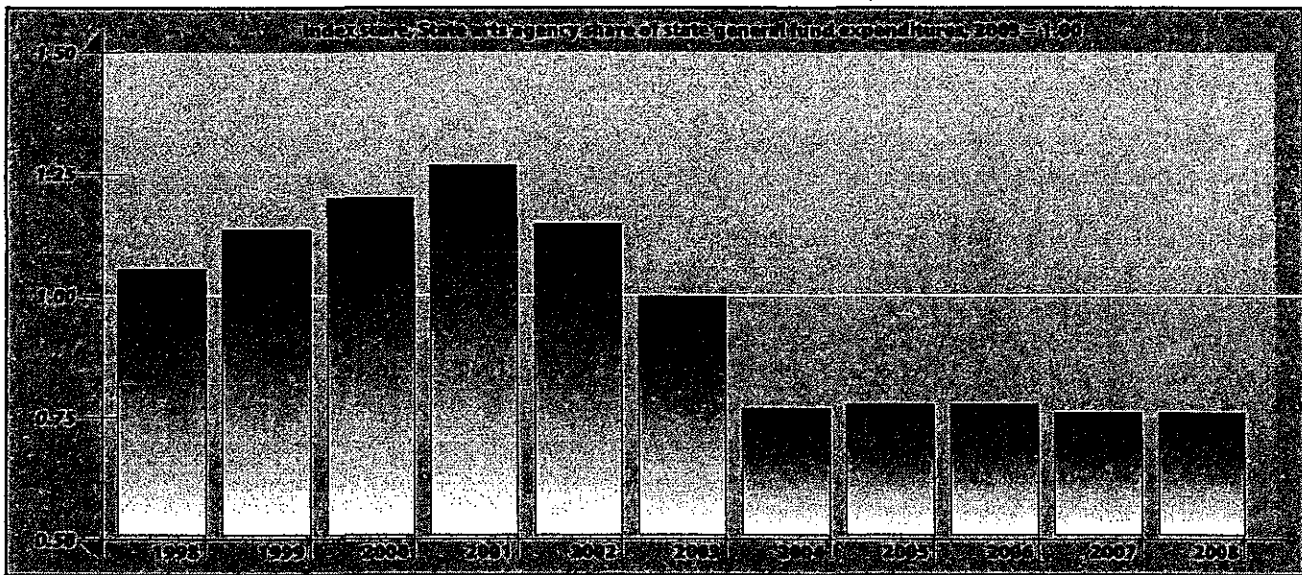
Sources: National Assembly of State Arts Agencies

Related Indicator(s): 13-15, 63, 64, 66

66. State Arts Agency Share of State General Fund Expenditures

The success of the arts at the state level —like at all levels of government—is part of a political process. As with all budgetary allocations, state arts agency funding depends on state legislators who allocate funds to the arts, as well as to other public services that compete for money in the budget process.

This indicator measures the share of general fund appropriations for state arts agencies as a share of all state general fund appropriations. While it would be helpful to consider similar measures for state humanities councils, museums, or other related programs, those data are not available. Arts agency funding as a share of total state general fund spending peaked in 2001 at 0.089 percent, and declined for three subsequent years. Since 2004, just over one-twentieth of one percent of all state legislative allocations has gone to state arts agencies.



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total state general fund appropriations (\$B)		465,768		505,701		508,290		558,280		654,676						
State arts agency legislative appropriations (\$000)	303,754	370,311	392,325	450,577	409,725	355,673	280,990	304,209	326,859	350,122	354,746					
State arts agency share of general fund appropriations	0.074%	0.080%	0.084%	0.089%	0.081%	0.070%	0.054%	0.054%	0.055%	0.053%	0.053%					
Indexed to 2003 = 1.00	1.06	1.14	1.20	1.27	1.15	1.00	0.77	0.78	0.78	0.76	0.76					

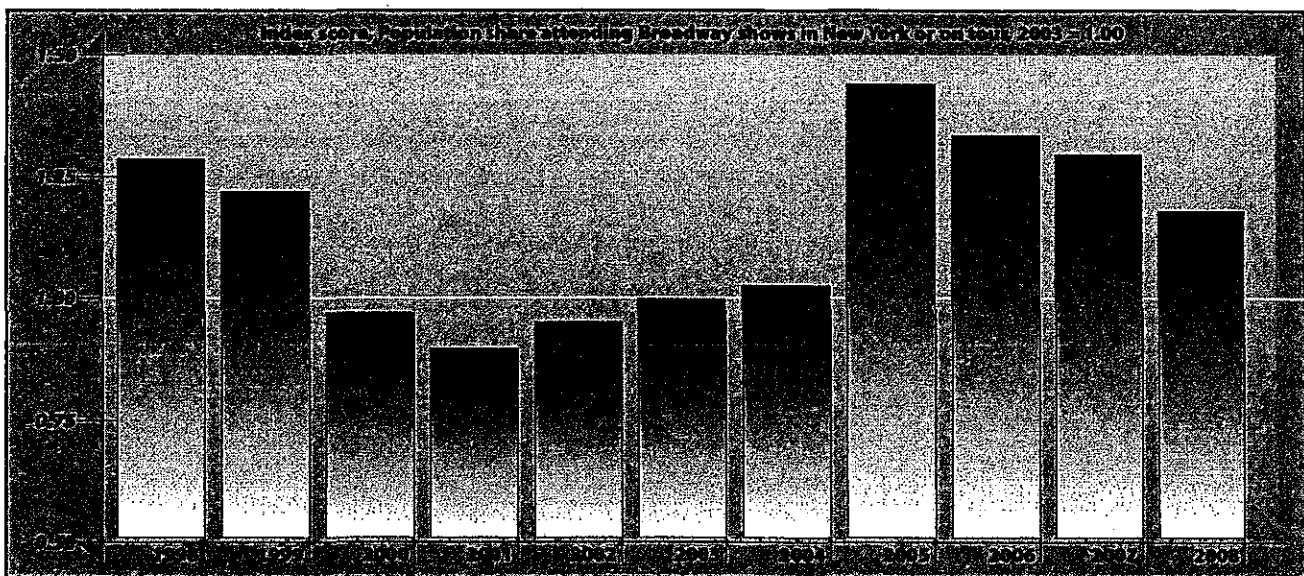
Sources: National Assembly of State Arts Agencies

Related Indicator(s): 13-15, 63-65

67. Population Share Attending Broadway Shows in New York or on Tour

The separate indicators for attendance at Broadway performances in New York or on tour indicate total demand for Broadway performances. What they do not answer directly is the issue of how demand is changing relative to population increases.

This indicator measures the share of total population that is attending all New York and touring Broadway performances measured by the Broadway League. Attendance at touring Broadway shows makes up the majority of the total audience, and the touring audience has been much more variable since 1998. This population share indicator reflects the influence of this dynamic, with increases after 2001 and sharp declines after 2005.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
New York tickets sold (000)		11,670	11,896	11,423	11,527	12,312						
Touring tickets sold (000)		14,600	11,000	12,400	18,200	16,700						
Total tickets sold (000)		26,270	22,896	23,823	29,727	29,012						
Total U.S. population (000)	275,854	279,040	282,172	285,040	287,707	290,211	292,892	295,561	298,363	301,290	304,060	
Population share attending Broadway shows:												
in New York or on tour	5.5%	5.2%	4.1%	3.9%	4.1%	4.3%	4.4%	6.2%	5.7%	5.5%	5.0%	
Indexed to 2003 = 1.00	1.29	1.22	0.97	0.90	0.95	1.00	1.03	1.44	1.34	1.30	1.18	

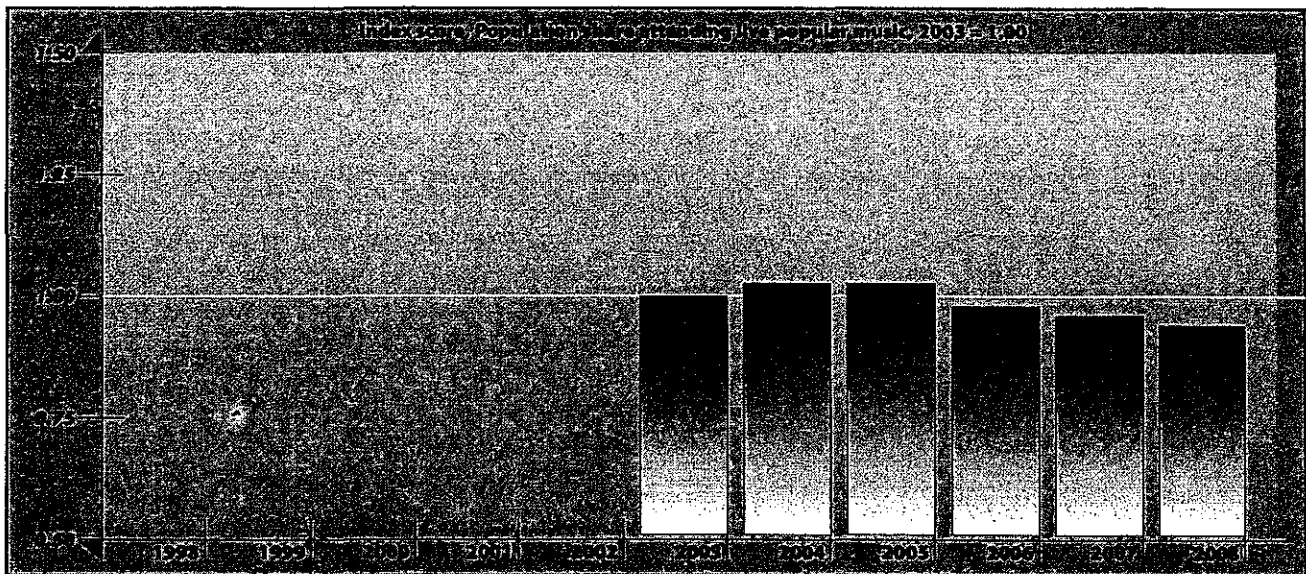
Sources: Broadway League, *Broadway Season Statistics and Touring Broadway Statistics*

Related indicator(s): 41-44, 48-50, 68, 69, 71-73

68. Population Share Attending Live Popular Music

Scarborough Research collects data on arts attendance including residents in 81 metropolitan areas. The populations of those regions have been growing along with the general population; it is less clear if population growth is slower, faster or growing at the same rate as demand for a particular kind of cultural activity.

This indicator measures the share of that survey population of about 228 million that have attended one or more popular music events. Between 21 percent and 23 percent of metro area residents have attended one or more such concert events, with steady declines since 2005. Unlike measures based on attendance counts by producers, this indicator refers to separate individuals who indicated they went to one or more music events; this is a clear population share.



	1998-2002	2003	2004	2005	2006	2007	2008
Total live popular music attendance (estimated)		48,579,160		51,817,649		49,513,182	
Estimated total metro area population		213,638,185	216,367,148	220,698,430	225,635,277	225,650,131	226,420,729
Population share attending live popular music		22.7%	23.4%	23.5%	22.3%	21.9%	21.3%
Indexed to 2003 = 1.00	N/D	1.00	1.03	1.03	0.98	0.96	0.94

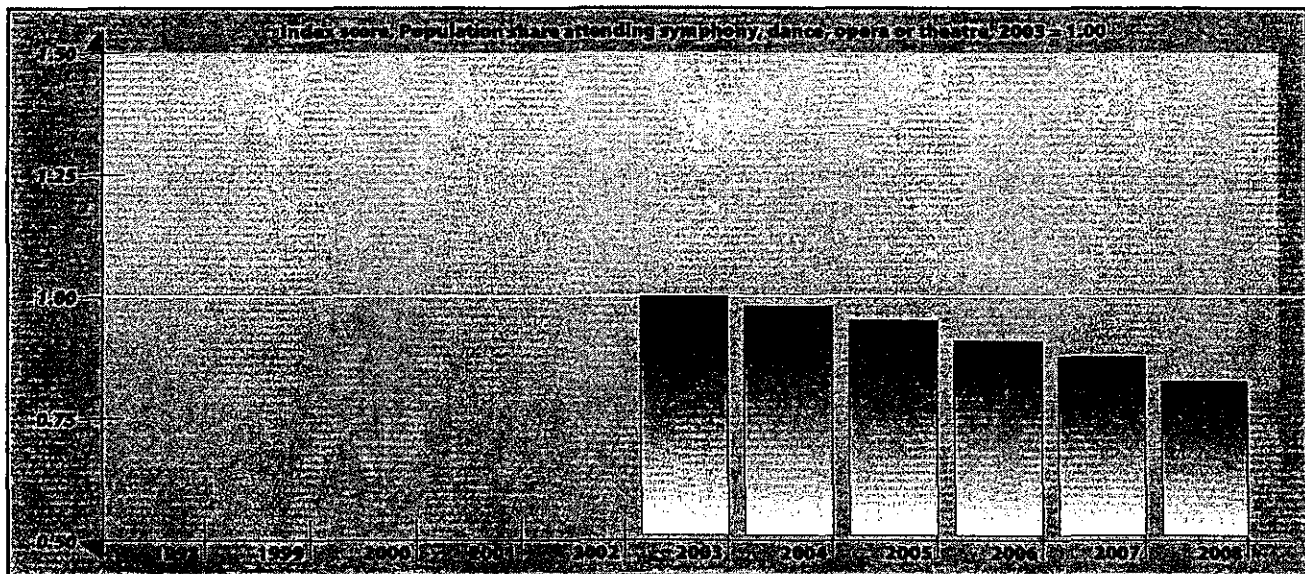
Source: Scarborough Research, Inc.

Related Indicator(s): 41-44, 48-50, 67, 69, 71-73

69. Population Share Attending Symphony, Dance, Opera or Theatre

Scarborough Research data collected in 81 metropolitan areas indicate that total attendance at symphony, dance, opera and theatre totaled more than 80 million from 2003 to 2008. While these numbers are impressive, they should be evaluated against the broader population to gauge the sustainability of audience demand for these art forms amid a growing population.

This indicator measures the share of Scarborough's total survey base that has attended a performance of symphony, dance, opera or theatre at least once in the previous 12 months. Of the three Scarborough estimates, this estimate reports the most consistent and substantial decline. Overall estimated attendance at live performing arts in the 81 metropolitan markets declined from 40.4 percent to 33.6 percent.



	1996-2002	2003	2004	2005	2006	2007	2008
Dance performance attendance in 81 metro markets (estimated)		15,796,500		15,258,275		15,114,212	
Theater attendance in 81 metro markets (estimated)		50,058,640	50,029,179	49,153,726	48,336,921	48,099,050	47,506,263
Symphony concert, opera, etc. attendance in 81 metro markets (estimated)		20,521,290	20,151,015	20,063,287	19,140,215	16,920,476	14,491,862
Total performing arts attendance in 81 metro markets (estimated)		86,376,430	85,596,225	84,475,288	82,280,064	80,133,738	76,678,462
Estimated total metro area population		213,638,185	216,884,480	220,698,430	223,085,875	225,650,131	228,480,729
Population share attending performing arts		40.4%	39.5%	38.3%	36.9%	35.5%	33.6%
Indexed to 2003 = 1.00	N/D	1.00	0.98	0.95	0.91	0.88	0.83

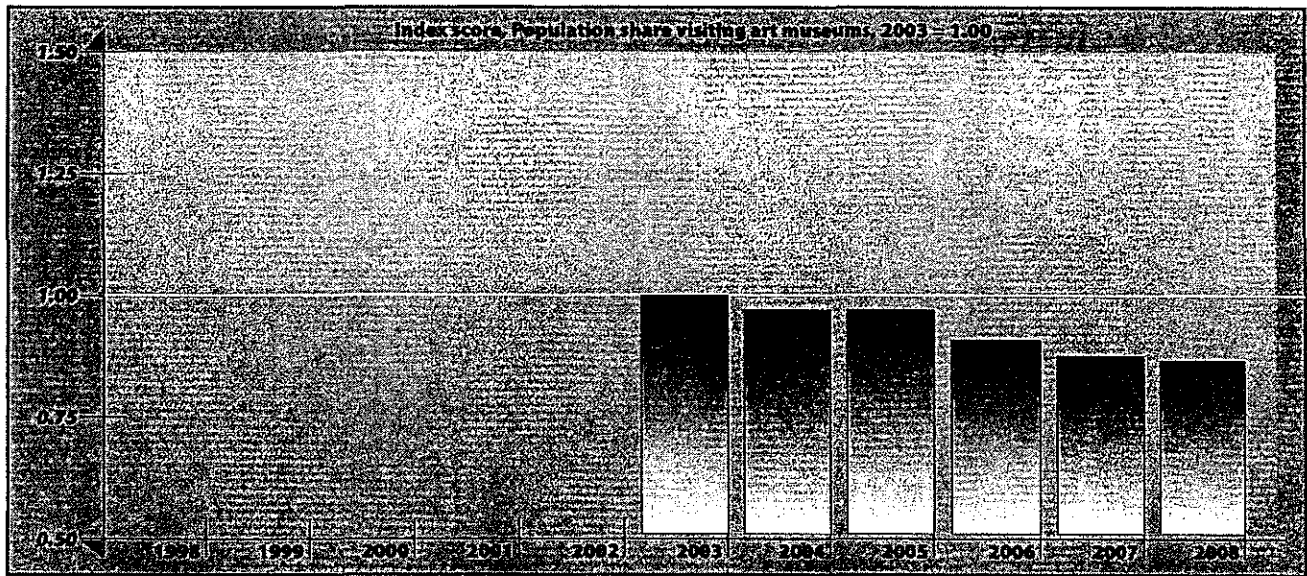
Source: Scarborough Research, Inc.

Related Indicator(s): 41-44, 48-50, 67, 68, 71-73

70. Population Share Visiting Art Museums

Scarborough Research provides data on various forms of arts participation in 81 metropolitan areas. As is true for concert and theatre attendance, total art museum attendance can be evaluated as a share of the population base—the population of the 81 metropolitan markets where Scarborough gathers data.

This indicator measures the share of Scarborough's total survey base who have visited an art museum at least once in the previous 12 months. Scarborough's data show that the share of total population attending art museums declined from 15.5 percent in 2003 to 13.5 percent in 2008.



	1998-2002	2003	2004	2005	2006	2007	2008
Art museum attendance in 81 metropolitan markets (estimated)		33,070,245	32,449,840	33,190,473	31,448,974	30,828,672	30,362,704
Estimated total metro area population		213,638,185	216,834,480	220,698,430	223,085,873	225,650,131	228,480,729
Population share visiting art museum		15.5%	14.9%	15.0%	14.1%	13.7%	13.5%
Indexed to 2003 = 1.00	N/D	1.00	0.97	0.97	0.91	0.88	0.87

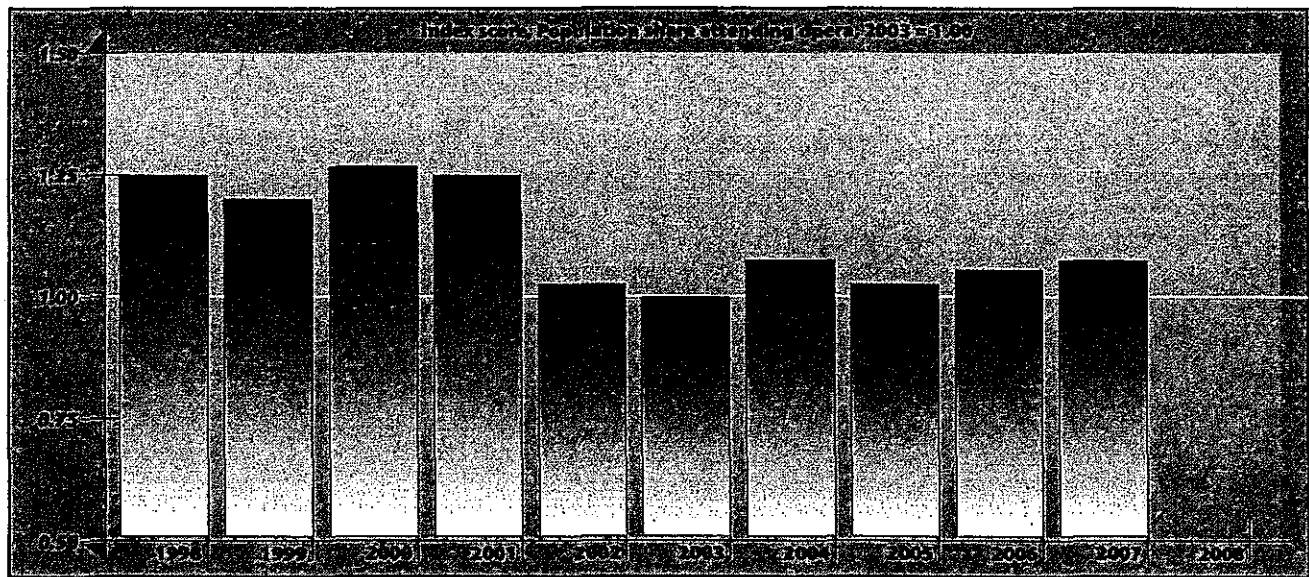
Source: Scarborough Research, Inc.

Related Indicator(s): 46, 47

71. Population Share Attending Opera

Opera, like other performing arts activities, competes for audience share with other performing arts, other kinds of arts participation, and other forms of leisure. Just as for Broadway, nonprofit theatre, popular music and symphony, the share of population attending performances of a particular art form is a measure of its competitive performance.

This indicator measure takes total attendance at opera companies responding to the Opera America Professional Opera Survey, and divides it by the total U.S. population. This offers a "market share" of the U.S. population perspective on opera. Audiences from 1998 to 2001 made up about 1.36 percent of the population, but opera has had less of a share in the years since, at 1.1 percent to 1.2 percent.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Attendance at professional opera main stage performances (000)		3,624		3,872		3,142		3,309		3,518	
Total U.S. population (000)	275,551	279,040	281,170	285,040	287,127	290,211	292,898	295,561	298,163	301,290	
Opera attendance as a share of population	1.30%	1.30%	1.38%	1.36%	1.12%	1.08%	1.17%	1.12%	1.19%	1.17%	
Indexed to 2003 = 1.00	1.25	1.20	1.27	1.25	1.03	1.00	1.08	1.03	1.06	1.08	N/D

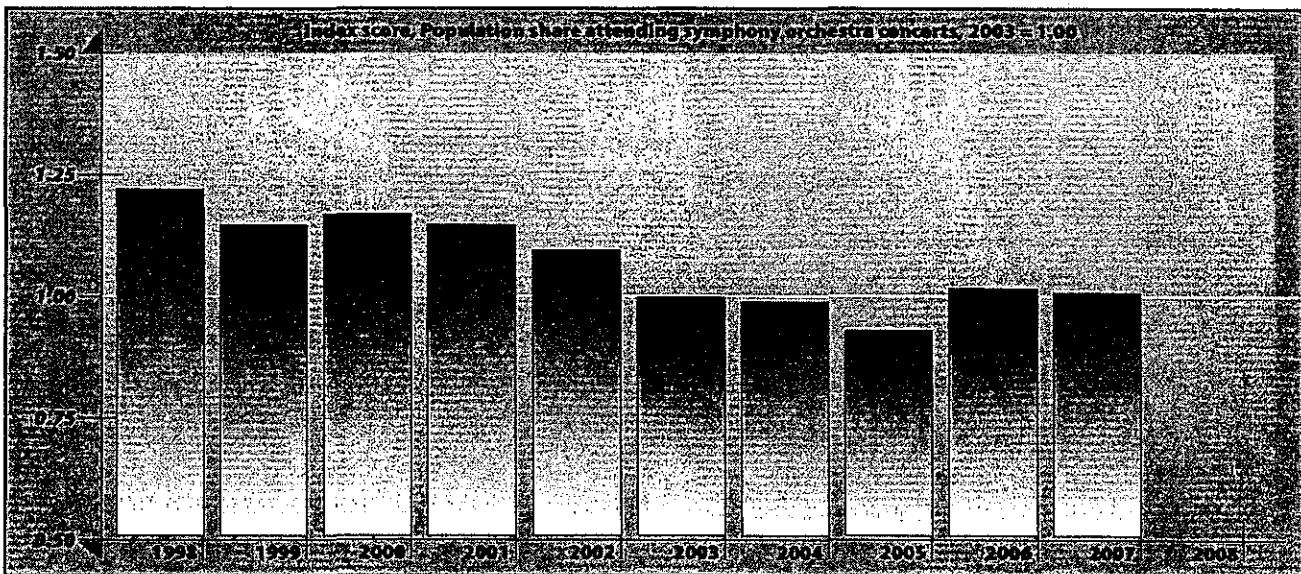
Source: Opera America

Related Indicator(s): 41—44, 49, 50, 67—69, 72, 73

72. Population Share Attending Symphony Orchestra Concerts

As with all other kinds of attendance, audiences at symphony performances choose that form of leisure activity as a way to pass time from among many competing alternatives. Looking at how many people make this choice is similar to calculating the market share that symphony has compared to people's other uses of time, money and interest.

This indicator takes total attendance at symphony orchestra concerts, provided by the League of American Orchestras, and divides it by a total U.S. population to give a "market share" view. From 2003 to 2007, symphony attendance was less than 10 percent after reaching nearly 12 percent in 1998. Because some patrons make multiple visits to symphony concerts, the actual share of concertgoers in the population is probably less than this percentage.



	1991	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total attendance at symphony performances (000)	32,067	30,796	31,657	31,533	30,403	27,802	27,683	26,471	29,070	29,016	
Total U.S. population (000)	275,834	279,040	282,122	285,040	287,727	290,211	292,892	295,561	298,363	301,290	
Symphony attendance as a share of U.S. population	11.7%	11.0%	11.2%	11.1%	10.5%	9.6%	9.5%	9.0%	9.7%	9.6%	
Indexed to 2003 = 1.00	1.22	1.15	1.17	1.15	1.10	1.00	0.99	0.93	1.02	1.01	N/D

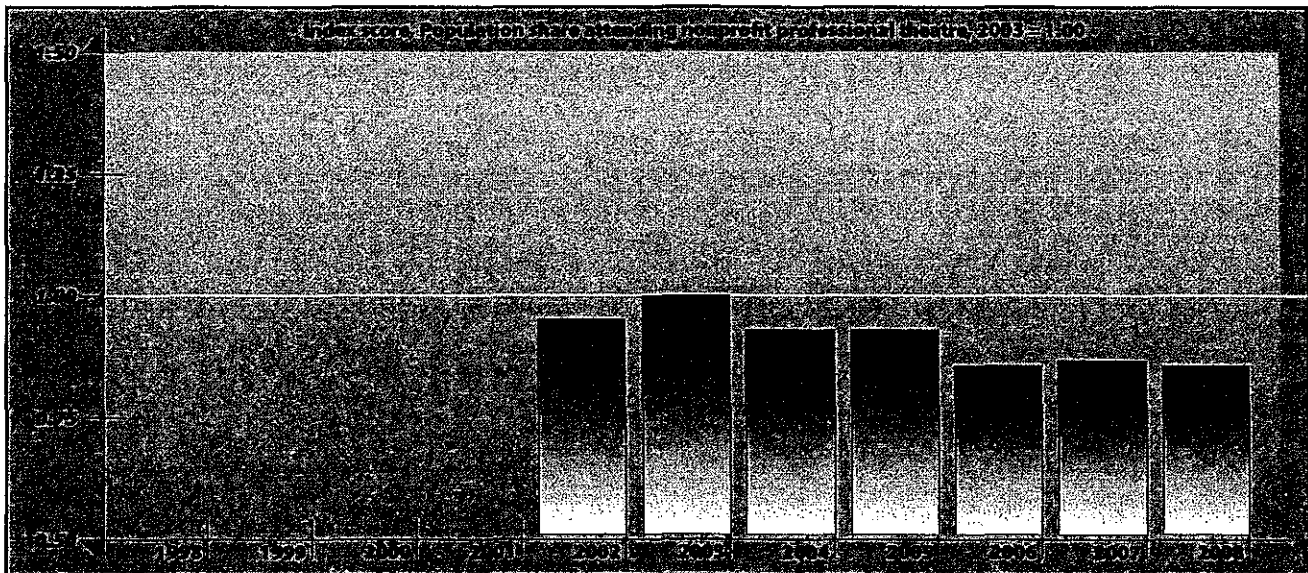
Source: League of American Orchestras

Related Indicator(s): 41—44, 49, 50, 67—69, 71, 73

73. Population Share Attending Nonprofit Professional Theatre

As with all other kinds of attendance, theatre audiences are exhibiting their own choice, to attend the theatre instead of spending their time in one or more other competing ways. The share of potential theatregoers that actually participates in theatre provides evidence of trends in demand.

This indicator takes total attendance at nonprofit professional theatre as estimated by the Theatre Communications Group (TCG) and divides it by the total U.S. population. Because some patrons make repeat visits to the theatre, the total attendance number is probably greater than the number of people who attend. The trend since 2003 has been for smaller theatre audiences; when combined with increases in population, there is a substantial decline in share —more than 10 percent.



	2001	2002	2003	2004	2005	2006	2007	2008
Attendance at U.S. nonprofit professional theatre		32,200		32,100		30,500		31,000
Total U.S. population (000)		287,727	290,211	292,892	295,541	298,363	301,280	304,060
Professional theatre attendance as a share of U.S. population		11.19%	11.12%	10.96%	11.00%	10.22%	10.29%	10.20%
Indexed to 2003 = 1.00	N/D	0.95	1.00	0.93	0.93	0.86	0.87	0.86

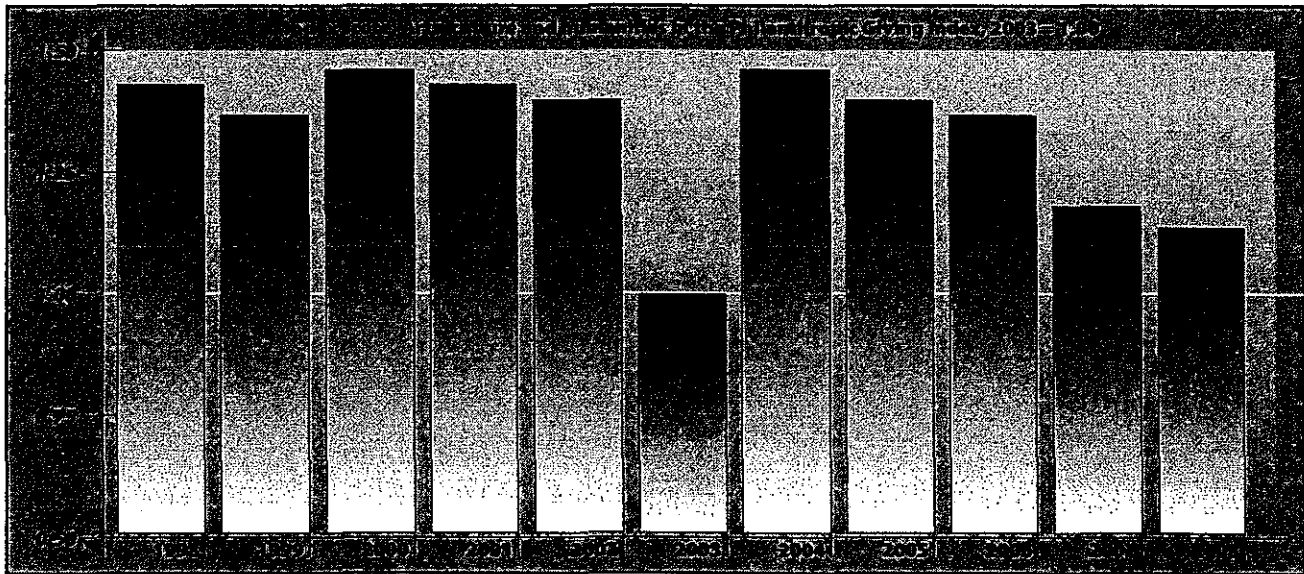
Source: Theatre Communications Group, *Theatre Facts* annual reports

Related Indicator(s): 41—44, 49, 50, 67—69, 71, 72

74. Arts, Culture and Humanities in the Philanthropic Giving Index

Professionals in the field of fundraising philanthropy are ideally positioned to report on expectations of future trends in philanthropy. The Indiana University Center on Philanthropy issues a semi-annual Philanthropic Giving Index (PGI). The PGI is compiled using data gathered from fundraising professionals, who are surveyed twice each year regarding their assessment of the present fundraising environment, and their expectations for the coming six months. The PGI ranges from 0 to 100, with the highest score indicating the highest level of confidence. Index measures are calculated for seven subsectors of philanthropic activity, including arts, culture and humanities.

This indicator shows the mid-year values of the Arts, Culture, and Humanities Index in the annual June PGI report. The dip in 2003, though drastic, is accurate, and probably reflects concerns from the beginning of the Iraq war. Though confidence rebounded in 2004, it has declined every year since, through 2008.



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Arts, Culture and Humanities Index of the Philanthropic Giving Index	93.9	89.6	55.5	93.6	62.0	65.5	75.9	91.7	87.2	77.5
Indexed to 2003 = 1.00	1.43	1.37	1.46	1.43	1.40	1.00	1.46	1.40	1.37	1.18

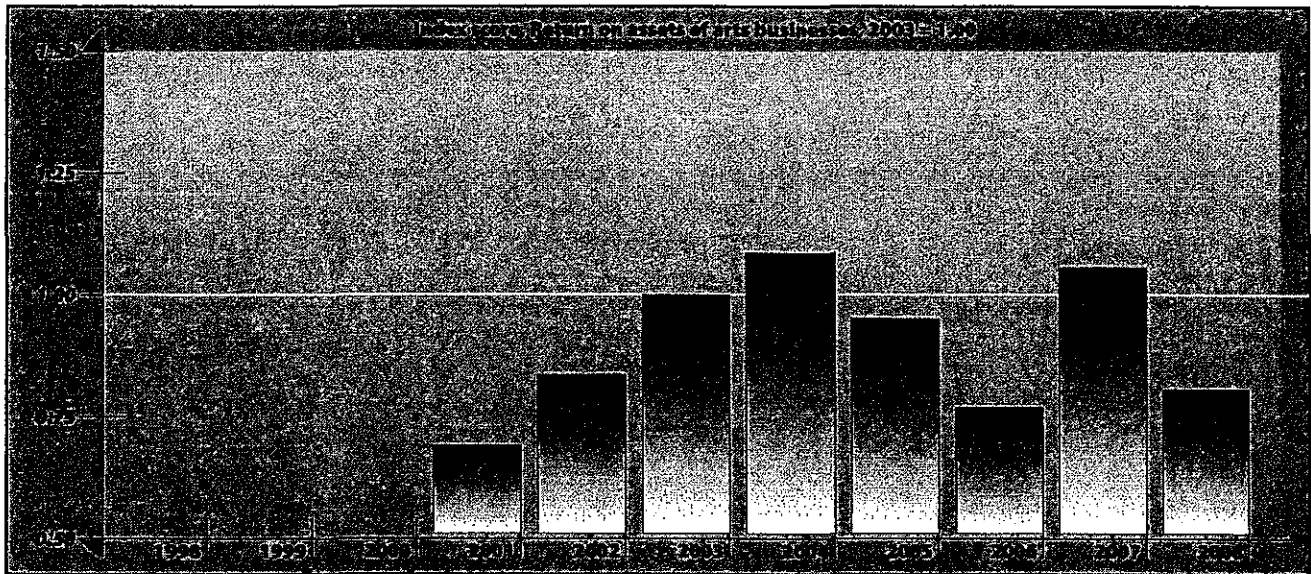
Source: Indiana University Center on Philanthropy

Related Indicator(s): 11, 53

75. Financial Performance of Arts Businesses

There is more than one measure of financial performance, and many measures of whether or not a firm is successful. One measure that applies to multiple industries and to multiple businesses is the return on assets. This ratio is calculated by taking net income for a certain time period as a percentage of assets held during that period. Every year, Robert Morris Associates (RMA) publishes Annual Statement Studies. These reports present data collected from private commercial lenders and commercial banks, using the financial statements of their current and prospective borrowers and partners. The data are used to calculate key financial management ratios; the ratios are especially useful for small and mid-sized companies that are trying to compare their performances to others in their industry or their size range. The industries are placed in categories by NAICS. RMA includes data on companies in 23 NAICS codes in the arts and culture industries (listed in Appendix C).

This indicator measures return on assets for between 2,000 and 2,800 companies in those industries, aggregated across industries and size of business. The index scores show that these generally earned returns on assets ranging between 22 percent and 34 percent, averaging about 28 percent. This performance over time has been dynamic, with wide ranges up and down from one year to the next.



	1996-2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of statements		2,144		2,336		2,547		2,756	
Total imputed profit (\$M) (% profit x sales)		5,738		9,805		10,039		14,711	
Total assets (\$M)		26,386	24,700	31,082	34,289	33,589	37,566	44,088	42,834
Total imputed profit/ Total assets		21.7%	26.5%	31.5%	34.3%	29.9%	24.4%	33.3%	25.7%
Indexed to 2003=1.00	N/D	0.69	0.84	1.00	1.09	0.95	0.77	1.06	0.81

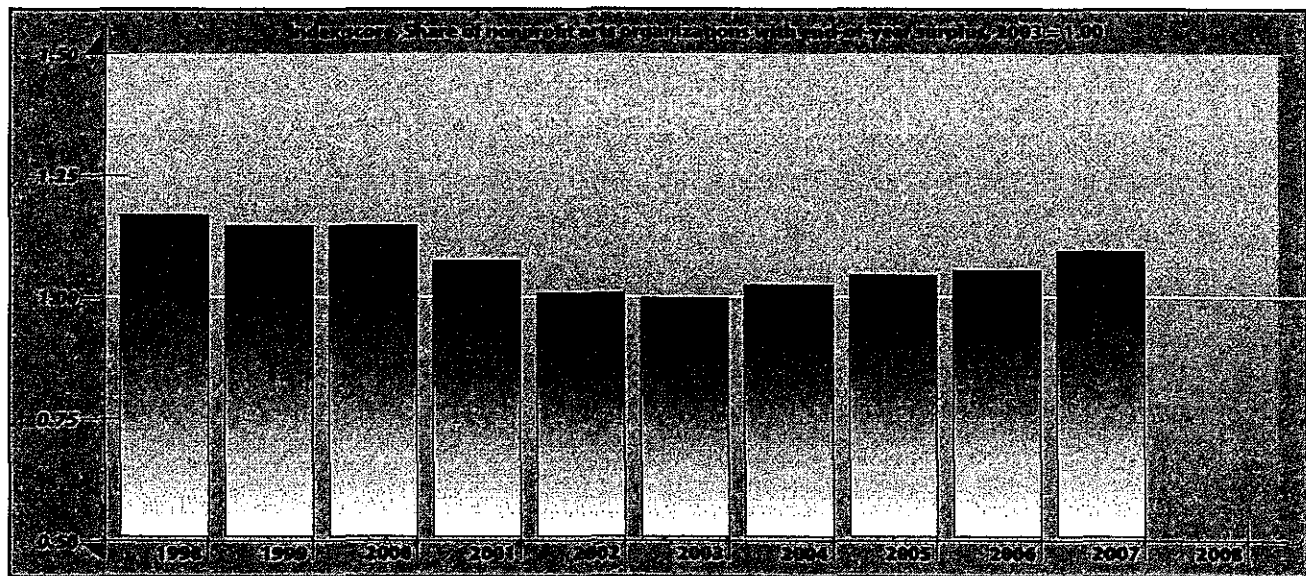
Sources: Robert Morris Associates, Annual Statement Studies

Related Indicator(s): 24, 25, 28, 76

76. Share of Nonprofit Arts Organizations with End-of-Year Surplus

For an organization to be classified as "nonprofit," it cannot distribute any net earnings or surplus to private individuals for their benefit. Nonprofit organizations, however, typically try to earn a surplus each year, to finance their own future programs and activities. Nonprofit managers balance earned and contributed income with expenses, hoping to end up "in the black." The ability to generate a surplus is critical to the sustainability of any organization, whether for-profit or nonprofit.

This indicator measures the share of all arts nonprofits filing Form 990 that have earned a positive net income in each year, using data from the National Center for Charitable Statistics. In most years, more than 60 percent of nonprofit arts organizations generate an operating surplus or break even, with more doing better than break-even in the years since 2002. However, the typical amount of surplus has wide swings, as a dollar amount or as a share of total revenue. For example, in the year when the smallest share of arts nonprofits had a surplus (2003), the median surplus (\$4,234) was only 28 percent of what it was in 1998 (\$15,215). When one-third or more fail to break even each year, these thin margins are yet another threat to many arts organizations.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Share of nonprofit arts organizations with end-of-year surplus	67.9%	67.0%	66.6%	62.8%	58.6%	58.2%	60.0%	61.1%	61.6%	64.3%	N/D
Indexed to 2003 = 1.00	1.17	1.15	1.15	1.08	1.01	1.00	1.03	1.05	1.06	1.10	N/D

Source: National Center for Charitable Statistics at the Urban Institute

Related Indicator(s): 9, 26, 28, 75

Chapter 7. Summary and Conclusions

This report represents a major milestone for arts in America. Never before has there been a single and annually produced gauge of the health and vitality of the arts in America. While new for the arts, most of us interact with such indicators daily without even thinking about it, such as whenever we talk about the stock market or “existing home sales.” An indicator provides a common currency of language that encourages public discourse—enabling even the general public to discuss the value of the arts using similar information and terms. If you want the public to find you, you have to put yourself on their map. This is what the National Arts Index does for the arts at the national level.

The prior chapters have presented many individual facts and gathered conclusions from the data. Many of these issues are not new additions to the arts policy canon and some have been discussed for years. Some of these recurrent issues include the steadily growing number of arts organizations, that the arts track with the economy, and that demand for the more traditional nonprofit arts is declining. What has changed is that now we have the data to underscore such observations on a national scale, to track how conditions are changing, and even gauge the effectiveness of efforts designed to strengthen the arts. The Index yielded some unexpected findings as well, documenting a growing demand for arts education by college-bound high school seniors, and that the arts are increasingly innovative.

As a compendium of data, what this report adds to the field is broad-based evidence about many individual sectors of the arts—nonprofit arts for-profit arts organizations, funding and investment, employment, and attendance and personal creation. Beyond that, it introduces and promotes a systemic way of thinking about arts and culture with the Arts and Culture Balanced Scorecard, demonstrating that the arts are a series of interdependent industries. It is easy to focus on government funding, but without also concentrating on the demand-side of the equation or if ample infrastructure exists, one is only focusing on part of the system. The Index shows that artists, arts audiences, businesses in the arts and in other sectors, arts nonprofits, individual donors, private funders, government arts agencies, and government budget makers all have critical roles to play in the future vitality of the arts, just as they have had in the past.

Those roles are especially important at the local level. National results are not uniform results for every place and every arts form across the country, or for every arts industry. That is, “your mileage may vary.” The opportunity of national findings is that they offer a new lens with which to view local activity. It is an opportunity to ask, “Is this what we’re seeing locally? How do we stack up with the national trends?”

The Index reveals a mixture of good and bad news for the arts, a combination of variability and vitality. Some parts of arts are very vital, working well and competing effectively, while others are struggling. It is fairly common knowledge, for example, that movie theaters do a great business during a recession. For the National Arts Index, more than half of the indicators rose in 2007, while just one-third did in 2008. It’s also important to remember that this is a narrative of the past, based on events that have already happened, but may or may not persist. Only seven indicators trended continually up (three) or down (four), but the other 69 indicators moved up and down, revealing variability as an ongoing attribute of the arts. This means that annual updates to the Index will help to show the ongoing trends in the various sectors.

The National Arts Index in 2010 and Beyond

Publication of this report marks not the end of the project, but merely a next step. In fact, there are three main complementary directions for the future of the National Arts Index.

One is to maintain the data set over time, to add new information as it becomes available, and to issue annual reports that update the values of the indicators and the various measures and ACBS components with the most current data available. Updates of the National Arts Index are scheduled to be published annually in October, beginning in October 2010.

A second direction for the Index is to adapt it for local use, creating tools that community arts leaders can use to make longitudinal measures of arts and culture activity in their regions and states. Americans for the Arts will develop the Local Vitality Arts Index in 2010 and pilot its use in communities across the country in 2011.

A third aim is to delve more deeply into the data set to learn more about individual arts sectors. Many other economic modeling techniques are available that we did not apply in this report, but might be informative.

Spanning all of these aims is the desire to have the Index serve artists, arts managers, audiences, community leaders, and others, as a useful source of data and as a helpful support to the vitality of arts and culture.

Chapter 8. Creating the National Arts Index

This chapter of the report describes how the Index was put together and gives interested readers some additional information on our methods. Here you can find how various policy index models helped inform development of the Index, characteristics of the underlying data, the mathematics of calculating the Index, using the data to form specific views of the arts, and some strengths and weaknesses of the techniques we use. Along with these are brief discussions of calculated vs. raw indicators, the effects of inflation and population change, the statistical significance of the annual Index scores, data we sought but could not find and data we found but did not use, and other multivariate approaches to using the data. We also gratefully acknowledge and thank our many collaborators on this project as well as note some of the literature that influenced the project.

Benchmarks and Models for the National Arts Index

In establishing a technique for calculating the Index, we first studied how some well-known and long-running policy index reports were produced. We also considered what some global organizations were recommending for measuring the vitality of arts and culture in different national settings. Some of the models we examined include:

- **Annie E. Casey Foundation "Kids Count" ***
- **Conference Board Consumer Confidence Index and Help Wanted Index.***
- **Roper Social Capital Indices**
- **Gallup Organization Index of Leading Religious Indicators***
- **General Social Survey**
- **Institute for Supply Management Report on Business**
- **United Way of America State of Caring (produced through 2002) and Goals for the Common Good (since 2003) ***
- **Heritage Foundation Index of Economic Freedom**
- **Jacob Weisberg index at Slate.com**
- **National Center for Educational Statistics National Assessment of Educational Progress**
- **Western States Creative Vitality Index, developed by Hebert Research**
- **Performing Arts Research Coalition reports**
- **United Nations Educational, Scientific, and Cultural Organization (UNESCO) arts measurement reports**
- **Organization for Economic Cooperation and Development arts measurement reports**
- **International Federation of Arts and Cultural Councils toolkit**

Those marked with an asterisk * were especially helpful in forming National Arts Index. Each uses a model that merges multiple indicators into a smaller number of components, using weighting methods that assign either identical weights to all indicators, or comparatively higher weight to some than others.

We also learned that once defined, the weighting scheme should stay in place as an index evolves over time. This persistence, in economics, describes a "Laspeyres" index, which uses weights set in the base period. An alternative approach is a "Paasche"

index, in which the weights are set based on later periods, and may even use different data. In developing this initial National Arts Index report, we used a Laspeyres approach, which we plan to maintain for annual updates of the Index.

National Arts Index Data

The Index was always intended to be a summary of the best available data describing arts and culture. Although we did not use every indicator we found, this national-level longitudinal data set is the largest ever assembled describing arts and culture in the U.S. When planning began in 2005, we expected to find 25 or 30 indicators meeting the necessary criteria. This turned out to be too low by a wide margin, as we found more than 70 sources of original data, and calculated an additional 23. The indicators measure an enormous range of human activities, asset stocks, production, financial flows, employment, self-employment, and voluntarism, production and consumption, creative goods and experiences, public and private, purchase and philanthropy. They came from multiple sources: government bureaus, private membership associations, and academic and policy researchers. Table 10 below shows the nature of the sources:

Table 10. National Arts Index Data Sources

Type of data source	Indicators
Calculated by combining data from two or more sources	23
Government bureau	18
Membership organization with mainly nonprofit members	12
Research organization	10
Membership organization with mainly business members	9
Business firm	5
Publication	2
Professional society	1

Sources of individual data series are noted on the one-page reports, and a comprehensive list is in Appendix G.

All indicators meet the following eight criteria:

1. **The indicator has at its core a meaningful measurement of arts and culture activity**
2. **The data are national in scope**
3. **The data are produced annually by a reputable organization**
4. **Five years of data are available, beginning no later than 2003 and available through 2007**
5. **The data are measured at a ratio level (not just on rankings or ratings)**
6. **The data series is statistically valid, even if based on sample**
7. **The data are expected to be available for use in the Index in future years**
8. **The data are affordable within project budget constraints**

These criteria cannot overcome every problem in the data. Most of the Index indicators are based on secondary data, which combine virtues and flaws. Some challenges already encountered include lags, sampling problems, and gaps in data. Every data series we wish to use is produced by a public or private organization, with an annual calendar, budget, and processes. Staff at many public and private offices have graciously helped us. We focus on the best available data as defined by the eight criteria.

The nation is constantly changing in ways that affect the arts. Where it makes sense, some indicators in this report are adjusted to account for the effects of broad national change factors (population, for example) in order to distinguish arts and culture changes from broad national-level shifts that affect all sectors. For example, attendance at public performances is considered not solely as total numbers, but also as a share of the ever-growing U.S. population. If total attendance at a particular art form increases at a rate of 0.5 percent per year—while total population grows at a 1 percent rate—then that art form is effectively losing ground. That is, even though attendance numbers may be up, a shrinking portion of the population is attending. Reporting both the number of people attending as well as the population share provides a more precise and meaningful measure of activity. Similarly, arts philanthropy can be seen in both dollars and as a share of total philanthropy, government arts funding as a percentage of discretionary government outlays, etc. Doing this made it possible to derive more than one Arts Index indicator from specific secondary data.

Assigning Indicators to ACBS components

We assigned each indicator to only one of the four ACBS components. This sometimes required judgment as to where to assign a particular indicator. Our main goal was to place each indicator in the component most consistent with its function in the arts and culture system. We had to evaluate whether sales by an industry (for instance, musical instruments, recordings, or books) better represented resources flowing into the arts (number of dollars), or participation in the arts (number of guitars bought). We assigned revenues to the Financial Flows component, and attendance and/or unit counts to Arts Participation. Another aim was to achieve “balance” in the spirit of the Balanced Scorecard, by distributing the indicators evenly to the four components.

Computing the National Arts Index

The National Arts Index measures the vitality of arts and culture in the U.S. from 1998 to 2008, with a scale with a base year of 2003 = 100.0. It is an average of the actual value of 76 different indicators.

In calculating the National Arts Index for 1998 to 2008, every indicator has equal weight for every year that it is measured. For years 2003-2007, each of the 76 indicators has 1.32 percent of the weight (because 100 percent / 76 = 1.32 percent). The same method applies to earlier years when there were fewer observations. For example, in 2002, there were 67 observed indicators, so each one has a weight of 1.49 percent in the 2002 Index score ($100 / 67 = 1.49$ percent).

The Index is calculated as follows: For every indicator, each annual measure is converted into an “index score” by dividing by the same measure value in 2003, adjusting for the number of indicators observed in that year and for the weight assigned to that indicator, then multiplying the result by 100. The last step puts all indicators into a common scale, which is “change leading up to or since 2003” regardless of if they were originally measured in numbers of people, billions of dollars, percentage, or another scale. It also makes it easy to view figures for later or earlier years as percentages of the 2003 figure. 2003 was selected as the base year because it was the first year for which all 76 indicators were available and because it was recent enough to relate the statistical findings of the Index to current events.

The indicator index scores ranged from a low of 0.51 (Indicator 22, CD and record stores in 2008) to a high of 2.5 (Indicator 62, Arts and culture share of corporate funding to arts and culture in 1999). Other high scores for indicator 62 were 1.9 in 1998 and 1.6 in 2000. With these exceptions, all other indicators were 1.5 or less for every year. Therefore, the scale of 0.50 to 1.50 was used for the Index score axis in the figures in the one-page indicator reports.

After this step, all of the index scores are added to get the National Arts Index score for that year. The Index scale is set at 100.0 in 2003, and ranges from a high of 105.5 in 1999 to a low of 98.1 in 2008. Mathematically, this process is expressed as:

$$N_Y = \sum_{i=1}^I w_i s_{iY} \times 100 = i_Y \times 100, \text{ where:}$$

N_Y = the National Art Index for a given year, $Y = 1998, \dots, 2008$

i = observed and measured indicators of arts and culture activity, $i = 1, \dots, 76$

o_{iY} = observed indicator i in year Y

$s_{iY} = o_{iY} / o_{i2003}$, the index score for indicator i in year Y , calculated by dividing the observed indicator i for a year by its 2003 value

i_Y = total number of indicators observed in a given year, $Y = 1998, \dots, 2008$

w_i = the weight assigned to indicator i , $\sum w = 1.0$

Thus, all $s_{2003} = 1.00$, and $N_{2003} = 100.0$. In calculating the vitality of arts and culture, all w_i are positive, meaning that they all make a positive contribution to that vitality, and none of them are "reverse scored." We set all w_i equal, meaning that the National Arts Index is an unweighted average.

We recognized that while making every indicator equally important in the Index is the approach used in this report, it need not be the only perspective on the data, just one "meta" or comprehensive view. Other researchers or analysts might want to devise their own "views" of the data with their own weighting schemes. To facilitate such a task, the actual data are in the one-page reports in chapters 3 through 6, and the calculated index scores are in Appendix E.

Given that each indicator is important to one or more audiences, each one should have some impact on the overall score. We believe that "more is better" when it comes to arts activities, and so we view as desirable a progression in which successive scores on this composite measure improve from year to year. But, we have no theory of arts and culture vitality that declares specific sectors (artists' employment vs. arts philanthropy) as more or less important than others (artists' earnings vs. orchestra attendance). All of these components are needed for arts and culture to remain vital over time. The basic National Arts Index score thus attaches equal weight or importance to every indicator, making the Index score for each year a simple average of all of the index scores for all available indicators for that year.

ACBS and Median Annual Scores

The ACBS model, on the other hand, implies that all four of the components (financial flows, capacity, participation, and competitiveness) have equal weight of 25 percent in making up an overall ACBS score. Within each component, each indicator has an equal share of that 25 percent, resulting in the following weight for each indicator within each component in years where all 76 indicators were available:

Financial flows: 1.67 percent, because $0.25 / 15 = 0.167$

Capacity: 1.79 percent

Arts participation: 1.14 percent

Competitiveness: 1.00 percent

The table below shows the overall National Arts Index scores for each year from 1998 to 2008, along with the median indicator score, the ACBS, and the number of indicators used to calculate each year's score. While the full complement of data was available for the five years 2003 through 2007, some data series were not kept or not accessible for years before 2003, or were not yet available for 2008 when this report went to press.

Table 11. National Arts Index, Median Indicator, and ACBS Index Scores

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
National Arts Index Score	103.3	105.5	103.5	101.5	100.4	100.0	100.5	101.2	101.6	102.6	98.4
Median indicator	100.0	101.5	100.3	101.6	99.9	100.0	101.4	100.5	101.1	103.5	98.1
ACBS	100.7	104.2	104.6	104.9	101.2	100.0	100.6	101.3	101.9	103.2	99.1
Number of Indicators	48	51	55	56	65	76	76	76	76	76	50

Additional information is provided by the median index score for each year (i.e., the value of the middle indicator for each year). In general, year-to-year changes in the National Arts Index score (which is an average) closely parallel differences in each year's median indicator for each year. A median score is less influenced by outliers, and the median index scores for the period 1998 – 2001 especially attenuate the impact of high levels of philanthropic support that pull the Index score high above the median. However, these differences were less pronounced in later years, with the median and average tracking each other very closely. Figure O shows the three different summary scores, while Figure P shows that there was 1.0 percent or less difference between all of them from 2003 onwards.

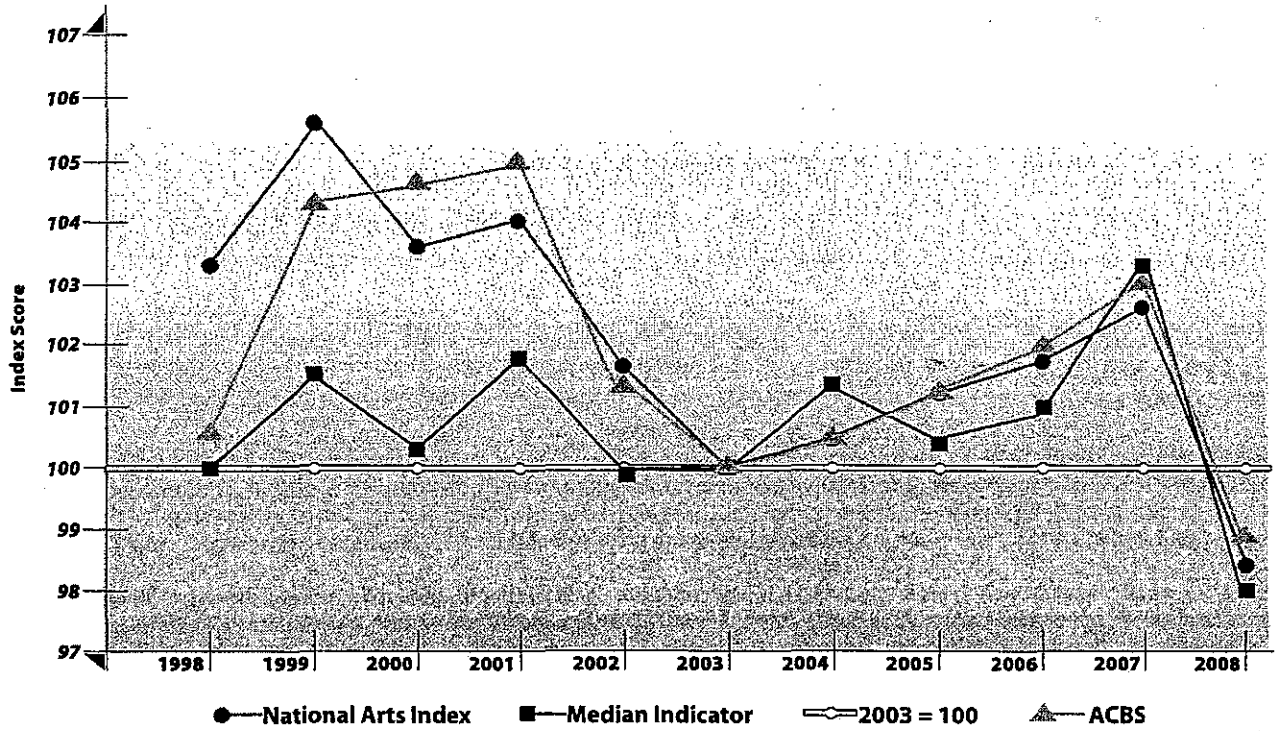


Figure O. National Arts Index, Median Indicator and ACBS Index Scores

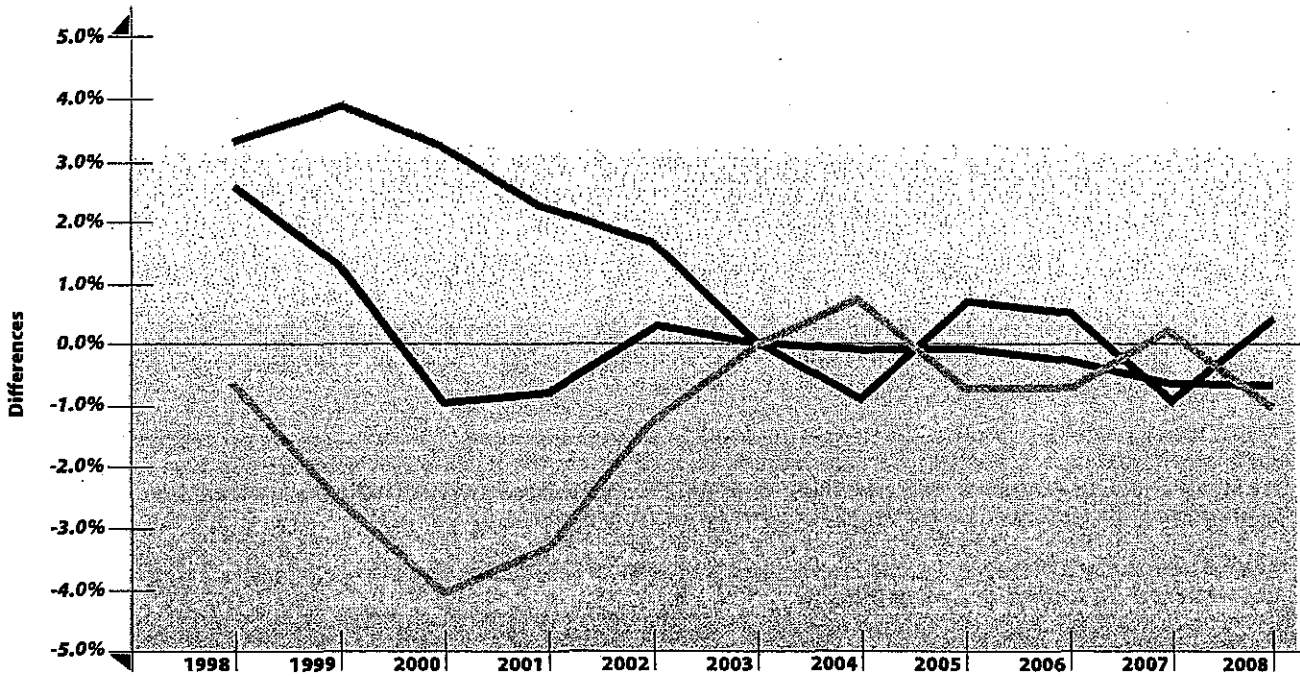


Figure P. Percentage Differences Between National Arts Index, Median, and ACBS Scores

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
— % NAI-Median	3.26%	3.94%	3.21%	2.33%	1.63%	0.00%	-0.82%	0.70%	0.55%	-0.87%	0.40%
— % NAI-ACBS	2.61%	1.23%	-1.04%	-0.92%	0.34%	0.00%	-0.05%	-0.07%	-0.24%	-0.62%	-0.62%
— % Median-ACBS	-0.63%	-2.61%	-4.12%	-3.17%	-1.27%	0.00%	0.78%	-0.77%	-0.79%	0.25%	-1.01%

Computing Sector Views of the Data

In addition to the "meta" or cumulative perspective view of the vitality of the arts, this report also has "views" of the Index data that address specific sectors or areas of interest. These views use subsets of all of the data that pertains to a particular of interest; some relevant indicators have weight, and others have none. For example, the Nonprofit Measure in Chapter 1 incorporates 22 selected indicators that are relevant to the nonprofit arts. From 2003 to 2007, they each have 4.55 percent of the weight ($100/22 = 4.55$), and the other 54 indicators have zero weight. Similar logic applies for other specific views. However, some indicators are used more than once in these views, such as the volunteering indicator, found in both the Employment view and in the Nonprofit view.

Strengths and Weaknesses of the Index

Our review of other policy index projects and reports yields two key lessons: (1) the value of transparency and (2) identifying early on both the advantages and problems of the choices made in constructing an index. All data collection and manipulation procedures involve tradeoffs between the overall objective of a robust and informative result on the one hand, and the limitations of method or data or resources on the other. This section discusses some of the tradeoffs we encountered in creating the Index, especially between the precision of data and the desire to report continuing series.

A major overall objective was to create a result that was conceptually easy to understand for a broad-based audience, while providing ample coverage of arts and culture in the U.S., with additional detail on the underlying data. As a time-series study, time itself is an important variable. The technique presents data for each indicator in a common measurement format that can be used to compare between indicators over time. Year-to-year change in each indicator is presented both numerically and visually. In some ways, this is a "meta-analysis," which systematically accumulates evidence from multiple studies of a subject to reach an overall finding. In this case, the subject is manifestations of the vitality of arts and culture. We are looking at changes in the relatively recent past, making it easier to interpret trends using both memory and current knowledge of the arts and culture world in the U.S. from 1998 to the present.

While subject to some flaws noted below, the data series that serve as indicators are the best available data to describe these arts and culture activities nationally and annually. Like everything, the methods we use have both strengths and weaknesses. Strengths of our approach include:

- **Use of multiple data series from reputable private and public sources to create the largest national-level, longitudinal data set ever assembled describing arts and culture in America.**
- **Deriving a diverse view of artistic businesses and work by using multiple classification systems for industries and occupations, such as SOC, NTEE, NAICS, etc.**
- **All data are ratio scaled, and are not measured categorically, ordinally, or in intervals. This consistent numerical characteristic makes it possible to do calculations with the Index scores such as percentage changes.**
- **The data series are quite consistent over time. Although many providers modify their procedures from year to year to improve precision, there is generally year-to-year continuity.**
- **The indexing procedure resolves differences between data series measured at different orders of magnitude. For example, activity and participation levels are in the millions or tens of millions of people; but other indicators are measured in small numbers like percentage margins. Financial figures were in billions of dollars. Indexing to a base year makes for consistent year-to-year trend measurement.**
- **Annual data is much more precise and fine-grained than what is reported on five-plus year intervals by the NEA, Department of Education, or Census Bureau.**
- **The National Arts Index technique is a model that can be used for studies of states, metropolitan areas, and municipalities.**
- **The Index as calculated can be maintained into the future.**
- **It is possible to add new series that come to our attention, and to produce new benchmark versions of the Index, with a "crosswalk" to earlier "vintages." (This would, however, mean adopting more of a Paasche approach to the Index.)**
- **Alternative measures (overall Arts Index, median, and ACBS) track each other very closely.**

- **Multiple data sources on employment in the arts (government data by SOC-coded occupation and NAICS-coded industry, and private data on SIC-coded industry), enabled us to shed light from multiple perspectives on this critically important indicator of vitality.**
 - **It was developed using standard desktop applications.**
-

Weaknesses of our approach include the following considerations:

- **Many of the raw data series are based on surveys that are subject to biases such as non-random samples, self-selection, and non-response. Private membership organizations, especially, get their data from annual, voluntary surveys of their members. While their scope may be national, they may still have small sample sizes, and usually do not have the same respondents in successive years.**
 - **There are lags between when the activity occurred and when the data are released. The lags are predictable, but persistent, and can be as long as two years. They are longest in the areas of employment and payroll, which are usually issued by the Census Bureau about 28 months after the period they describe.**
 - **There is no information available about the variance within individual series (except for a small number of government series), limiting our ability to make assertions about the statistical significance of differences between individual indicators or index scores.**
 - **The Index scores vary over time, and this variation is the main focus of the analysis. However, there are not enough observations (i.e., years of data) of each indicator to derive views through factor analysis or other multivariate techniques.**
 - **The indicators do not cover every element of arts and culture activities, and many aspects escape annual measurement. We could not find data describing the visual arts market (creation or consumption) to meet our criteria, and similarly for craft-making, dance and choral music. The massive impact of desktop / laptop tools on design and creativity, and the impact of the internet transmission of arts and culture content are similarly absent from our list of indicators. Thus, while the report is comprehensive, it is not exhaustive. We fully expect that other sectors may come to our attention in the future—as was the experience of index managers from other policy index reports we learned from.**
-

Other Methodological Notes

Calculated vs. original indicators

Twenty-three indicators were calculated by relating an observed data series describing arts and culture to some wider measure of the U.S. society, such as population or total government spending. The specifics of these calculations are in the one-page reports (mostly in Chapter 6), and the indicator names usually indicate that they are a “share.”

Adjusting for inflation

Financial figures were converted from current or nominal dollars to constant (inflation-adjusted) dollars using the annual average Consumer Price Index for urban consumers at <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>. The original base period (i.e., when the CPI was 100) is 1983, but price levels have more than doubled since then. To put this into a scale easier to relate to recent price changes, the one-page reports use CPI set to 2003 = 100, calculated by dividing average annual CPI figures for Index years by the 2003 CPI, and multiplying by 100:

Table 12. Consumer Price Indices, 1998 – 2008

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CPI at 1982-1984 = 100	163.00	166.60	172.20	177.10	179.90	184.00	188.90	195.30	201.60	207.34	215.30
CPI set to 2003 = 100.0	88.59	90.54	93.59	96.25	97.77	100.00	102.66	106.14	109.57	112.69	117.01

Thus, the “constant dollar” figures reported are essentially in 2003 dollars. Note that the cumulative effect of inflation from 1998 to 2007 was 27.2 percent, calculated as $(112.69 / 88.59) - 1 = 0.272$. Effectively, a dollar in 2008 bought less than three quarters of what it purchased in 1998.

We chose to use CPI for two reasons. One is that arts and culture are consumer products, and so it is consistent with the subject of the report. The other reason is that the GDP deflator, another measure of price change issued by the government, is always being revised retrospectively, and every new “vintage” restates its own past values. This restatement makes comparison of present to past slightly more precise, but much harder to manage.

Adjusting for population change

Population figures are based on the decennial (every ten years) U.S. Census. In intervening years, the Census Bureau estimates population levels as it has done annually since before the 1990 census. When a new decennial census is conducted (as it will be in 2010), the Bureau revises its prior estimates in the light of the actual population count. This report uses these so-called “intercensal” estimates of total U.S. resident population on July 1 of 1998 and 1999, at <http://www.census.gov/popest/archives/EST90INTERCENSAL/US-EST90INT-07/US-EST90INT-07.csv>, the actual April 1, 2000 Census count, and annual estimates for 2001 through 2008 (all at <http://www.census.gov/popest/states/NST-ann-est.html>).

Tests of statistical significance

Without variance information for most indicators, our quest for statistical significance is largely restricted to comparisons of annual National Arts Index scores between years using simple t-tests (two-tailed). The table below shows where we found statistical significant differences between the Index scores for specific pairs of year. Significant results are shown at the 10 percent level of significance, which refers to the probability that the calculated difference came from chance as opposed to a systematic pattern in the data:

Table 13. T-Test of Differences Between Years

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NAI Value	103.3	105.5	103.5	104.0	101.5	100.0	100.5	101.2	101.6	102.6	98.4
1998		0.634	0.944	0.849	0.579	0.267	0.379	0.517	0.607	0.830	0.197
1999			0.636	0.713	0.290	0.123	0.180	0.257	0.308	0.450	0.097
2000				0.882	0.402	0.091	0.194	0.340	0.439	0.707	0.102
2001					0.308	0.058	0.136	0.258	0.341	0.584	0.076
2002						0.229	0.545	0.860	0.956	0.585	0.245
2003							0.580	0.372	0.241	0.088	0.503
2004								0.698	0.527	0.258	0.404
2005									0.824	0.489	0.305
2006										0.635	0.240
2007											0.136

The numbers in the table are the probabilities associated with a hypothesis that the two Index scores are not the same. The closer the number is to zero, the more likely that the difference is not by chance. Cells **underlined and boldfaced** indicate that the Index scores of two years are different from each other at the 10 percent level of significance. Specifically, the 2008 Index score is significantly less than the scores of 1999 and 2001, as is the 2003 Index score compared to 2000, 2001, and 2007. Generally, these t-test results suggest that a difference of five Index points is significant at the 10 percent level for comparisons of two years where all 76 indicators are used (as is the case for the comparison between 2003 and 2007).

Data series we did not use

In addition to the data series used to build indicators for the Index, we also found sources describing aspects of arts and culture that we did not use for one or more reasons, such as an indirect or limited connection to the arts, concerns about continued availability of the data over time, variability far outside the dynamic range of other indicators, or too close a parallel to available data. Here are some series that we identified but did not use:

- **Data on visitation to public libraries for various purposes, obtained from NCES**
- **Share of the global art auction market sold in U.S. auction houses, obtained from artmarket.com. This has been around 40 percent in recent years.**
- **A price index of the sales of art in U.S. auction houses, also from artmarket.com. This index has fluctuated very widely in recent years.**
- **The share of the Library of Congress collection devoted to works of fine arts and music. This increased from about 19.5 million items to about 23.1 million items from 1999 to 2006, representing about 6.8 to 7.0 percent of the total collection.**
- **International trade (both imports and exports) in art and music products defined by the Standard International Trade Classification, from the International Trade Administration**
- **Number of nonprofit arts organizations filing the annual Form 990 information return. Every year, this represented an almost identical share (about 35 percent) of the total number of registered nonprofit arts organizations, and so would have provided no additional trend information to the Index. Financial figures for nonprofit revenue, assets, and surplus are derived only from those organizations that do file form 990.**
- **Another measure of corporate support of the arts from the Committee Encouraging Corporate Philanthropy. This closely paralleled data provided by the Conference Board, but with fewer years of data available.**
- **Total movie revenue, which moved in parallel to movie attendance.**
- **Specific indicators on movie releases, and premieres in opera, theatre, and symphony were combined into one "New Work" indicator.**

Alternative systems for analyzing the Index data

Our procedure as outlined above involved first indexing the data series (dividing by the 2003 value) and then averaging them, effectively setting all weights equal to each other. The resulting annual Index scores are thus linear point estimates of total variation across all indicators in each year. This was appropriate because of its simplicity and the ease of computation. To group them into components, we used the ACBS model and our own sense of what constituted financial flows, capacity, arts participation, and arts competitiveness.

With additional resources or time, we could have used other systems to categorize the data or find components from the available variance rather than the views implied by the ACBS model. We could not use factor analysis, principal components analysis or structural equation modeling because these approaches need many more observations than variables, and the Index data include only eleven observations (one per year) of dozens of variables. Optimization techniques like linear programming or data envelopment analysis are not helpful because we do not have a single state of arts and culture to set as that optimum standard, so there is no clear objective to pursue or compare to. For similar reasons, we did not use a Lorenz curve / Ginni coefficient approach to compare actual provision of arts and culture to a conceptual ideal where every person has equal access to the arts.

All this said, we are interested in more elaborate approaches, either those mentioned here, or others. We encourage researchers and analysts to approach us with models for alternatives. Note that Appendix E contains all of the annual index scores for every variable.

Additional years' data

As the project began, we set 1996 as the first year for which we would seek observations. Ultimately, 27 indicators had measurements for 1996, and two more also had 1997 data. Under a rule of thumb that we would not focus on any year with too few indicators, we only present detailed data for 1998 through 2008. The smallest number of indicators in this span for the first ten years is 49, in 1998. At the time of writing, a total of 50 indicators (two-thirds of the maximum) were available for 2008. We expect to be able to complete data collection for 2008 by August of 2010, and to report a full 2008 Index score in October of 2010.

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These sources were helpful in organizing our thinking about the Index as a structure for measuring arts and culture industries, systems approaches, indexing techniques, evaluation, and related issues.

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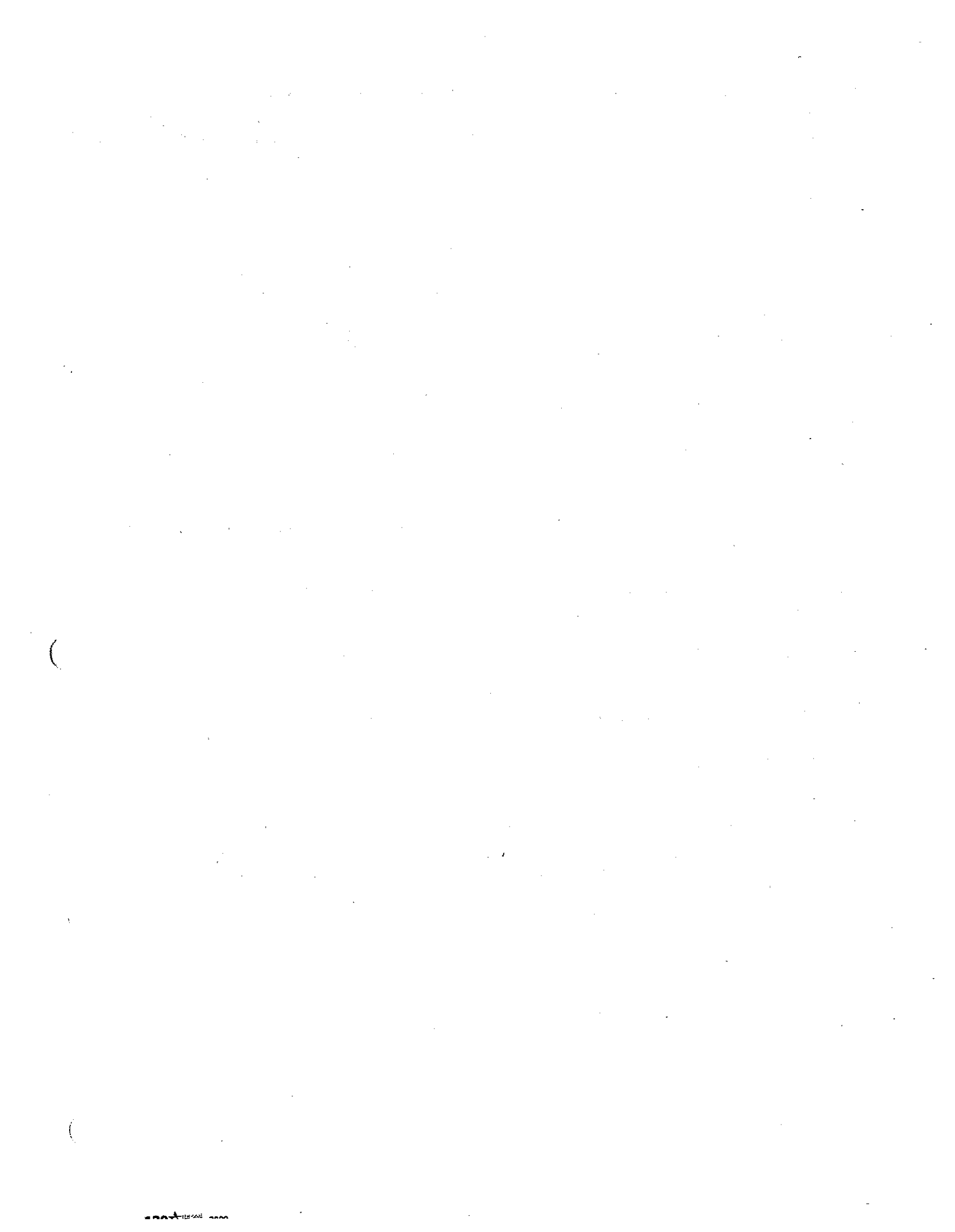
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APPENDIX A: NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM CODES DEFINING ARTS AND CULTURE INDUSTRIES

NAICS CODE	DESCRIPTION
334612	Prerecorded Compact Disc (except Software), Tape, and Record Reproducing
339911	Jewelry (except Costume) Manufacturing
339942	Lead Pencil and Art Good Manufacturing
339992	Musical Instrument Manufacturing
423410	Photographic Equipment and Supplies Merchant Wholesalers
443130	Camera and Photographic Supplies Stores
451140	Musical Instrument and Supplies Stores
451220	Prerecorded Tape, Compact Disc, and Record Stores
453920	Art Dealers
511130	Book Publishers
512110	Motion Picture and Video Production
512120	Motion Picture and Video Distribution
512131	Motion Picture Theaters (except Drive-Ins)
512132	Drive-In Motion Picture Theaters
512191	Teleproduction and Other Postproduction Services
512199	Other Motion Picture and Video Industries
512210	Record Production
512220	Integrated Record Production/Distribution
512230	Music Publishers
512240	Sound Recording Studios
512290	Other Sound Recording Industries
515111	Radio Networks
515112	Radio Stations
515120	Television Broadcasting
519120	Libraries and Archives
532230	Video Tape and Disc Rental
541310	Architectural Services
541410	Interior Design Services
541430	Graphic Design Services
541490	Other Specialized Design Services
541810	Advertising Agencies
541921	Photography Studios, Portrait
541922	Commercial Photography
611610	Fine Arts Schools
711110	Theater Companies and Dinner Theaters
711120	Dance Companies
711130	Musical Groups and Artists
711190	Other Performing Arts Companies
711510	Independent Artists, Writers, and Performers
721110	Museums
721210	Historical Sites
721230	Zoos and Botanical Gardens

• Used in indicators 3, 18, 24, 56, 58 and 60

APPENDIX B: STANDARD OCCUPATIONAL CODES DEFINING ARTS AND CULTURE OCCUPATIONS**

SOC CODE	TYPE OF WORK
131011	Agents and Business Managers of Artists, Performers and Athletes
171011	Architects, Except Landscape and Naval
171012	Landscape Architects
25-1121	Art, Drama, and Music Teachers, Postsecondary
254011	Archivists
254012	Curators
259011	Audio-Visual Collections Specialists
271011	Art Directors
271012	Craft Artists
271013	Fine Artists, Including Painters, Sculptors and Illustrators
271014	MultiMedia Artists and Animators
271019	Artists and Related Workers, All Other
271021	Commercial and Industrial Designers
271022	Fashion Designers
271023	Floral Designers
271024	Graphic Designers
271025	Interior Designers
271026	Merchandise Displayers and Window Trimmers
271027	Set and Exhibit Designers
271029	Designers, All Other
272011	Actors
272012	Producers and Directors
272031	Dancers
272032	Choreographers
272041	Music Directors and Composers
272042	Musicians and Singers
272099	Entertainers and Performers, Sports and Related Workers, All Other
273011	Radio and Television Announcers
273041	Editors
273042	Technical Writers
273043	Writers and Authors
274011	Audio and Video Equipment Technicians
274012	Broadcast Technicians
274014	Sound Engineering Technicians
274021	Photographers
274031	Camera Operators, Television, Video, and Motion Picture
274032	Film and Video Editors
274099	Media and Communication Equipment Workers, All Other
393021	Motion Picture Projectionists
393031	Ushers, Lobby Attendants, and Ticket Takers
393092	Costume Attendants
393099	Entertainment Attendants and Related Workers, All Others
395091	Makeup Artists, Theatrical and Performance
499063	Musical Instrument Repairers and Tuners
519071	Jewelers and Precious Stone and Metal Workers

• Used in indicators 2,17 and 57

APPENDIX C: NAICS CODES USED IN 'FINANCIAL PERFORMANCE' INDICATOR

NAICS CODE	DESCRIPTION
339911	Jewelry (except Costume) Manufacturing
339992	Musical Instrument Manufacturing
423410	Photographic Equipment and Supplies Merchant Wholesalers
443130	Camera and Photographic Supplies Stores
451140	Musical Instrument and Supplies Store
511130	Book Publishers
512110	Motion Picture and Video Production
512131	Motion Picture Theaters (except Drive-Ins)
512199	Other Motion Picture and Video Industries
515112	Radio Stations
515120	Television Broadcasting
532230	Video Tape and Disc Rental
541310	Architectural Services
541410	Interior Design Services
541430	Graphic Design Services
541810	Advertising Agencies
541890	Other Services Related to Advertising
541921	Photography Studios Portrait
541922	Commercial Photography
611610	Fine Arts Schools
711110	Theater Companies and Dinner Theaters
711130	Musical Groups and Artists
712110	Museums

• Used in indicator 75

APPENDIX D: NATIONAL TAXONOMY OF EXEMPT ENTITIES CODES DEFINING ARTS AND CULTURE INDUSTRIES

NTEE CODE	TYPE OF NONPROFIT ORGANIZATION
A01	Alliance/Advocacy Organizations
A02	Management & Technical Assistance
A03	Professional Societies & Associations
A05	Research Institutes and/or Public Policy Analysis
A11	Single Organization Support
A12	Fundraising and/or Fund Distribution
A19	Nonmonetary Support Not Elsewhere Classified
A20	Arts, Cultural Organizations - Multipurpose
A23	Cultural/Ethnic Awareness
A25	Arts Education/Schools
A26	Arts Council/Agency
A30	Media, Communications Organizations
A31	Film, Video
A32	Television
A33	Printing, Publishing
A34	Radio
A40	Visual Arts Organizations
A50	Museums & Museum Activities
A51	Art Museums
A52	Children's Museums
A54	History Museums
A56	Natural History, Natural Science Museums
A57	Science & Technology Museum
A60	Performing Arts
A61	Performing Arts Centers
A62	Dance
A63	Ballet
A65	Theater
A68	Music
A69	Symphony Orchestras
A6A	Opera
A6B	Singing Choral
A6C	Music Groups, Bands, Ensembles
A6E	Performing Arts Schools
A70	Humanities Organizations
A80	Historical Societies and Related Activities
A84	Commemorative Events
A90	Arts Service Activities/ Organizations
A99	Other Art, Culture, Humanities Organizations/Services Not Elsewhere Classified
N52	County/Street/Civic/Multi-Arts Fairs and Festivals

• Used in Indicators 8, 26, 27, 29 and 76

APPENDIX E: NATIONAL ARTS INDEX ANNUAL INDEX SCORES, 1998 - 2008

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Songwriter and composer performing rights royalties						1.000	1.060	1.099	1.139	1.203	1.260
2. Wages in artistic occupations		0.956	0.961	0.967	0.978	1.000	0.910	0.926	0.946	0.966	0.927
3. Payroll in arts and culture industries	0.920	0.961	1.029	1.028	0.995	1.000	0.983	1.019	1.062	1.063	
4. Publishing industry revenue					0.965	1.000	0.959	0.979	0.945	0.948	
5. Bookseller sales	0.928	0.968	0.984	0.970	0.977	1.000	1.009	0.982	0.944	0.934	0.785
6. Musical instrument sales	1.037	1.075	1.094	1.025	1.022	1.000	1.025	1.053	0.977	0.957	0.871
7. Recording industry shipment value	1.306	1.359	1.291	1.204	1.088	1.000	1.014	0.977	0.905	0.776	0.611
8. Revenue of arts and culture nonprofits	0.928	1.034	1.072	1.049	1.022	1.000	1.094	1.103	1.204	1.280	
9. Corporate arts and culture funding	0.777	1.074	1.181	1.234	1.155	1.000	0.928	1.060	1.141	1.132	
10. Foundation arts and culture funding	0.907	0.959	1.074	1.189	1.112	1.000	1.077	1.081	1.188	1.137	
11. Private giving to arts and culture	1.029	0.942	1.034	1.095	1.023	1.000	1.060	0.990	1.054	1.120	1.009
12. United arts fundraising campaigns	0.940	1.015	1.034	1.019	0.971	1.000	1.007	0.976	1.038	1.033	0.997
13. Federal government arts and culture funding					0.977	1.000	1.040	1.039	1.000	0.986	1.010
14. State arts agency legislative appropriations	0.964	1.150	1.179	1.316	1.178	1.000	0.770	0.806	0.844	0.874	0.852
15. Local government funding of local arts agencies			0.976	1.063	1.081	1.000	0.951	0.966	1.008	1.176	1.171
16. Artists in the workforce	0.961	1.000	0.996	1.010	0.995	1.000	1.013	1.024	1.013	1.077	1.060
17. Workers in arts and culture occupations		0.903	0.943	0.979	0.975	1.000	1.088	1.089	1.107	1.149	1.155
18. Employees in arts and culture industries	0.947	0.979	1.024	1.028	1.002	1.000	1.001	1.016	0.987	1.025	
19. "Creative Industries" employment						1.000	0.992	0.960	0.893	0.997	0.942
20. Arts union membership			1.010	1.002	1.001	1.000	1.003	1.040	1.086	1.230	1.268
21. CD and record stores						1.000	0.907	0.823	0.709	0.580	0.509
22. Independent artists, writers and performers			0.891	0.922	0.971	1.000	1.044	1.120	1.134	1.190	
23. Movie screens	0.949	1.032	1.008	0.977	0.996	1.000	1.018	1.048	1.068	1.078	1.079
24. Establishments in arts and culture industries	0.973	0.973	0.974	0.977	1.002	1.000	1.021	1.017	1.043	1.055	
25. "Creative Industries" establishments						1.000	1.055	0.997	0.997	1.116	1.251
26. Registered arts and culture 501(c)(3) organizations	0.805	0.830	0.852	0.895	0.935	1.000	1.031	1.046	1.089	1.146	1.150
27. Arts support organizations	0.801	0.875	0.891	0.926	0.975	1.000	1.046	1.073	1.097	1.095	
28. Capital stock of arts and culture industries	1.040	1.056	1.048	1.048	1.030	1.000	1.036	1.049	1.071	1.075	1.071
29. Capital stock of arts and culture nonprofits	0.614	0.670	0.732	0.782	0.883	1.000	1.065	1.036	1.059	1.183	
30. Personal arts creativity experiences					1.040	1.000	1.030	1.025	1.074	1.128	1.106
31. Copyright applications	1.062	1.019	0.969	0.971	0.866	1.000	1.011	0.989	0.978	0.891	0.924
32. Personal expenditures on arts and culture	0.889	0.944	0.978	0.971	0.999	1.000	1.027	1.038	1.084	1.095	
33. New work in theatre, orchestra, opera, Broadway and film						1.000	0.969	0.973	1.046	1.090	
34. Performance of SAT test takers with four years of art or music	0.935	0.903	0.835	0.769	0.902	1.000	1.037	1.074	1.111	1.063	0.948
35. Volunteering for the arts					0.907	1.000	0.927	0.880	0.939	0.930	0.935
36. Arts majors by college-bound seniors	0.916	0.960	0.986	1.025	1.035	1.000	0.936	0.945	1.034	1.053	1.009

APPENDIX E: NATIONAL ARTS INDEX ANNUAL INDEX SCORES, 1998 - 2008 *(continued)*

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
37. Visual and performing arts degrees	0.736	0.778	0.815	0.854	0.931	1.000	1.069	1.094	1.112	1.117	
38. Noncommercial radio listenership	0.858	0.876	0.858	0.929	0.956	1.000	0.982	0.965	0.956	0.982	1.000
39. Public television viewing	1.189	1.172	1.149	1.094	1.017	1.000	0.983	0.966	0.913	0.830	0.740
40. Foreign visitor participation in arts and culture leisure activity	1.058	1.025	1.010	1.036	0.981	1.000	1.052	1.080	1.112	1.105	1.197
41. Attendance at Broadway shows in New York	1.005	1.022	0.996	1.041	0.959	1.000	1.016	1.009	1.051	1.078	1.074
42. Attendance at touring Broadway shows	1.226	1.177	0.944	0.887	0.944	1.000	1.040	1.468	1.379	1.347	1.234
43. Attendance at live popular music						1.000	1.045	1.067	1.024	1.019	1.002
44. Attendance at symphony, dance, opera, and theatre						1.000	0.991	0.978	0.953	0.928	0.888
45. Motion picture attendance	0.945	0.947	0.909	0.945	1.051	1.000	0.976	0.905	0.917	0.920	0.896
46. Art museum visits						1.000	0.980	1.004	0.951	0.932	0.933
47. Museum visits			0.911	0.976	0.902	1.000	0.984	1.161	1.105	1.037	1.048
48. Opera attendance	1.191	1.153	1.237	1.233	1.022	1.000	1.094	1.053	1.086	1.120	
49. Symphony attendance	1.157	1.108	1.139	1.134	1.090	1.000	0.996	0.952	1.046	1.044	
50. Nonprofit professional theatre attendance					0.939	1.000	0.936	0.948	0.889	0.904	0.933
51. Citations of arts and culture in bibliographic databases	1.018	1.061	1.061	1.074	1.017	1.000	0.958	0.852	0.937	1.027	
52. Population share engaged in personal creativity activities					1.049	1.000	1.021	1.006	1.045	1.087	1.055
53. Arts and culture share of private giving	1.218	0.994	0.995	1.077	1.016	1.000	0.992	0.877	0.925	0.950	0.907
54. Arts and culture share of personal expenditures	1.032	1.048	1.046	1.021	1.024	1.000	0.991	0.971	0.994	1.032	
55. Visual and performing arts share of all degrees	0.842	0.881	0.899	0.929	0.980	1.000	1.017	1.007	0.992	0.973	
56. Share of employees in arts and culture industries	0.993	1.003	1.018	1.013	1.010	1.000	0.986	0.990	0.934	0.964	
57. Share of workers in arts and culture occupations		0.888	0.946	0.976	0.975	1.000	1.083	1.066	1.064	1.091	1.090
58. Share of payroll in arts and culture industries	0.995	0.990	1.003	1.002	0.997	1.000	0.959	0.975	0.981	0.963	
59. Share of SAT I test takers with four years of art or music	0.970	0.978	0.962	0.939	0.979	1.000	1.071	1.112	1.177	1.159	1.192
60. Share of establishments in arts and culture industries	1.017	1.007	0.999	0.999	1.010	1.000	1.003	0.984	0.996	0.993	
61. Arts and culture share of foundation funding	1.186	1.074	0.958	0.977	0.978	1.000	1.023	1.001	0.975	0.848	
62. Arts and culture share of corporate funding	1.878	2.535	1.618	1.521	1.453	1.000	0.854	0.828	0.905	0.846	
63. Federal government arts and culture funding per capita					0.985	1.000	1.030	1.020	0.973	0.950	0.964
64. Arts and culture share of federal domestic discretionary spending					1.043	1.000	1.028	0.993	0.934	0.953	0.962
65. State arts agency funding per capita	1.014	1.196	1.212	1.340	1.188	1.000	0.762	0.791	0.821	0.841	0.814
66. State arts agency share of state general fund expenditures	1.058	1.136	1.197	1.273	1.151	1.000	0.768	0.779	0.782	0.764	0.759
67. Population share attending Broadway shows in New York or on tour	1.290	1.225	0.970	0.903	0.952	1.000	1.031	1.441	1.341	1.297	1.178
68. Population share attending live popular music						1.000	1.029	1.033	0.981	0.965	0.937

APPENDIX E: NATIONAL ARTS INDEX ANNUAL INDEX SCORES, 1998 - 2008 *(continued)*

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
69. Population share attending symphony, dance, opera and theatre						1.000	0.976	0.947	0.912	0.878	0.830
70. Population share visiting art museums						1.000	0.965	0.972	0.911	0.883	0.873
71. Population share attending opera	1.253	1.200	1.272	1.255	1.031	1.000	1.084	1.034	1.056	1.078	
72. Population share attending symphony	1.217	1.152	1.171	1.155	1.099	1.000	0.987	0.935	1.017	1.007	
73. Population share attending nonprofit professional theatre					0.947	1.000	0.927	0.930	0.865	0.871	0.863
74. Arts, culture, and humanities in the Philanthropic Giving Index	1.434	1.368	1.458	1.429	1.405	1.000	1.464	1.400	1.373	1.183	1.137
75. Return on assets of arts businesses				0.689	0.841	1.000	1.087	0.947	0.773	1.058	0.814
76. Share of nonprofit arts organizations with end-of-year surplus	1.168	1.152	1.145	1.079	1.008	1.000	1.031	1.051	1.058	1.105	

APPENDIX F: INDICATORS IN SELECTED VIEWS

National Arts Index Capacity and Infrastructure Measure

- Artists in the workforce
- Registered arts and culture 501(c)(3) organizations
- Capital stock of arts and culture industries
- CD and record stores
- "Creative Industries" employment
- "Creative Industries" establishments
- Employees in arts and culture industries
- Establishments in arts and culture industries
- Movie screens
- Capital stock of arts and culture nonprofits
- Independent artists, writers and performers
- Arts support organizations
- Arts union membership
- Workers in arts and culture occupations

National Arts Index Participation Measure

- Attendance at Broadway shows in New York
- Attendance at touring Broadway shows
- Citations of arts and culture in bibliographic databases
- Copyright applications
- Visual and performing arts degrees
- Foreign visitor participation in arts and culture leisure activity
- Arts majors by college-bound seniors
- Attendance at live popular music
- Art museum visits
- Attendance at symphony, dance, opera and theatre
- Motion picture attendance
- Museum visits
- New work in theatre, orchestra, opera, Broadway and film
- Opera attendance
- Personal arts creativity experiences
- Noncommercial radio listenership
- Public television viewing
- Performance of SAT test takers with four years of art or music
- Personal expenditures on arts and culture
- Symphony attendance
- Nonprofit professional theatre attendance
- Volunteering for the arts

National Arts Index Contributed Support Measure

- Corporate arts and culture funding
- Arts and culture share of corporate funding
- Federal government arts and culture funding
- Federal government arts and culture funding per capita
- Arts and culture share of federal domestic discretionary spending
- Foundation arts and culture funding
- Arts and culture share of foundation funding
- Local government funding of local arts agencies
- Arts, culture, and humanities in the Philanthropic Giving Index
- Private giving to arts and culture
- Arts and culture share of private giving
- State arts agency legislative appropriations
- State arts agency funding per capita
- State arts agency share of state general fund expenditures
- Arts support organizations
- United arts fundraising campaigns
- Volunteering for the arts

APPENDIX F: INDICATORS IN SELECTED VIEWS *(continued)*

National Arts Index Employment Measure

- **"Creative Industries" employment**
- **Employees in arts and culture industries**
- **Share of employees in arts and culture industries**
- **Payroll in arts and culture industries**
- **Share of payroll in arts and culture industries**
- **Independent artists, writers and performers**
- **Arts union membership**
- **Volunteering for the arts**
- **Wages in artistic occupations**
- **Workers in arts and culture occupations**
- **Share of workers in arts and culture occupations**

National Arts Index Nonprofit Measure

- **Registered arts and culture 501(c)(3) organizations**
- **Foundation arts and culture funding**
- **Arts and culture share of foundation funding**
- **Art museum visits**
- **Population share visiting art museums**
- **Attendance at symphony, dance, opera and theatre**
- **Population share attending symphony, dance, opera and theatre**
- **Capital stock of arts and culture nonprofits**
- **Revenue of arts and culture nonprofits**
- **Opera attendance**
- **Population share attending opera**
- **Private giving to arts and culture**
- **Arts and culture share of private giving**
- **Noncommercial radio listenership**
- **Public television viewing**
- **Arts support organizations**
- **Share of nonprofit arts organizations with end-of-year surplus**
- **Symphony attendance**
- **Population share attending symphony**
- **Nonprofit professional theatre attendance**
- **Population share attending nonprofit professional theatre**
- **Volunteering for the arts**

National Arts Index Creativity Measure

- **Artists in the workforce**
- **Registered arts and culture 501(c)(3) organizations**
- **Copyright applications**
- **Visual and performing arts degrees**
- **Musical instrument sales**
- **New work in theatre, orchestra, opera, Broadway and film**
- **Personal arts creativity experiences**
- **Independent artists, writers and performers**

National Arts Index Educational Interest Measure

- **Visual and performing arts degrees**
- **Visual and performing arts share of all degrees**
- **Arts majors by college-bound seniors**
- **Performance of SAT test takers with four years of art or music**
- **Share of SAT I test takers with four years of art or music**

APPENDIX F: INDICATORS IN SELECTED VIEWS *(continued)*

National Arts Index Employment Measure

- **"Creative Industries" employment**
- **Employees in arts and culture industries**
- **Share of employees in arts and culture industries**
- **Payroll in arts and culture industries**
- **Share of payroll in arts and culture industries**
- **Independent artists, writers and performers**
- **Arts union membership**
- **Volunteering for the arts**
- **Wages in artistic occupations**
- **Workers in arts and culture occupations**
- **Share of workers in arts and culture occupations**

National Arts Index Business Measure

- **Bookseller sales**
- **Attendance at Broadway shows in New York**
- **Population share attending Broadway shows in New York or on tour**
- **Capital stock of arts and culture industries**
- **CD and record stores**
- **Musical instrument sales**
- **Attendance at live popular music**
- **Population share attending live popular music**
- **Motion picture attendance**
- **Movie screens**
- **Songwriter and composer performing royalties**
- **Return on assets of arts businesses**
- **Return on assets of arts businesses**
- **Recording industry shipment value**
- **Independent artists, writers and performers**

National Arts Index Competitiveness Measure

- **Population share attending Broadway shows in New York or on tour**
- **Arts and culture share of corporate funding**
- **Visual and performing arts share of all degrees**
- **Share of employees in arts and culture industries**
- **Share of establishments in arts and culture industries**
- **Federal government arts and culture funding per capita**
- **Arts and culture share of federal domestic discretionary spending**
- **Arts and culture share of foundation funding**
- **Population share attending live popular music**
- **Population share visiting art museums**
- **Population share attending symphony, dance, opera and theatre**
- **Population share attending opera**
- **Share of payroll in arts and culture industries**
- **Population share engaged in personal creativity activities**
- **Arts, culture, and humanities in the Philanthropic Giving Index**
- **Arts and culture share of private giving**
- **Return on assets of arts businesses**
- **Share of SAT I test takers with four years of art or music**
- **Arts and culture share of personal expenditures**
- **State arts agency funding per capita**
- **State arts agency share of state general fund expenditures**
- **Share of nonprofit arts organizations with end-of-year surplus**
- **Population share attending symphony**
- **Population share attending nonprofit professional theatre**
- **Share of workers in arts and culture occupations**

APPENDIX G: INDICATOR SOURCES

Indicator	Source(s)
1. Songwriter and composer performing rights royalties	ASCAP and BMI, retrieved from http://www.ascap.com/new/ and http://bmi.com/press/
2. Wages in artistic occupations	Bureau of Labor Statistics, Occupational Employment Statistics, retrieved from http://www.bls.gov/oes/#tables and http://www.bls.gov/oes/release_archive.htm , full-time status from http://www.arts.gov/research/ArtistsInWorkforce.pdf
3. Payroll in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl
4. Publishing industry revenue	American Association of Publishers, retrieved from http://www.publishers.org/main/IndustryStats/documents/S12007Final.pdf
5. Bookseller sales	Bureau of the Census, Monthly Retail Sales, retrieved from http://www.census.gov/mrts/www/data/excel/mrtssales92-09.xls
6. Musical instrument sales	National Association of Music Merchants, <i>NAMM Global Report Featuring Music USA</i> annual report retrieved from http://www.namm.org/library/music-usa
7. Recording industry shipment value	Recording Industry Association of America, 2008 Year-End Shipment Statistics, retrieved from http://riaa.org/keystatistics.php
8. Revenue of arts and culture nonprofits	Data provided to Americans for the Arts by National Center for Charitable Statistics at the Urban Institute
9. Corporate arts and culture funding	Conference Board, <i>2007 and 2008 Corporate Contributions Reports</i> , additional data provided by the Conference Board to Americans for the Arts
10. Foundation arts and culture funding	Foundation Center FCStats, retrieved from http://foundationcenter.org/findfunders/statistics/gs_subject.html
11. Private giving to arts and culture	Giving USA Foundation, <i>Giving USA</i> annual publication
12. United arts fundraising campaigns	Americans for the Arts, collected for the United States Urban Arts Federation
13. Federal government arts and culture funding	Congressional Research Service <i>Arts and Humanities: Background on Funding</i> , retrieved from http://italy.usembassy.gov/pdf/other/RS20287.pdf ; General Printing Office, retrieved from http://www.gpoaccess.gov/usbudget/browse.html
14. State arts agency legislative appropriations	Data provided to Americans for the Arts by National Assembly of State Arts Agencies
15. Local government funding of local arts agencies	Americans for the Arts, collected for the United States Urban Arts Federation
16. Artists in the workforce	National Endowment for the Arts Research Notes 76, 87, 90, and 97 retrieved from http://www.arts.gov/research/Research-Notes_chrono.html
17. Workers in arts and culture occupations	Bureau of Labor Statistics, Occupational Employment Statistics, retrieved from http://www.bls.gov/oes/#tables and http://www.bls.gov/oes/release_archive.htm , full-time status from http://www.arts.gov/research/ArtistsInWorkforce.pdf
18. Employees in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl
19. "Creative Industries" employment	Americans for the Arts; data collected for the annual Creative Industries reports described at http://www.americansforthearts.org/information_services/research/services/creative_industries/default.asp
20. Arts union membership	Office of Labor Management Standards, Department of Labor, retrieved from http://kcerds.dol-esa.gov/query/getOrgQry.do
21. CD and record stores	<i>Rolling Stone</i> Volume 1045, p. , Almighty Institute of Music Retail
22. Independent artists, writers and performers	Bureau of the Census, Non-Employer Statistics, retrieved from http://www.census.gov/epcd/nonemployer/2002/us/U5000.htm
23. Movie screens	Motion Picture Association of America, 2008 MPAA Theatrical Statistics, retrieved from http://www.mpa.org/2008_Theat_Stats.pdf

APPENDIX G: INDICATOR SOURCES *(continued)*

Indicator	Source(s)
24. Establishments in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpse:pl
25. "Creative Industries" establishments	Americans for the Arts; data collected for the annual Creative Industries reports described at http://www.americansforthearts.org/information_services/research/services/creative_industries/default.asp
26. Registered arts and culture 501(c)(3) organizations	Data provided to Americans for the Arts by National Center for Charitable Statistics at the Urban Institute
27. Arts support organizations	Data provided to Americans for the Arts by National Center for Charitable Statistics at the Urban Institute
28. Capital stock of arts and culture industries	Bureau of Economic Analysis, retrieved from http://www.bea.gov/national/FA2004/Details/xls/detailnonres_stk1.xls
29. Capital stock of arts and culture nonprofits	Data provided to Americans for the Arts by National Center for Charitable Statistics at the Urban Institute
30. Personal arts creativity experiences	Bureau of the Census, Statistical Abstract of the United States, retrieved from http://www.census.gov/prod/www/abs/statab2001_2005.html and http://www.census.gov/prod/www/abs/statab2006_2010.html
31. Copyright applications	Copyright Office, Library of Congress, retrieved from annual reports at http://www.copyright.gov/reports/index.html , 2008 figure provided by Copyright Office staff.
32. Personal expenditures on arts and culture	Bureau of Economic Analysis, National Income and Products Accounts Table, retrieved from http://bea.gov/national/nlpaweb/TableView.asp?SelectedTable=65&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1996&LastYear=2008&3Place=N&Update=Update&JavaBox=no
33. New work in theatre, orchestra, opera, Broadway and film	Compiled from data from Broadway League, League of American Orchestras, Motion Picture Association of America, Opera America, and Theatre Communications Group
34. Performance of SAT test takers with four years of art or music	College Board, College-Bound Seniors, retrieved from http://professionals.collegeboard.com/data-reports-research/sat/archived
35. Volunteering for the arts	Bureau of the Census, Current Population Survey, retrieved via Data Ferrett at http://dataferrett.census.gov/
36. Arts majors by college-bound seniors	College Board, College-Bound Seniors, retrieved from http://professionals.collegeboard.com/data-reports-research/sat/archived
37. Visual and performing arts degrees	National Center for Education Statistics, <i>Digest of Education Statistics</i> Tables 253, 254, 263, and 310, retrieved from http://nces.ed.gov/programs/digest/d07/tables/dt07_263.asp ; http://nces.ed.gov/programs/digest/d06/tables/dt06_256.asp ; http://nces.ed.gov/programs/digest/d06/tables/dt06_254.asp ; and http://nces.ed.gov/programs/digest/d07/tables/dt07_310.asp
38. Noncommercial radio listenership	Data provided to Americans for the Arts by Radio Research Corporation
39. Public television viewing	Data provided to Americans for the Arts by Public Broadcasting System
40. Foreign visitor participation in arts and culture leisure activity	Data provided to Americans for the Arts by Department of Commerce, International Trade Administration
41. Attendance at Broadway shows in New York	Broadway League, Broadway Season Statistics, retrieved from http://www.broadwayleague.com/index.php?url_identifier=season-by-season-stats-1
42. Attendance at touring Broadway shows	Broadway League, Touring Broadway Statistics, retrieved from http://www.broadwayleague.com/index.php?url_identifier=touring-broadway-statistics
43. Attendance at live popular music	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com
44. Attendance at symphony, dance, opera and theatre	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com
45. Motion picture attendance	Motion Picture Association of America, 2008 MPAA Theatrical Statistics, retrieved from http://www.mpa.org/2008_Theat_Stats.pdf
46. Art museum visits	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com

APPENDIX G: INDICATOR SOURCES *(continued)*

Indicator	Source(s)
47. Museum visits	Data provided to Americans for the Arts by American Association of Museums
48. Opera attendance	Data provided to Americans for the Arts by Opera America
49. Symphony attendance	Data provided to Americans for the Arts by League of American Orchestras
50. Nonprofit professional theatre attendance	Theatre Communications Group Theatre Facts annual report, retrieved from http://www.tcg.org/tools/facts/
51. Citations of arts and culture in bibliographic databases	Selected Proquest, Gale, Ebsco, and Wilson databases accessed at Muhlenberg College, Allentown, PA, and Lehigh University, Bethlehem, PA
52. Population share engaged in personal creativity activities	Bureau of the Census, Statistical Abstract of the United States, retrieved from http://www.census.gov/prod/www/abs/statab2001_2005.html and http://www.census.gov/prod/www/abs/statab2006_2010.html
53. Arts and culture share of private giving	Giving USA Foundation, <i>Giving USA</i> annual publication
54. Arts and culture share of personal expenditures	Bureau of Economic Analysis, National Income and Products Accounts Table, retrieved from http://bea.gov/national/nipaweb/TableView.asp?SelectedTable=65&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1996&LastYear=2008&3Place=N&Update=Update&JavaBox=no
55. Visual and performing arts share of all degrees	National Center for Education Statistics, Digest of Education Statistics Tables 253, 254, 263, and 310, retrieved from http://nces.ed.gov/programs/digest/d07/tables/dt07_263.asp ; http://nces.ed.gov/programs/digest/d06/tables/dt06_256.asp ; http://nces.ed.gov/programs/digest/d06/tables/dt06_254.asp ; and http://nces.ed.gov/programs/digest/d07/tables/dt07_310.asp
56. Share of employees in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl
57. Share of workers in arts and culture occupations	Bureau of Labor Statistics, Occupational Employment Statistics, retrieved from http://www.bls.gov/oes/#tables and http://www.bls.gov/oes/release_archive.htm , full-time status from http://www.arts.gov/research/ArtistsInWorkforce.pdf
58. Share of payroll in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl
59. Share of SAT I test takers with four years of art or music	College Board, College-Bound Seniors, retrieved from http://professionals.collegeboard.com/data-reports-research/sat/archived
60. Share of establishments in arts and culture industries	Bureau of the Census, County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl
61. Arts and culture share of foundation funding	Foundation Center FCStats, retrieved from http://foundationcenter.org/findfunders/statistics/gs_subject.html
62. Arts and culture share of corporate funding	Conference Board, <i>2007 and 2008 Corporate Contributions Reports</i> , additional data provided by the Conference Board to Americans for the Arts
63. Federal government arts and culture funding per capita	Congressional Research Service <i>Arts and Humanities: Background on Funding</i> , retrieved from http://italy.usembassy.gov/pdf/other/RS20287.pdf ; General Printing Office, retrieved from http://www.gpoaccess.gov/usbudget/browse.html
64. Arts and culture share of federal domestic discretionary spending	Congressional Research Service <i>Arts and Humanities: Background on Funding</i> , retrieved from http://italy.usembassy.gov/pdf/other/RS20287.pdf ; General Printing Office, retrieved from http://www.gpoaccess.gov/usbudget/browse.html
65. State arts agency funding per capita	Data provided to Americans for the Arts by National Assembly of State Arts Agencies
66. State arts agency share of state general fund expenditures	Data provided to Americans for the Arts by National Assembly of State Arts Agencies
67. Population share attending Broadway shows in New York or on tour	Broadway League, <i>Broadway Season Statistics</i> , retrieved from http://www.broadwayleague.com/index.php?url_identifier=season-by-season-stats-1 ; and Touring Broadway Statistics, retrieved from http://www.broadwayleague.com/index.php?url_identifier=touring-broadway-statistics
68. Population share attending live popular music	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com

APPENDIX G: INDICATOR SOURCES *(continued)*

Indicator	Source(s)
69. Population share attending symphony, dance, opera and theatre	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com
70. Population share visiting art museums	Data purchased by Americans for the Arts from Scarborough Research, www.scarborough.com
71. Population share attending opera	Data provided to Americans for the Arts by Opera America
72. Population share attending symphony	Data provided to Americans for the Arts by League of American Orchestras
73. Population share attending nonprofit professional theatre	Theatre Communications Group Theatre Facts annual report, retrieved from http://www.tcg.org/tools/facts/
74. Arts, culture and humanities in the Philanthropic Giving Index	Data provided to Americans for the Arts by Indiana University Center on Philanthropy
75. Return on assets of arts businesses	Robert Morris Associates <i>Annual Statement Studies</i> annual publication
76. Share of nonprofit arts organizations with end-of-year surplus	Data provided to Americans for the Arts by National Center for Charitable Statistics at the Urban Institute

APPENDIX H: USING THE INDEX FOR FORECASTING

The annual frequency of the Arts Index data makes it convenient for making one-year, two-year, or more distant forecasts. These can help policy makers, planners, and entrepreneurs trying to project future conditions. Forecasts can be made using tools built in to common spreadsheet packages. The FORECAST function in Microsoft Excel, for example, extends a multiyear trend under various assumptions, extrapolating a point estimate for a later year from a least squares linear regression. Applying this technique to data on Broadway attendance in New York City (indicator 41) results in a projection for 2009 data of 12,472,529, which would equate to an index score of 1.09.

Other techniques give weights to prior years under different assumptions. For example, assume that you know enough from four prior years to forecast a fifth year, and you wish to forecast 2009 using data from 2005-2008. A simple moving average works if you believe that each of those four years is equally important, thus giving each year's data 25 percent of the weight in making up your 2009 forecast. Under this assumption,

$$\text{2009 simple average forecast} = (25\% \text{ of 2005 score}) + (25\% \text{ of 2006 score}) + (25\% \text{ of 2007 score}) + (25\% \text{ of 2008 score})$$

Applied to the Broadway data,

$$\begin{aligned} \text{2009 simple average forecast} &= (0.25 \times 11,527,349) + (0.25 \times 12,003,148) + (0.25 \times 12,311,745) + (0.25 \times 12,266,585) \\ &= 12,027,207 \end{aligned}$$

Alternatively, you might believe that recent years say more about the future than do long-ago years, so that 2008 tells you more about 2009 than you can learn from 2005, 2006 or 2007. In that case, a weighted moving average forecast would give 2008 data more weight than 2007, 2006, and 2005 scores, more to 2007 than 2006 and 2005, and more to 2006 than 2005. An easy weighting scheme for four prior years gives 40 percent of the weight to the last year, 30 percent to the one before that, 20 percent to the second one, and 10 percent to the first year's score. By pleasant coincidence, these add up to 100 percent. Under this assumption,

$$\text{2009 moving average forecast} = (10\% \text{ of 2005 score}) + (20\% \text{ of 2006 score}) + (30\% \text{ of 2007 score}) + (40\% \text{ of 2008 score})$$

Applied to the Broadway data,

$$\begin{aligned} \text{2009 moving average forecast} &= (0.1 \times 11,527,349) + (0.2 \times 12,003,148) + (0.3 \times 12,311,745) + (0.4 \times 12,266,585) \\ &= 12,153,522 \end{aligned}$$

Of these, the third (moving average forecast) is closest to actual 2009 Broadway attendance of 12,150,000.

These three are only a subset of the various forecasting techniques available. More ambitious techniques such as auto-regressive moving average (ARMA) or auto-regressive integrated moving average (ARIMA) may also be appropriate, but require much more adventurous techniques that are beyond the scope of this report, but are described in many economics and business textbooks.

Americans for the Arts is the nation's leading nonprofit organization for advancing the arts in America. Celebrating its 50th Anniversary, it is dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts. From offices in Washington, D.C., and New York City, it serves more than 150,000 organizational and individual members and stakeholders.

Americans for the Arts is focused on four primary goals:

- 1. Lead and serve individuals and organizations to help build environments in which the arts and arts education thrive and contribute to more vibrant and creative communities.**
- 2. Generate meaningful public and private sector policies and more leaders and resources for the arts and arts education.**
- 3. Build individual awareness and appreciation of the value of the arts and arts education.**
- 4. Ensure the operational stability of the organization and its ability to creatively respond to opportunities and challenges.**

To achieve its goals, Americans for the Arts partners with local, state, and national arts organizations; government agencies; business leaders; individual philanthropists; educators; and funders throughout the country. It provides extensive arts-industry research and professional development opportunities for community arts leaders via specialized programs and services, including a content-rich website and an annual national convention.

Local arts agencies throughout the United States comprise Americans for the Arts' core constituency. A variety of unique partner networks with particular interests such as public art, united arts fundraising, arts education, and emerging arts leaders are also supported.

Through national visibility campaigns and local outreach, Americans for the Arts strives to motivate and mobilize opinion leaders and decision-makers who can make the arts thrive in America. Americans for the Arts produces annual events that heighten national visibility for the arts, including the National Arts Awards and BCA TEN honoring private-sector leadership and the Public Leadership in the Arts Awards (in cooperation with The United States Conference of Mayors) honoring elected officials in local, state, and federal government.

Americans for the Arts also hosts Arts Advocacy Day annually on Capitol Hill, convening arts advocates from across the country to advance federal support of the arts, humanities, and arts education.

For more information about Americans for the Arts, please visit www.AmericansForTheArts.org.

