NATIONAL
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# Raising the Barre:

## The Geographic, Financial, and Economic Trends of Nonprofit Dance Companies

A Study by Thomas M. Smith

Research Division Report #44

COVER PHOTO
Hubbard Street Dance Chicago's production of
Jim Vincent's *counter/part*.
(Photo by Todd Rosenberg)

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**Foreword by Douglas C. Sonntag**

**Edited by Bonnie Nichols**
**Contributions by Janelle Ott and Don Ball**

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Tom Bradshaw, Director

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# Foreword

American Ballet Theatre's production of Frederick Ashton's *The Dream* featuring Alessandra Ferri and Ethan Stiefel. (Photo by Jack Vartoogian)

American dance is a fugitive art, resistant to capture, elusive in definition, and difficult to quantify. Providing this discipline with boundaries is particularly hard. The nation's dance field is encyclopedic in the forms, techniques, cultures, and aesthetic philosophies it represents. It contains the traditional, vernacular, and high art dances of hundreds of cultures and nations. To understand more clearly this ephemeral art form and the environment in which it works, the National Endowment for the Arts (NEA) commissioned a study to examine dance companies over the last decade, titled *Raising the Barre: The Geographic, Financial, and Economic Trends of Nonprofit Dance Companies*. It is my hope that this document will provide a basis from which to look at the effects of economic forces on the artistic fortunes of dance companies.

Charting this terpsichorean landscape was inadvertent; the National Endowment for the Arts became an archivist for the concert dance world by default. Each year, applications act as an annual snapshot of dance companies, presenters, and service organizations. Accumulated grant files contain the comprehensive history of American dance in the last half of the 20th century. The other two databases used in this study, the Unified Database of Arts Organizations (UDAO) and the economic census, are also derived from federal sources. There is a certain irony that the most evanescent means of artistic expression would find its history preserved in government archives.

These datasets document a period of change and upheaval for American concert dance. During the decade, dance companies changed how they generated income, both earned and unearned. It was also a period of significant social transformation that had a profound impact on cultural organizations and the role of the artist in American society. In addition to using movement to express an aesthetic vision, choreographers and companies were expected to assume new responsibilities as performers, educators, community activists, cultural commentators, conservators, and curators.

Over time, the means employed by the Arts Endowment to gather information on its applicants has followed the evolution of the field. Categories for funding and the determination of financial priorities came from recommendations made each year by panelists drawn from the professional dance field. Panelists' recommendations reflected the need to recognize the continuous change in the artistic and administrative structure of dance organizations. These alterations responded to the individual needs of choreographers and dancers, while others were in reaction to governmental or economic imperatives—the need to establish a nonprofit organization, for instance.

Cognizant of the evolution of company structure, the National Endowment for the Arts did not establish a formal definition of what constitutes a dance company, relying instead on its applicant pool to define the shifting edges of the art form's institutional boundaries. Over the years, in addition to artistic excellence, various characteristics were used to help define which organizations would have priority in funding decisions. These characteristics usually reflected the concerns of the time, among them dancers' employment for a specific period of time, professional administrative staff, nonprofit status, and a track record of production.

To understand the significance of the numbers in this study and how dance companies changed, it is necessary to recall what forces were shaping the field's artistry and finances. At the beginning of the study, what had come to be called the "dance boom" was ending. The "dance boom" was the period from the mid-1960s through the mid-1980s when dance companies—mainly ballet and modern—were proliferating in communities across the country. The "dance boom" was marked by explosive growth in the number of companies, eager audiences, domestic and foreign presenters hungry to showcase recent innovations in American dance, and an abundance of new funding opportunities at the local, state, and federal levels of government.

Modern dance, particularly companies performing the work of a single choreographer, reaped the benefits of the new market demand, and perfected the model for touring troupes. These companies employed dancers for a significant portion of the year with every expectation that demand from audiences and presenters would continue to sustain performances at home and lucrative multi-week, regional, national, and international tours.

By the late 1980s, a system of support for dance companies and choreographers was in place. Independent choreographers received fellowships from the Arts Endowment based on their demonstrated talent and promise of future development. These grants were generally the first grants awarded to artists as they began their professional careers. Although these grants were to support "artistic development" in whatever way the recipient chose to define that term (e.g. research, travel, extended study with a mentor), Choreographer's Fellowships were most often used as small production grants to hire dancers, pay for rehearsal space and time, provide funds for costume design and construction, subsidize theater rental, and finally support performance. In short, to establish a "company."

As new dance companies grew, they began to receive larger NEA grants that allowed them to perform at home and on tour, and significantly, as Thomas Smith's analysis shows, to attract more private dollars. Additionally, a network of committed dance presenters played host to artists outside of their home locations, and nurtured artists at all stages of their careers. Service organizations provided information, communication, and a means of convening a disparate field into a unified community.

To enlarge both their audience and funding base, ballet companies were in search of cities in which to establish second homes. The Pennsylvania Ballet (Philadelphia, PA) and the Milwaukee Ballet companies would embark on a "joint venture" to share resources, as would Pacific Northwest Ballet (Seattle, WA) and Minnesota Dance Theater (Minneapolis, MN). The Joffrey Ballet (now based in Chicago, IL) had homes in New York and Los Angeles. Cleveland Ballet's second home was San Jose, CA, Cincinnati Ballet's in New Orleans. Colorado Ballet (Denver, CO) and Tampa Ballet (FL) joined forces. Ballet West (Salt Lake City, UT) had a summer home in Aspen, CO. Unfortunately, none of these relationships have proven to be lasting.

Throughout the 1980s a surge in immigration from all parts of the world resulted in the growth of companies and artists working in specific cultural traditions. As audiences were exposed to unfamiliar techniques and practices, critics and artists first began struggling to develop the rhetorical vocabulary that recognized the diversity of what was being performed on stages across the country. "Multicultural art," "ethnic art," "traditional art," "world dance," and "fusion art" were all used in an attempt to codify and understand the swiftly developing choreographic forms that lay outside of the worlds of ballet and modern dance.

The era of expansion, however, was about to be replaced by a far more challenging time. Modern dance companies, with their dependence on touring, were the first to feel the tremors of the turbulent years to come. The elimination of the Arts Endowment's Dance Touring Program in 1983, in response to a reordering of the agency's budgetary priorities, had signaled a coming instability in the touring market. And, indeed, as the years progressed, touring became less remunerative, more unpredictable, with decreased geographic coherence. One- or two-week residencies by a company while on the road, long a staple of touring life, became half-week or single-performance engagements.

By the late 1980s, resources for touring had eroded considerably, reflected in the uncertainty of shifting audience taste, reductions in public sector funding, and limitations on the number of new companies the market could accommodate. By 1988, The Mark Morris Dance Group had left the United States for Belgium and Twyla Tharp gave up her modern dance company to join the American Ballet Theatre as an artistic associate. That same year, in the Atlantic Monthly, Holly Brubach announced the end of the "so-called dance boom." What *Raising the Barre* notes however, is that the dance boom's finale did not necessarily mean a decline in the formation of new companies. Instead, the "end" was the beginning of a period of increasing obstacles to the pursuit of a professional life in dance.

Federal governmental support for the arts began its decline in real dollar terms during the 1980s, and continued to drop in the 1990s. As the priorities for government funding were changing, so too were those of the corporate and foundation worlds, as social needs grew more urgent. Cultural institutions looking for dollars to support art often found themselves in competition with social services agencies' efforts to address homelessness, immigration, poverty, the needs of people with HIV/AIDS, and to provide educational reform.

As the decade of the 1990s progressed, the very nature of art, its value and relationship to the public sector, became the subject of intense debate. The argument over the appropriate federal role in funding the arts had particular resonance for the dance field. The "dance boom" was fueled in large part by the resources of the National Endowment for the Arts, beginning with its first grant awarded to the American Ballet Theatre in 1966. Arts Endowment funding of individual choreographers, companies, presenters, service organizations, and the distribution of the arts through the Dance Touring Program—and the national broadcast of such programs as Dance in America and Alive From Off Center—had a profound impact on the growth of the field, its organizational vitality, the sophistication and literacy of its audience, and its fecund artistry.

The end of the "dance boom" coincided with the deaths of pioneer masters in modern dance and ballet, and the unforeseen nightmare of HIV/AIDS that would decimate the nation's cultural landscape and rob the dance world of performers, choreographers, managers, critics, costume and set designers, and supporters. AIDS would also provide the subtext of loss, grief, rage, and physical vulnerability that underpins much of the choreography created during the last decade of the 20th century.

The artistic consequences of the disease will play out for years to come, but one is readily evident. Hundreds of dances record an artistic response to what seemed an unstoppable devastation, from the elegiac *Concerto Six Twenty-Two*, created by Lar Lubovitch in 1987, to the landmark and much argued about *Still/Here*, first staged by Bill T. Jones in 1994.

Despite the short term of its actual existence, the "dance boom" era companies created the ideal that almost all subsequent artists would aspire to emulate. This model was based on the assumption that dance would remain a staple of arts presenter programming; that financial subsidy would continue to make national touring economically feasible; that Choreographer's Fellowships would be available to fund the beginning explorations of emerging choreographers; and that significant funds, both public and private, would encourage the establishment of nonprofit dance companies able to support dancers, choreographers, administrators, and technical personnel.

*Raising the Barre* makes clear that during the final decade of the last century there were serious challenges regarding the veracity of core assumptions on earned income, governmental support, and charitable giving. Touring, as a source of earned income, became unpredictable and less remunerative. In 1995, in response to a congressional mandate, NEA awards to individual artists were eliminated. The NEA budget was cut from $175.9 million in 1992 (its highest level) to $99.5 million in 1996. Consequently, the percent of the average dance company's budget derived from NEA grants declined from 7.6 to 2.5. And according to studies that follow trends in grant making, charitable donations to the arts did not keep pace with allocations to other sectors such as health care and education.

Dance companies of all genres face the reality of a ruthlessly short lifecycle, and most companies formed in the early years of the century did not survive. That trend is still operative. Today, the vast majority of American dance companies are less than 40 years old. In a review of the 1987 NEA Annual Report, grants were awarded to 97 dance companies. Only 54 of those companies still function as dance companies in 2002.

Each year, however, new artists replace those companies that succumb to the rigors of survival. Between 1987 and 1997, the number of nonprofit companies grew by 93 percent, according to Smith's report. In fact, dance companies have become more widely dispersed throughout the country, allowing more access to professional dance performances for all Americans. Despite a drop in funding from the NEA, dance companies saw an increase in average income throughout the 1990s, with every $1 in NEA grants leveraging approximately $3.50 from other sources.

American dance, viewed as an artistic whole, has proven to be remarkably resilient. The nonprofit model for developing a dance company has shown its ability to adapt to ever evolving conditions while still providing a framework in which artists can work. Historically, American dance has responded to the challenges of the moment with artistry, ingenuity, wit, and tenacity—all signs of hope for a lively new century.

Douglas C. Sonntag
Director of Dance
National Endowment for the Arts

# Executive Summary

Bill T. Jones/Arnie Zane Dance Company's production of Bill T. Jones' *Ballad* featuring (from left to right) Bill T. Jones, Germaul Barnes, and Marc Mann. (Photo by Michael Mazzeo)

*Raising the Barre: The Geographic, Financial, and Economic Trends of Nonprofit Dance Companies* was commissioned by the National Endowment for the Arts as part of the agency's ongoing effort to conduct and disseminate research findings on arts organizations. The study draws on three databases containing information related to nonprofit dance companies: (1) the Unified Database of Arts Organizations (UDAO), a newly available database produced jointly by the Endowment, the National Center for Charitable Statistics as part of the Urban Institute, and the National Assembly of State Arts Agencies; (2) the economic census, a census of business establishments conducted every five years by the U.S. Census Bureau; and (3) a database of dance company applicants, produced and maintained by the NEA dance staff.

The three datasets vary somewhat in the time periods covered. For example, the UDAO covers 1989 through 1999, while the NEA applicant database contains information from 1988 through 2000. The economic census is conducted every five years, and therefore does not provide continuous year-over-year information. In this report, most economic census data reference the years 1987 and 1997. In combining the three data sources, *Raising the Barre* examines key issues that took place during the decade of the late 1980s through the late 1990s.

The following summarizes the study's key findings:

## Growth in the Nonprofit Dance Industry

**Between 1987 and 1997, the number of nonprofit dance companies grew by 93 percent.** However, growth rates slowed during the early and mid-1990s, likely due to lasting effects of the 1990-91 recession, then increased in 1996 and 1997.

On a regional basis, **the Northeast and West had the largest concentrations of dance companies.** In 1997, there were 2.4 dance companies for every one million residents in the Northeast, and 1.6 in the West. The Midwest and South recorded 0.97 and 0.87, respectively.

Over the 1987-1997 time frame, all regions experienced growth in the number and concentration of dance companies. In fact, **growth in dance companies far outpaced population growth.** For example, the West experienced 19 percent population growth over the 10-year time frame. Over the same period, the region's concentration of dance companies (companies per one million residents) increased by 100 percent. Though not quite as dramatic, the other three regions showed similarly high-paced growth in dance company numbers and concentration.

States with large populations (e.g., California, Texas, New York, and Illinois) were also the states with the highest number of dance companies. In 1997, **New York ranked first with 81 nonprofit dance companies,[1] and California placed second with 45.** New York's nonprofit dance company concentration was even stronger when measured on a per capita basis. **For every one million New York residents in 1997, there were 4.5 dance companies, vs. 1.4 dance companies in California.**

Compared to other performing arts establishments, such as theaters and symphony orchestras, **more dance companies were located on the east and west coasts, with heavier concentrations in New York, California, Florida, and Massachusetts. Theaters and symphony orchestras are more evenly distributed throughout the country.**

Though still concentrated in high-population states, **dance companies became more widely dispersed throughout the country.** In 1989, 61 percent of dance companies were located in seven highly populated states. By 1999, the percentage of companies in these seven states dropped to 54 percent.

Even though there was significant growth in the number of dance companies during the late 1980s through the late 1990s, **the industry may now be reaching a "steady state," where growth is curtailed because the number of new companies (i.e., births) and the number that close down (i.e., terminations) are moving closer together.**

## Financial Developments

**Average income and expenses, adjusted for inflation, increased throughout the late 1990s. In 1999, for example, average income grew by 13 percent to reach nearly $663,000.** The late 1990s budget increases signified a recovery from the 1990-91 U.S. economic recession and its lasting effects on the nonprofit dance industry. In 1994, average income dropped to $377,000, a decline of 12 percent over the 1993 budget, and the lowest income level of the 1989-1999 time frame.

**Ballet companies took nearly six years to recover from the recession, while modern and ethnic dance companies recovered within three years.** It may be that non-ballet dance companies more quickly adapt to budget constraints because they have, on average, shorter planning periods, fewer large and complicated sets, smaller administrative staffs, and other characteristics that may give them more flexibility in dealing with budget changes.

**The percentage of dance companies generating surpluses fluctuated throughout the 1989-1999 time period studied.** In 1989, for instance, almost 67 percent reported surpluses. In 1993, the share fell to a low of 54 percent, likely reflecting lingering effects of the 1990-91 recession. By 1999, following an irregular up-and-down pattern, the share with budget surpluses again increased, reaching 62 percent.

Dance company income is of two types: earned (ticket and other sales) and contributed or

[1] The figures quoted here were taken from the 1997 Economic Census, Arts, Entertainment, and Recreation sector. In enumerating nonprofit dance companies, the economic census draws from establishments filing Form 990, which is used by organizations exempt from income tax. Therefore, the figures reported here exclude for-profit dance companies; companies not required to file Form 990, including those not formally organized as 501 (c)(3), i.e., tax-exempt entities; and companies subsumed within parent organizations (e.g., universities or museums).

unearned (contributions, gifts, and grants). **Over the decade examined, growth in ticket and other sales outpaced growth in contributions.** In 1989, average earned income, adjusted for inflation, was roughly $265,000, and remained near this level until 1995, when it increased to $327,000. Average earned income generally increased in the remaining years, reaching almost $468,000 by 1999—a 76 percent gain over 1989 levels. By contrast, average unearned income started at roughly $174,000 in 1989, and remained fairly constant in the remaining years. By 1999, average unearned income had only increased by 4.5 percent over 1989 levels to reach $182,000.

While the strong economy during the mid and late 1990s probably helped dance companies sell more tickets, **declining government and business support for dance companies served to curtail growth in unearned income.** In 1987, the NEA contributed 7.6 percent of all unearned income. By 1997, this share fell to 2.5 percent. As a percentage of total unearned income, contributions from other government sources and businesses also fell.

**However, contributions from individuals rose. In 1987, individuals contributed 27 percent of unearned income. This percentage increased to 36 percent in 1997.[2] Consequently, during the decade examined,** dance companies became increasingly dependent on ticket sales and donations from individuals to support their budgets, and therefore, their artistic goals.

**Selling more tickets can mean increases in donations.** This study shows that for every $1 a dance company earned in ticket sales, it received about 14 cents in contributions. This is because ticket buyers are often asked to make contributions when buying tickets, or are contacted later by fundraising staff. Also, corporations are more likely to award grants and advertise with companies that sell a lot of tickets.

**Ballet companies received more contributions partly because they sold more tickets than other types of dance companies (e.g., modern or ethnic dance companies).** Ballet company name recognition and the staging of popular ballets such as *The Nutcracker* and *Swan Lake* help sell tickets and garner donations. Over the decade studied, ballet companies received an average of $50,000 to $100,000 more annually in contributions than non-ballet dance groups.

**Dance companies located in Illinois received more contributions, on average, than companies located in other states.** Illinois is home to a number of businesses that make significant donations to the arts (e.g., Polk Brothers and the Sara Lee Foundation) and has a smaller concentration of dance companies compared to other large states such as New York, California, and Texas. So, there is less competition for a larger pool of contributed funding.

## The Endowment's Role in Leveraging Contributions

As discussed above, NEA support for dance companies[3] fell as a share of contributed income over the period studied. NEA appropriations reached a high of $175.9 million in 1992, but were cut to $99.4 million in 1996. The agency's budget remained below $100 million until 2001. Consequently, **NEA funding for dance companies fell from an average of $5.7 million between 1988-1995 to $2.7 million in 1996.**

[2] In 1997, individual contributions made up 45 percent of private giving to nonprofit dance companies. Private giving is defined here as contributions from individuals, foundations, and business.

[3] This paper examines the overall dance organization budget. During the period studied, the NEA also supported dance companies through programs such as "Challenge," "Advancement," and "Expansion Arts", all of which are excluded from this analysis.

Despite reduced appropriations and the resulting decline in direct contributions to dance companies, this study shows that the NEA's role in supporting nonprofit dance goes beyond that of awarding grants. Through required matching grants and other factors such as the prestige conferred to grantees, **the Endowment can also help channel contributions from private sources (i.e., individuals, businesses, and foundations) and state and local governments.** This study shows that **every $1 in NEA grant funding leveraged about $3.50 for dance companies from other sources.** For example, a dance company receiving a $15,000 grant from the Endowment can expect to attract, on average, an additional $52,500 in contributions from additional sources.

# Introduction

Flamenco Vivo Carlota Santana dancers Carlota Santana and Manola Rivera. (Photo by Lois Greenfield)

*Raising the Barre* uses newly available datasets to examine trends in the nonprofit[4] dance field. Spanning the decade of the late 1980s through the late 1990s, this study provides a comprehensive look at factors such as growth in the number of dance companies, including trends in starts and terminations; geographic concentration; and financial aspects such as the importance of ticket sales and the effects of the 1990-1991 recession. This analysis is also the first to investigate the role the National Endowment for the Arts plays in leveraging funding for dance companies.

The study found a heavy concentration of companies in key states, particularly New York, and suggests that the industry may have reached a steady state of slow growth. The analysis also looks at dance company finances over the decade, reporting a long contraction in income and expenses during the early and mid 1990s, and then a strong recovery at the end of the decade, a pattern due, in part, to the lingering effects of the 1990-1991 U.S. economic recession and its following recovery.

The study also explores trends in the components of income, earned and unearned, and found that, over the decade studied, dance companies became more dependent on ticket sales and contributions from individuals. Also, companies that sold more tickets and spent more on fundraising received more in contributions, a pattern that explains why ballet companies, on average, received more donations than other types of dance troupes, such as modern or ethnic companies. In addition, over the 10-year period, the NEA contributed a smaller share of unearned income. Financial support from the agency, however, helped leverage funding from other sources—for every $1 in NEA grants, dance companies received from $3.50 to $16.45 in contributions from other sources.

Section 2 of this paper introduces and explains the characteristics of the datasets used in the study, and section 3 summarizes the report's salient findings. More detailed information is found in the remaining sections 4, 5, 6, and 7, which cover geographic location, starts and terminations, financial trends, and the effects of NEA grants. A conclusion is provided in section 8, followed by a three-part appendix.

[4] The terms "nonprofit" and "tax-exempt" are used to describe dance companies that do not have private owners to whom profits are distributed. Nonprofit companies with $25,000 or more in income must file IRS Form 990.

Lar Lubovitch Dance Company's production of Lar Lubovitch's *Men's Stories* featuring Scott Rink. (Photo by Len Price)

# Datasets

Jazz Tap Ensemble's production of Lynn Dally's *Solea*. (Photo by Paul Antico)

## Unified Database of Arts Organizations

The Unified Database of Arts Organizations (UDAO)[5] is a relatively new database produced jointly by the National Endowment for the Arts; the Urban Institute, National Center for Charitable Statistics; and the National Assembly of State Arts Agencies. The UDAO counts arts organizations filing Form 990, Return of Organizations Exempt from Income Tax, which is required of tax-exempt establishments with $25,000 or more in annual income. Since it is based on Form 990 filings, the UDAO contains detailed financial variables and data showing dance company starts and terminations. Of the three sources, it is the only dataset to provide continuous, year-to-year information on the broad population of nonprofit dance companies. In this study, the UDAO covers 1989 through 1999, and only performing dance companies, as opposed to schools, were included.

## NEA-Dance Applicants

Another new source of information on the nonprofit dance industry is the National Endowment for the Arts-Dance Applicant (NEA-DA) database, produced by the agency's dance staff. For each year covered by the database (corresponding to grant years 1988 through 2000)[6], the NEA-DA shows the applicant's state, earned income, contributed income, total expenses, and NEA grants. Unlike the UDAO and economic census data, the NEA-DA counts only those dance companies that applied for NEA grants; it is not a census of the nonprofit dance industry. But it does provide the most reliable information about dance company genre, for example, ballet and modern. It is also the only data source identifying NEA grants, a variable necessary to study the federal government's role in leveraging funding from other sources.

## Economic Census

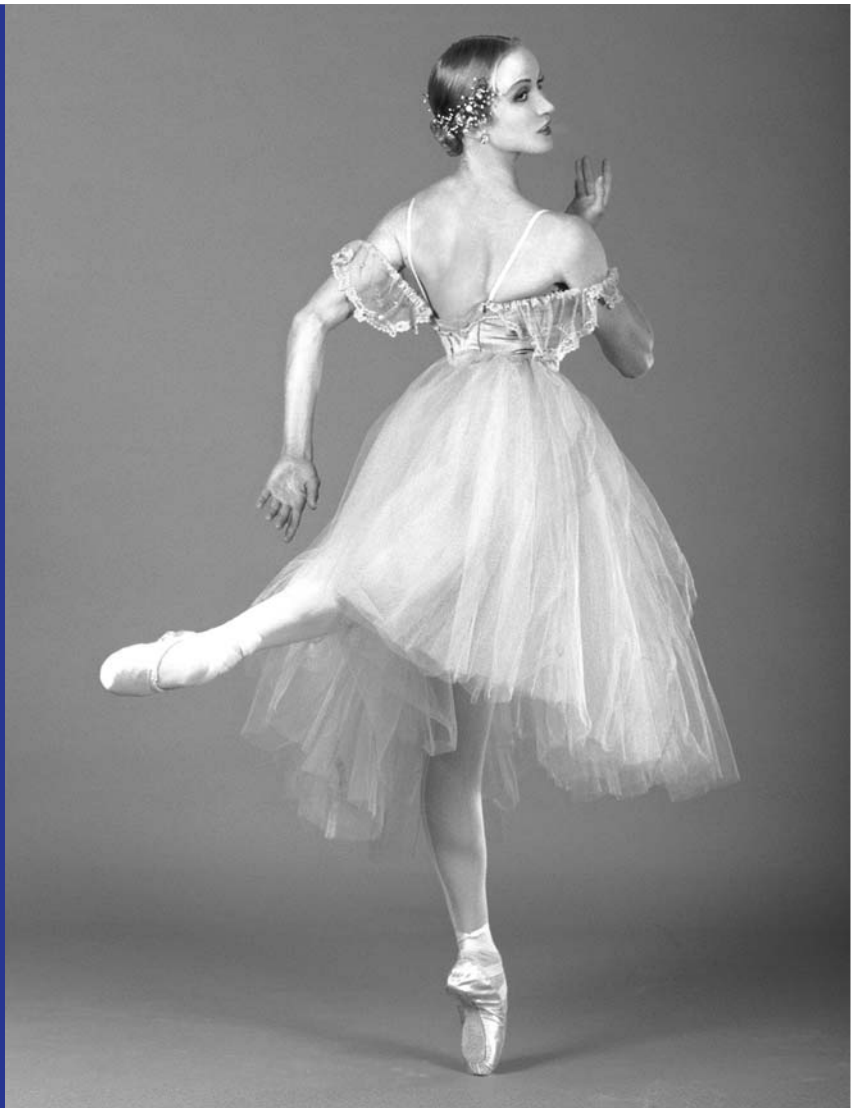
The U.S. Census Bureau conducts a census of business establishments every five years. This study focuses on the tax-exempt dance companies counted in 1987, 1992, and 1997, the most recent year of data available from the economic

[5] In this paper, the UDAO includes 1998 and 1999 data from the Digital Database, or DD, also available from the Urban Institute, National Center for Charitable Statistics.
[6] The NEA-DA reports both grant and financial years. For example, a company applying for a grant in 2000 reported its financial information (income and expenses) for 1998. This paper shows NEA-DA by grant year.

census.[7] Under U.S. code, the Census Bureau does not release information about individual business establishments. Instead, data are totaled for geographic areas, for example, the U.S. and individual states, and by genre such as ballet or modern dance companies. The EC counted 188 tax-exempt dance companies in 1987. This number grew to 275 in 1992, and 363 in 1997. The EC provides detailed breakdowns of dance company revenue, including revenue from ticket sales, contract fees, merchandise sales, and contributions.

[7] Data from the 2002 economic census are not yet available.

# Significant Findings



The Joffrey Ballet of Chicago's production of Gerald Arpino's *L'Air d'Esprit* featuring Maia Wilkins. (photo by Herbert Migdoll)

This report draws from research using all three sources (UDAO, NEA-DA, and EC), applying the dataset best suited to the specific topic at hand. Because each dataset was designed to serve a different purpose, various approaches were used to capture (that is, include or exclude) dance companies. As a result, the three sources provide somewhat different counts of nonprofit dance companies.[8] So, readers should focus on the overall trends and conclusions presented rather than the different counts produced by each of the sources. The following are significant findings and the datasets used in the specific analysis reported:

## Growth, Concentration, and Location of Dance Companies

Between 1987 and 1997, the number of nonprofit dance companies in the U.S. grew from 188 to 363 companies, or 93 percent. The Northeast had the largest number of dance companies (124 in 1997) but showed similar growth (59 percent) as that of the West (56 percent). For all regions, the rate of growth for dance companies slowed between 1992 and 1997 (EC). On a year-by-year basis, the number of nonprofit dance companies grew 33 percent between 1989 and 1992 but remained constant (1 percent growth) between 1992 and 1995. (UDAO)

New York and California were the top two states in number of companies. The number of companies in New York increased from 48 (1989) to 66 (1999) and the number of companies in California increased from 40 (1989) to 53 (1997). (UDAO)

In 1999, New York had 3.2 dance companies for every one million state residents. Massachusetts had 2.1, and California and Florida each had 1.6. Though concentrated in high population states, dance companies became more widely dispersed throughout the country. In 1989, 61 percent of dance companies were located in California, New York, Texas, Florida, Pennsylvania, Massachusetts, and Illinois. By 1999, the percentage of companies in these seven states fell to 54 percent. (UDAO)

[8] The author analyzed each of the datasets independently and prepared three draft reports on the findings. These reports, one for each dataset, are available from the author or from the Research Division of the National Endowment for the Arts.

The growth of dance companies outpaced the growth of population in all regions of the U.S. The Northeast had a concentration of 1.3 companies per 1 million residents in 1987 and a concentration of 2.4 companies per 1 million residents in 1997. The West also doubled the concentration of companies during this 10-year period, with a concentration of 0.8 companies per 1 million residents in 1987 and 1.6 companies per 1 million residents in 1997. (EC)

Between 1987 and 1997, the number of ballet companies increased from 78 to 127 and the number of modern dance companies went up from 33 to 88. Combined, ballet and modern dance troupes made up almost 60 percent of all tax-exempt dance organizations. (EC)

## Starts and Terminations of Dance Companies

In 1989 through 1993, the "birthrate" (starts per 100 companies) followed a variable up-and-down period, and then steadily fell from 8.4 in 1994 to 0.6 in 1998. Starts were concentrated in New York and California, which were also the states with the largest numbers of dance companies. Terminations, though smaller in number and more difficult to track, slightly declined. Over the decade studied, one-third of dance company terminations occurred in Florida and Texas. (UDAO)

This combination of decreasing starts and increasing terminations suggests that the nonprofit dance industry may be reaching a "steady state," or a period of slow growth. For example, the UDAO shows that the number of nonprofit dance companies declined from 359 in 1998 to 356 in 1999, a percentage change of –0.8 percent. A saturation of dance companies in a few key areas, say in New York or California, may be contributing to a steady state in the number of dance companies. (UDAO)

## Financial Trends in the Nonprofit Dance Industry

Average real income and expenses of dance companies declined between 1991 and 1994, likely reflecting the effects of the 1990-1991 economic recession, then generally increased in 1995 through 1999. On average, ballet companies took six years to recover, and modern and ethnic companies recovered within three years. (UDAO)

Dance company income is of two types: earned (ticket and other sales) and unearned (contributions, gifts, and grants). As an indicator of financial success, the Earned Income Ratio (EIR) measures earned income as a percentage of total income. After declining in 1990 and 1991, the EIR for nonprofit dance companies generally followed an upward trend in the remaining years of the decade, increasing from 62.3 percent in 1992 to 70.6 percent in 1999. This upward movement in the EIR suggests that the industry's financial conditions improved during the 1990s. (UDAO)

The EC reports that earned income was 54 percent of total income in 1997, and admission receipts (ticket sales) and contract fees (for example, touring fees) were the largest sources. Combined, admissions and contract fees accounted for 77 percent of all earned income in 1997. Merchandise sales, patron fees, royalties, and other sources made up the remaining 23 percent. (EC)

In 1987, the NEA contributed 7.6 percent of all unearned income. By 1997, this share fell to 2.5 percent. As a share of total unearned income, contributions from other government sources and businesses also fell. But contributions from individuals rose. In 1987, individuals contributed 27 percent of unearned income. This percentage increased to 36 percent in 1997. So, over the decade studied, nonprofit dance companies became increasingly dependent on ticket sales, contract fees, and individual contributions. (EC)

Selling more tickets can mean increases in donations. This study shows that for every $1 a dance company earned in ticket sales, it received 14 cents in contributions. This is because ticket buyers are often asked to make contributions when buying tickets, or are contacted later by fundraising staff. Also, corporations are more likely to award grants and advertise with companies that sell a lot of tickets. (UDAO and NEA-DA)

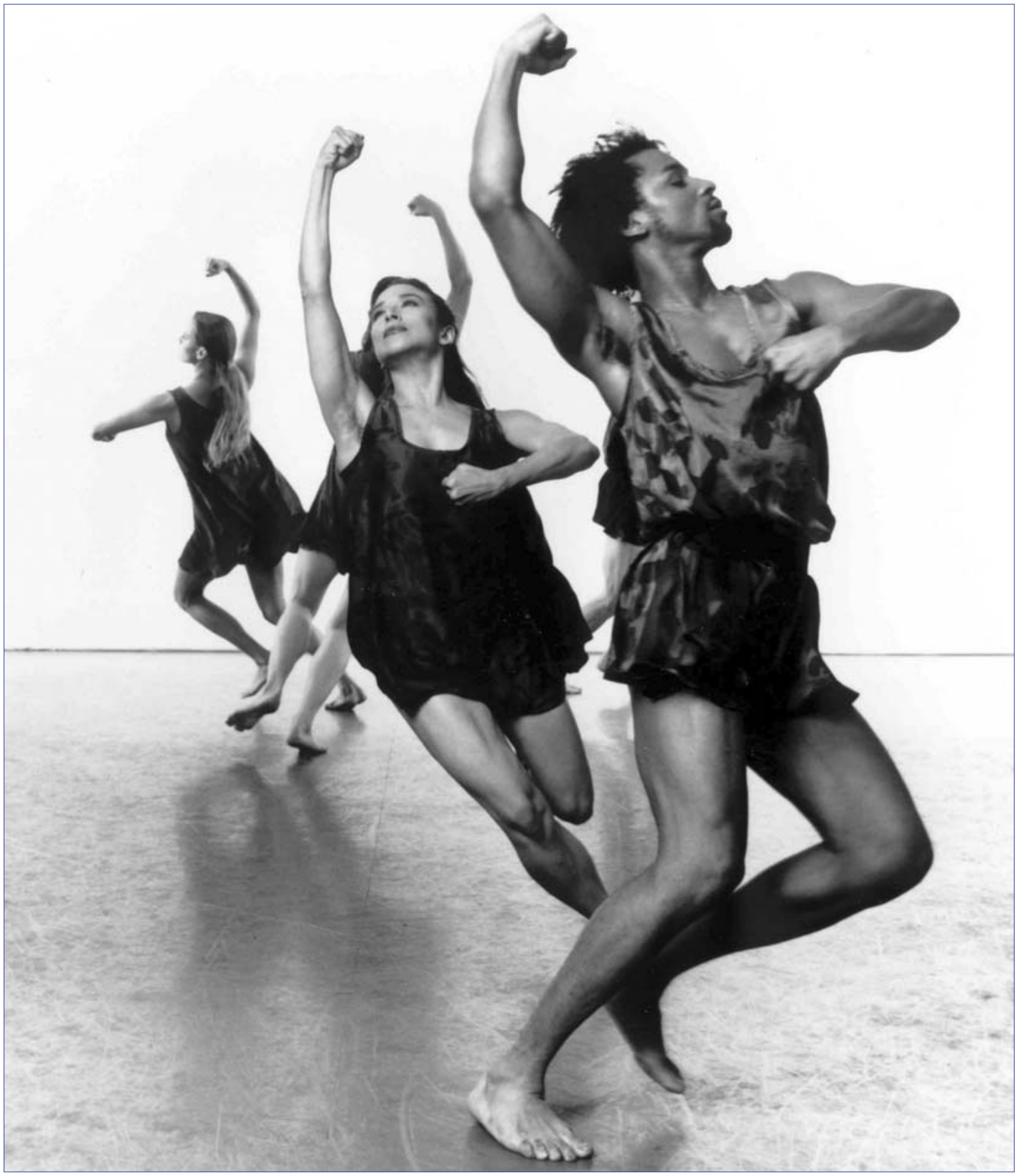
Ballet companies received more contributions partly because they sold more tickets than other types of dance companies (e.g., modern or ethnic dance companies). Ballet company name recognition and the staging of popular ballets such as *The Nutcracker* and *Swan Lake* helped sell tickets *and* garner donations. Over the decade studied, ballet companies received an average of $50,000 to $100,000 more annually in contributions than non-ballet dance groups. (UDAO and NEA-DA)

## NEA Support for Nonprofit Dance Companies

In 1992, NEA appropriations peaked to reach nearly $176 million. In that year, the agency awarded $5.6 million to nonprofit dance companies, or 3.2 percent of its budget. But, in 1996, the agency's appropriations were cut to 99.5 million, a 43 percent reduction, and grants to dance companies dropped to $2.7 million, or 2.7 percent of the agency's budget. By 2000, the agency awarded 2.2 percent of its $97.7 million budget to support dance. (NEA-DA)

Between 1988 and 2000, the number of dance companies applying for NEA grants remained fairly stable, ranging from 150 to 220 companies. But, as the agency's appropriations declined, the average grant to dance companies declined too. The average grant awarded to dance companies in 1988 was $53,280. By 2000, the average grant awarded to dance companies dropped to $19,000, about 35 percent of its nominal value in 1988. (NEA-DA)

Despite reduced appropriations and the resulting decline in direct contributions to dance companies, the NEA helped channel contributions from private sources (individuals, businesses, and foundations) and state and local governments. Over the period studied, every $1 in NEA grant funding leveraged about $3.50 for dance companies from other sources. The study also found that non-NEA contributors were more likely to fund dance companies that sold a lot of tickets, ran budget surpluses, and were older and more established. These findings indicate that the NEA may play a special role in identifying new talent. As the agency awards grants based largely on artistic excellence, it may discover dance companies that are not yet well established or well known to other contributors. An NEA grant may signal to other contributors, particularly foundations, that such a company is worthy of financial support. (NEA-DA and UDAO)

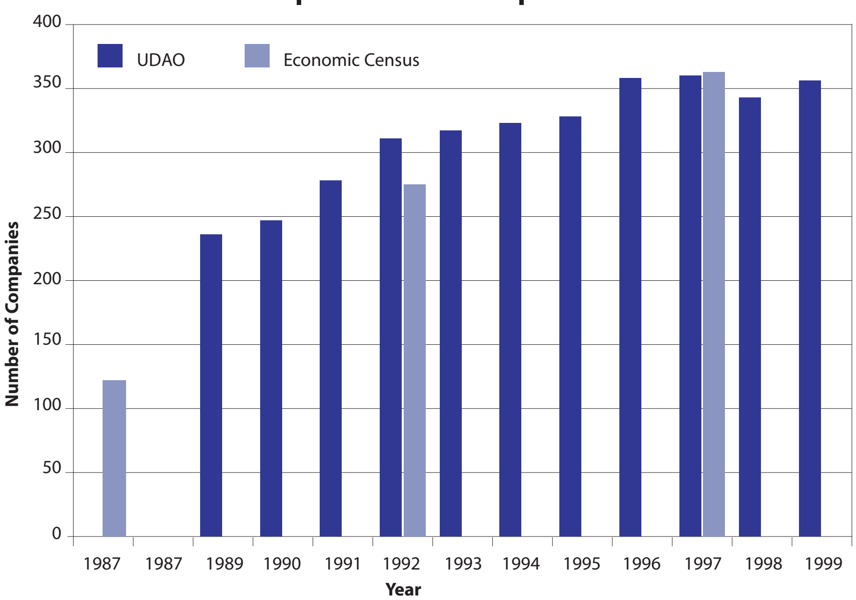


Mark Morris Dance Group's
production of Mark Morris' *Grand Duo*.
(Photo by Mark Royce)

# Location and Growth of Nonprofit Dance Companies

Lar Lubovitch Dance Company's production of Lar Lubovitch's *Concerto Six Twenty-Two* featuring Leonard Meek, Kathy Casey, and Ronni Favors. (Photo by Jack Mitchell)

**Chart 1.**
**Number of Nonprofit Dance Companies: UDAO & EC**




## National and Regional Growth in the Number of Nonprofit Dance Companies

Chart 1 shows the number of dance companies recorded by the UDAO and EC. Combined, the EC and UDAO showed strong growth in the number of dance companies in the decade of the late 1980s to the late 1990s. For example, the number of tax-exempt dance companies counted by the EC more than tripled, rising from 122 in 1987 to 363 in 1997.[9] The UDAO also recorded growth over the decade. Between 1989 (the first year tracked by the UDAO) and 1999, this data source reported a 51 percent gain in nonprofit companies, increasing from 236 to 356. Lingering effects of the 1990-1991 recession likely contributed to the slowdown shown in 1993, 1994, and 1995. During these years, the number of dance companies increased by only 1 to 2 percent. Following this slow period, the number of dance companies again rose, reaching 360 in 1997, and remained near that level in 1998 and 1999, suggesting that the dance industry may have reached a "steady state," discussed more fully in section 5.

Table 1 shows the number of dance companies by genre and region for the EC years 1987, 1992, and 1997. Between 1987 and 1997, the Northeast and the West showed the largest increases in tax-exempt dance companies, gaining 59 and 56 companies, respectively. In all regions but the Northeast, growth in the number of dance companies was stronger during the 1987 through 1992 period. The 1990-1991 recession may have slowed growth during the 5-year period of 1992 through 1997.

By genre, the EC shows that most of the regional growth in dance companies was in the modern dance category. Between 1987 and 1997, for example, the number of modern dance companies increased from 18 to 47 in the

[9] Some of the EC growth was due to improved methods in identifying business establishments.

Northeast, and from 4 to 21 in the West. The South, however, showed more growth in the number of ballet companies, increasing from 23 to 49. Growth rates for the combined category labeled "Folk, Ethnic, Jazz, and Tap" were more difficult to track. For example, between 1992 and 1997, the number of companies in this category dropped from 39 to 30 while companies not reporting a genre on the census questionnaire increased from 70 to 118. This pattern suggests that, over time, some growth in the number of ethnic and jazz and tap companies was hidden in the "Not Designated" category.

**Table 1.**
**Number of Tax-Exempt Dance Groups by Region**

| Region | 1987 | 1992 | 1997 |
|---|---|---|---|
| **Northeast** | | | |
| Ballet | 20 | 24 | 21 |
| Modern | 18 | 31 | 47 |
| Folk, Ethnic, Jazz & Tap | 4 | 16 | 11 |
| Not Designated | 23 | 18 | 45 |
| **NE TOTAL** | **65** | **89** | **124** |
| **North Central** | | | |
| Ballet | 18 | 24 | 26 |
| Modern | 6 | 7 | 13 |
| Folk, Ethnic,Jazz & Tap | 2 | 10 | 5 |
| Not Designated | 10 | 10 | 17 |
| **NC TOTAL** | **36** | **51** | **61** |
| **South** | | | |
| Ballet | 23 | 36 | 49 |
| Modern | 5 | 7 | 7 |
| Folk, Ethnic, Jazz & Tap | 0 | 5 | 2 |
| Not Designated | 10 | 18 | 24 |
| **S TOTAL** | **47** | **66** | **82** |
| **West** | | | |
| Ballet | 17 | 24 | 31 |
| Modern | 4 | 13 | 21 |
| Folk, Ethnic, Jazz & Tap | 5 | 8 | 12 |
| Not Designated | 14 | 27 | 32 |
| **W TOTAL** | **40** | **69** | **96** |
| **TOTAL by GENRE** | | | |
| Ballet | 78 | 108 | 127 |
| Modern | 33 | 58 | 88 |
| Folk, Ethnic, Jazz & Tap | 11 | 39 | 30 |
| Not Designated | 66 | 70 | 118 |
| **Total Tax-Exempt Dance Companies** | **188** | **275** | **363** |

Source: 1987, 1992, 1997 economic censuses.

Northeast Region (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania)
North Central Region (Michigan, Ohio, Indiana, Wisconsin, Illinois, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas)
South Region (Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, Florida, West Virginia, Kentucky, Tennessee, Mississippi, Alabama, Arkansas, Louisiana, Oklahoma, and Texas)
West Region (Montana, Wyoming, Colorado, New Mexico, Idaho, Utah, Arizona, Nevada, Washington, Oregon, California, Hawaii, and Alaska)

**Chart 2.**
**Number of Companies in New York and California**

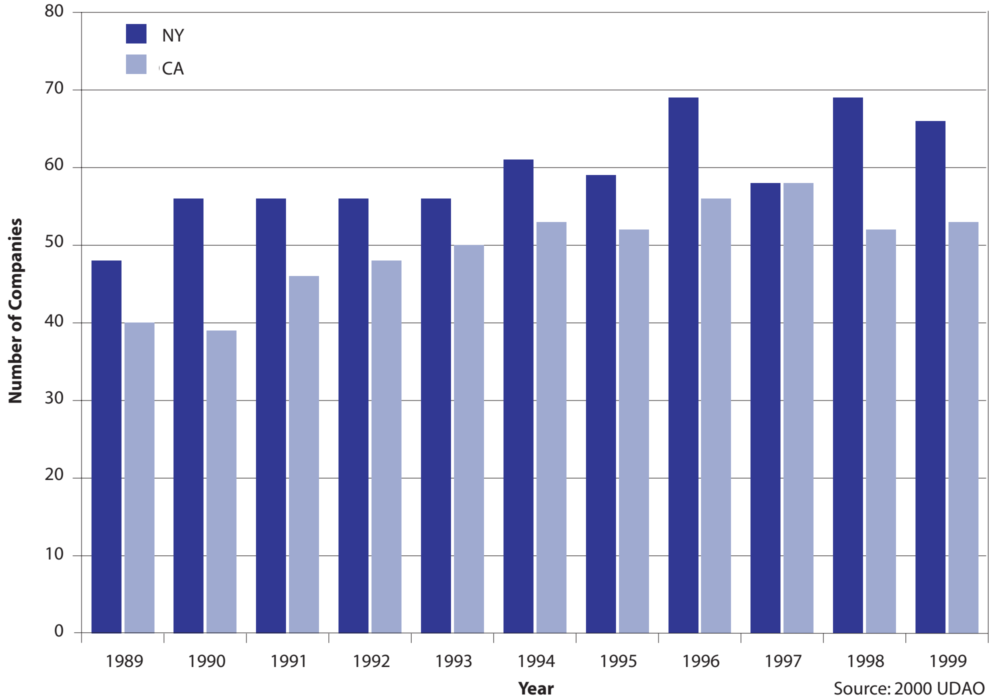
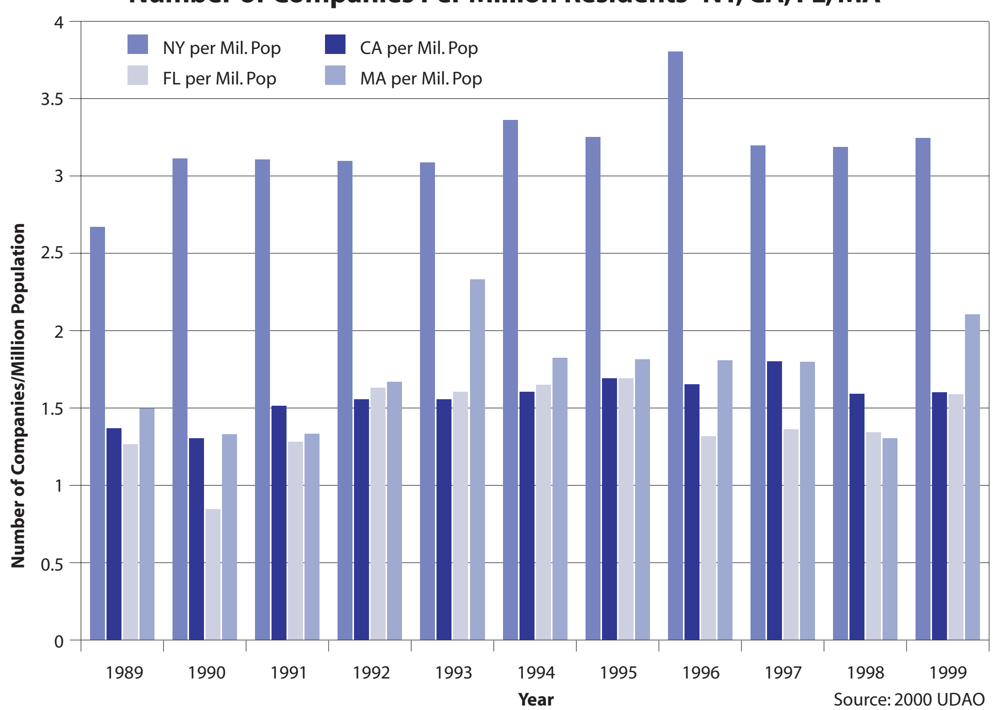



**Chart 3.**
**Number of Companies Per Million Residents–NY, CA, FL, MA**



## Regional and State Concentration of Dance Companies

Chart 2 shows the number of nonprofit dance companies in New York and California, the two states with the highest number of dance companies. In 1999, for example, New York had 66 companies and California had 53. Combined, the two states were home to one-third of all nonprofit dance companies counted by the UDAO in that year.

Chart 3 goes beyond basic counts to show concentration, or the number of companies per one million residents, for the top four states: New York, California, Florida, and Massachusetts. New York's concentration of dance companies towered above the other states, exceeding three companies for every one million residents for most of the decade. Massachusetts, which ranked sixth in the number of dance companies tracked by the UDAO, was second in concentration throughout most of the 1989 through 1999 period. In 1999, for example, Massachusetts had a concentration of 2.1 companies. California and Florida each had

paced the other regions. Dance company concentration in this region reached 2.4 companies per one million residents in 1997. The West, including California, ranked second, rising from 0.8 companies per one million residents in 1987 to 1.6 in 1997. The table also shows that growth in the number of dance companies exceeded population growth in all four regions. Between 1987 and 1997, for example, population in the West increased by 19 percent. During the same time frame, the dance company concentration in that region increased by 100 percent.

Table 3, also based on the EC, shows that dance companies were more heavily concentrated in the Northeast than theatrical groups and symphony orchestras, which, along with dance, are major components of the nonprofit performing arts industry. In 1997, for example, 34 percent of dance companies were located in the Northeast. By contrast, about 28 percent of theatrical groups and 23 percent of symphony orchestras were based in this region.
Table 2 shows the number and concentration of dance companies by region. In each of the

**Table 2.**
**Concentration of Companies Per Region**

| Region | 1987 Population (Millions) | 1987 Companies | *1987 Co./Mil. Pop.* | 1992 Population (Millions) | 1992 Companies | *1992 Co./Mil. Pop.* | 1997 Population (Millions) | 1997 Companies | *1997 Co./Mil. Pop.* |
|---|---|---|---|---|---|---|---|---|---|
| Northeast | 50.3 | 65 | **1.3** | 51.0 | 89 | **1.7** | 51.5 | 124 | **2.4** |
| Midwest | 54.3 | 36 | **0.7** | 60.7 | 51 | **0.8** | 62.6 | 61 | **1.0** |
| South | 87.9 | 47 | **0.5** | 88.1 | 66 | **0.7** | 94.1 | 82 | **0.9** |
| West | 49.7 | 40 | **0.8** | 55.1 | 69 | **1.3** | 59.3 | 96 | **1.6** |

Source: 1987, 1992, 1997 economic censuses.

approximately 1.6 companies for every one million residents in 1999.

Table 2 shows the number and concentration of dance companies by region. In each of the years covered by the EC, the Northeast, which includes New York and Massachusetts, out-

years covered by the EC, the Northeast, which includes New York and Massachusetts, outpaced the other regions. Dance company concentration in this region reached 2.4 companies per one million residents in 1997. The West, including California, ranked second, rising from 0.8 companies per one million residents in 1987 to 1.6 in 1997. The table also shows that growth in the number of dance companies exceeded population growth in all four regions. Between 1987 and 1997, for example, population in the West increased by 19 percent. During the same time frame, the dance company concentration in that region increased by 100 percent.

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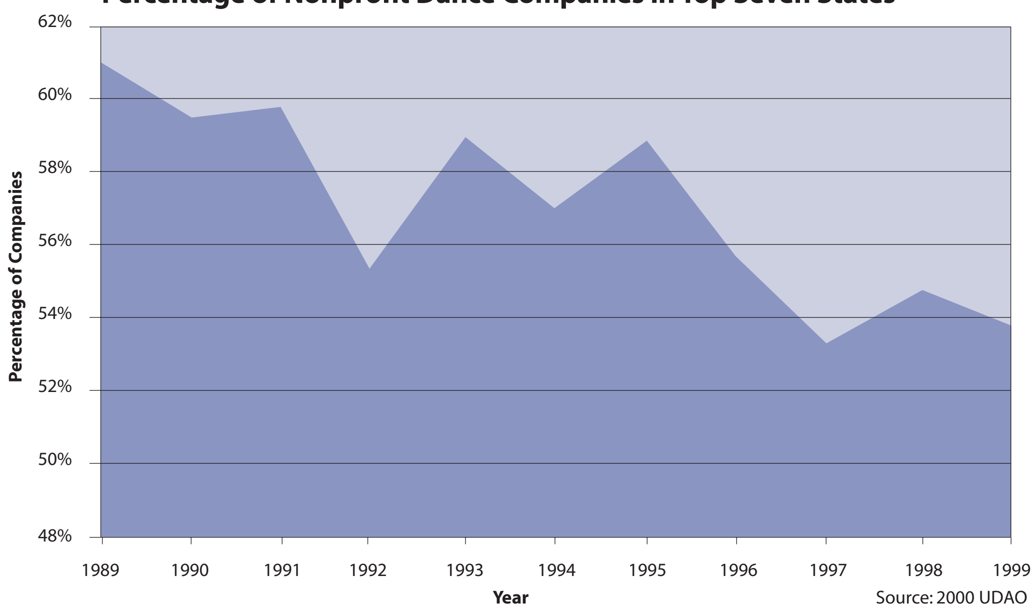
**Table 3.**
**The Location of Nonprofit Dance Groups, Theatrical Groups, and Symphony Orchestras, 1997**

| | Dance Groups | | Theatrical Groups | | Symphony Orchestras | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| Northeast | 124 | 34.2% | 407 | 27.5% | 194 | 23.1% |
| Midwest | 61 | 16.8% | 335 | 22.6% | 188 | 22.3% |
| South | 82 | 22.5% | 412 | 22.6% | 188 | 22.3% |
| West | 96 | 26.5% | 327 | 22.1% | 240 | 28.6% |
| **TOTAL** | **363** | | **1481** | | **840** | |

Source: 1987, 1992, 1997 economic censuses.

**Chart 4.**
**Percentage of Nonprofit Dance Companies in Top Seven States**




Source: 2000 UDAO

Muntu Dance Theatre's production of
Abdoulaye Camara's *Balante* featuring
Uche Omoniyi and Harry Detry.
(Photo by Kwabena Shabu)

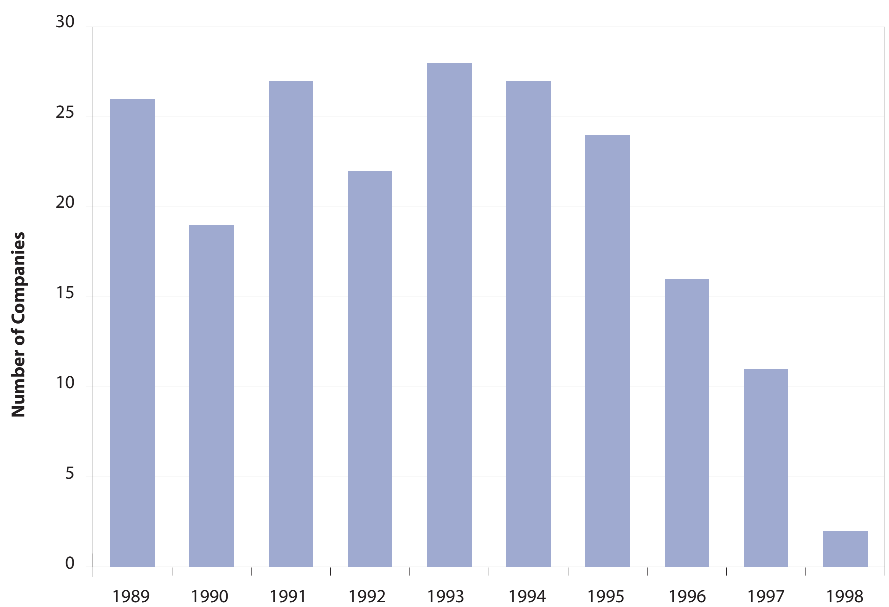
# Starts and Terminations of Nonprofit Dance Companies

Mark Morris Dance Company's production of Mark Morris' *V.* (Photo by Robbie Jack)

In addition to looking at growth rates in the number of dance companies, this analysis also investigated trends in starts (births) and terminations of dance companies in the late 1980s to late 1990s decade. Dance company start dates are designated on the company's IRS Form 990. A termination is also shown on the form if the company reports a "Final Filing" status. Form 990 filings do not fully capture dance company starts and terminations because small organizations with less than $25,000 in income are not required to file. So, a small company may operate for several years before it files its first Form 990 showing a starting date, or it may go on after its final filing. That aside, starts and terminations found on Form 990 forms, captured by the UDAO, offer an interesting glimpse at growth in nonprofit dance during the decade. The results indicate that the industry may have reached a "steady state," or a pattern of slow growth.

Chart 5 and Table 4 show starts and birthrates, calculated as starts as a percentage of companies, in 1989 through 1998. Starts followed an uneven up-and-down pattern in 1989 through 1993, and then consistently fell from 1994 through 1998. The birthrate tended to fall throughout the time period. The two states with the largest number of dance companies, New York and California, were also the states with the largest number of births. Genre is not easily identified using Form 990 start data

**Chart 5. Starts of Tax-Exempt Dance Companies**




Source: 2000 UDAO

**Table 4.**
**Births and Birth Rate Per Year**

| Year | Number of Births B | Number of Companies N | Birth Rate BIN |
|---|---|---|---|
| 1989 | 26 | 236 | 11.0 |
| 1990 | 19 | 247 | 7.7 |
| 1991 | 27 | 278 | 9.7 |
| 1992 | 18 | 311 | 7.1 |
| 1993 | 28 | 317 | 8.8 |
| 1994 | 27 | 323 | 8.4 |
| 1995 | 24 | 328 | 7.3 |
| 1996 | 16 | 358 | 4.5 |
| 1997 | 11 | 360 | 3.1 |
| 1998 | 2 | 359 | 0.6 |

Source: 2000 UDAO

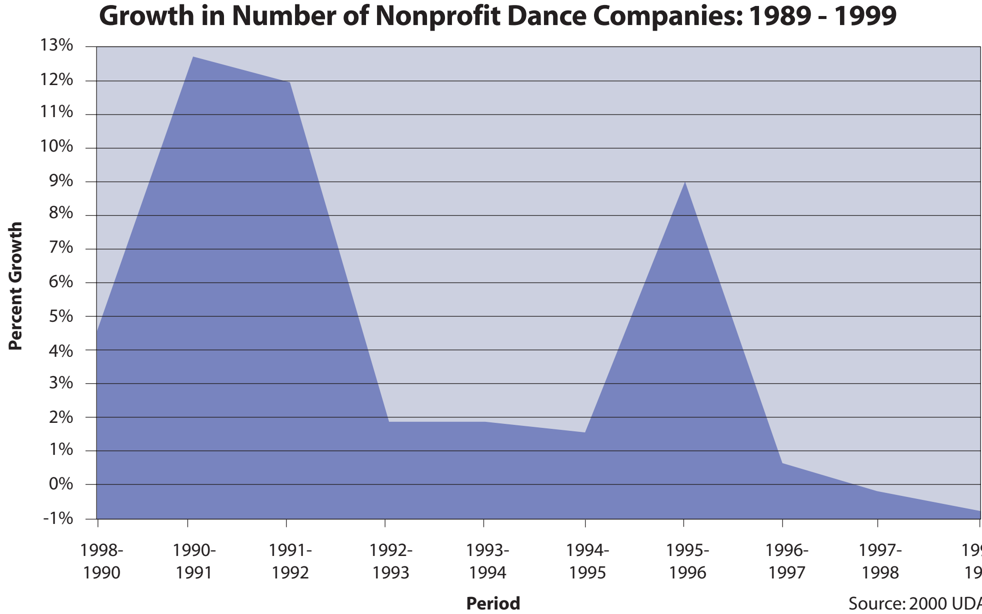
because many starting companies did not indicate their type. Of the 198 new organizations counted in Table 4, 78 identified themselves as ballet companies and 26 classified themselves as either ethnic or modern dance troupes.

Terminations were small in number and more difficult to estimate. However, over the 1989 through 1997 period, the years in which terminations could be tracked, the termination rate (terminations per 100 companies) tended to increase from less than 1 (0.78) at the beginning of the period to 4.2 during at the end. The states with the highest number of terminations were Florida (4), Texas (3), and New York (2) and Kansas (2).

This pattern of decreasing starts and increasing terminations exhibited in the late 1990s suggests that the nonprofit dance industry may have reached a steady state or pattern of slow growth. In fact, in 1996, birth and termination rates converged at 4.5 and 4.2, respectively. Evidence of a steady state is also shown in Chart 6 and Table 5, which illustrate growth rates in the number of dance companies. Though lingering effects from the 1990-1991 recession probably slowed growth in the mid 1990s, growth rates reached zero at the end of the decade, a time marked by strong economic growth.

A steady state in the number of dance companies can occur because the dance audience isn't growing or because the number of dance

**Chart 6.**
**Growth in Number of Nonprofit Dance Companies: 1989 - 1999**




Source: 2000 UDAO

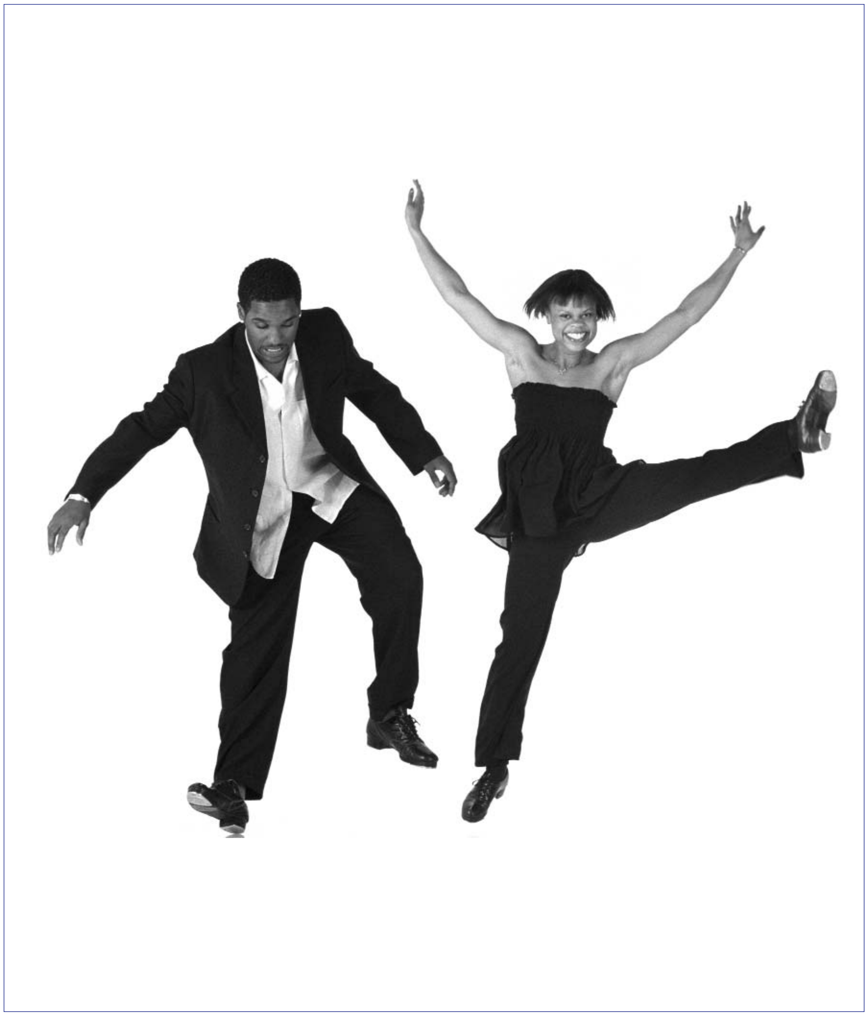
companies in key areas, such as New York or California, is reaching its maximum sustainable level. While the size and growth of dance audiences is beyond the scope of this paper[10] Chart 2, discussed in section 4, shows that the number of dance companies in New York tapered off from 69 in 1998 to 66 in 1999. Growth slowed in California too—after increasing to 58 companies in 1997, the number dropped to 52 in 1998 and 53 in 1999.

**Table 5. Number and Growth in Nonprofit Dance Companies**

| Year | Number of Dance Companies | Growth in Dance Companies Previous Year-Current Year |
|---|---|---|
| 1989 | 236 | |
| 1990 | 247 | 4.7% |
| 1991 | 278 | 12.6% |
| 1992 | 311 | 11.9% |
| 1993 | 317 | 1.9% |
| 1994 | 323 | 1.9% |
| 1995 | 328 | 1.6% |
| 1996 | 358 | 9.2% |
| 1997 | 360 | 0.6% |
| 1998 | 359 | -0.3% |
| 1999 | 356 | -0.8% |

Source: 2000 UDAO

[10] For more information on ballet and dance attendance, see Research Division Note #81, "2002 Survey of Public Participation in the Arts," July 2003.



Jazz Tap Ensemble's production of
Lynn Dally's *I Hear a Rhapsody*
featuring Channing Cook Holmes
and Charon Aldredge.
(Photo by Paul Antico)

# Finances of Nonprofit Dance Companies

Muntu Dance Theatre's production of Idy Ciss' *Fangama*. (Photo by Kwabena Shabu)

This section examines three main areas: (1) trends in income and expenses and the percentage of companies that reported surpluses; (2) the connections between earned income, unearned income, and expenses; and (3) sources of income.

**6.1 Income, Expenses, and Surpluses**

Healthy finances enable dance companies to perform quality work, expand dance audiences, and achieve other goals set by nonprofit performing arts organizations. The dance industry's finances (as measured by income and expenses) weakened during the early and mid 1990s, then sharply increased in the latter part of the decade. The declines in income and expenses during the early and mid 1990s probably resulted, in part, from the 1990-1991 economic recession; the financial gains shown in the late 1990s likely reflected the strong U.S. economy at that time.

As shown in Chart 7, real[11] income (averaged[12] across all performing nonprofit dance companies in the UDAO) decreased from $500,786 in 1990 to $377, 213 in 1995, a drop of nearly 25 percent. Income recovered to $577,527 in 1997, and shot up to $662,506 in 1999. Real expenses followed a similar pattern.

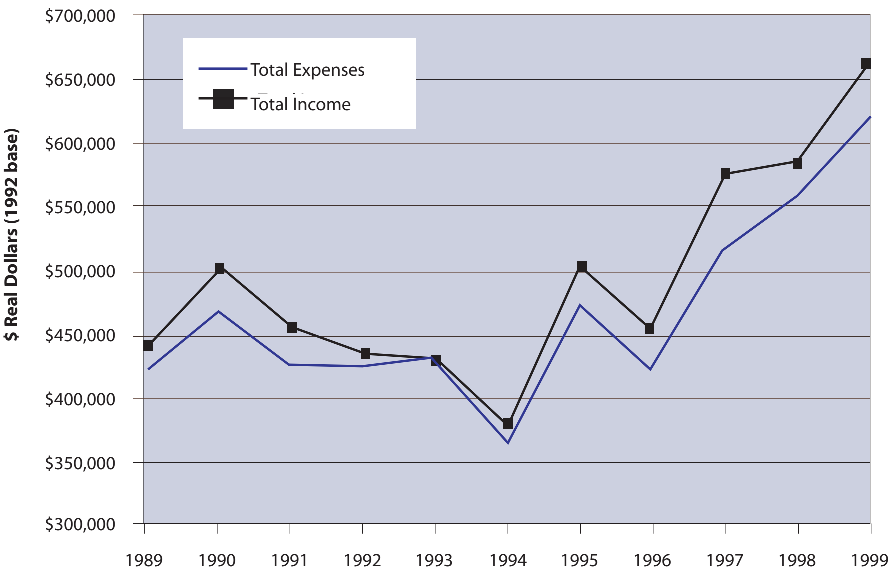
Also, the timing and degree of contraction and expansion varied by type or genre of organization. For example, it took six years for ballet companies to recover from the contraction of the early and mid 1990s. In 1991, real income (averaged across all performing ballet companies in the UDAO) dropped by 22 percent, and then remained flat from 1992 through 1996. The recovery came in 1997 when ballet company income increased by 23 percent.

But income reported by modern dance companies generally grew throughout the 1990s, showing only a small decline of 4.3 percent in 1992, and then jumping by 19.5 percent in 1995. Ethnic dance companies were hit hard in the early 1990s, with income falling by 26 percent between 1990 and 1993, then recovering three years later in 1996, when revenue increased by 37 percent. These findings suggest that non-ballet companies adapt more quickly to budget constraints because they have, on average, shorter planning periods, fewer large and complicated sets, smaller administrative staffs, and other characteristics that give them more flexibility in dealing with budget changes.

[11] Measured in constant 1992 dollars to adjust for inflation.

[12] To be consistent with other averages shown in this report, average income and expenses were calculated using arithmetic means. Median values, which better control for the high levels of income and expenses reported by a few organizations, mainly ballet companies, produced lower averages. Also, median income and expenses generally decreased throughout the 1989 through 1990 time frame, with near flat growth in 1995, 1996, and 1997. The differences between averages calculated as means vs. averages calculated as medians stem from the influence of income and expenses of large ballet companies.

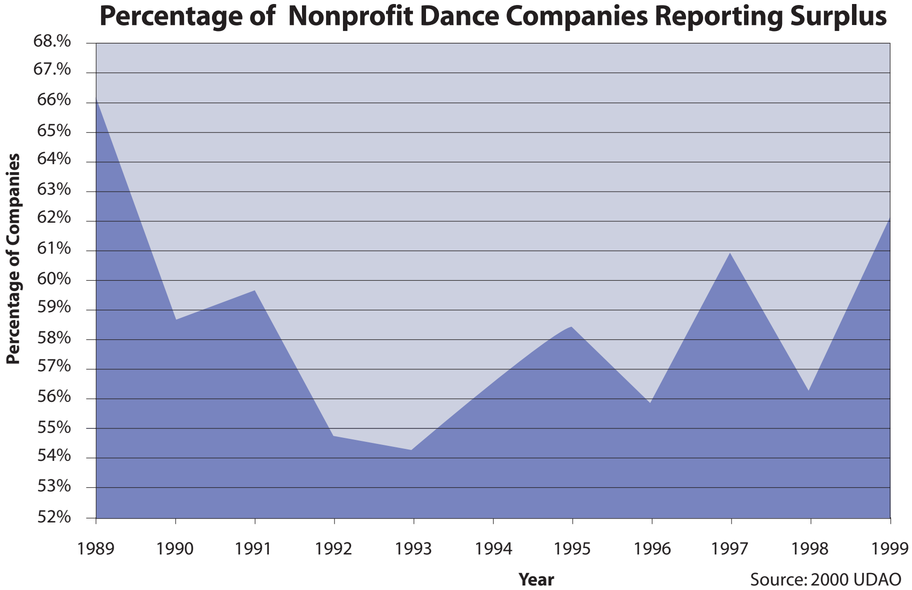
## Chart 7.
## Average Income and Expenses for Nonprofit Dance Companies




Average values measured in constant 1992 dollars. Source: 2000 UDAO

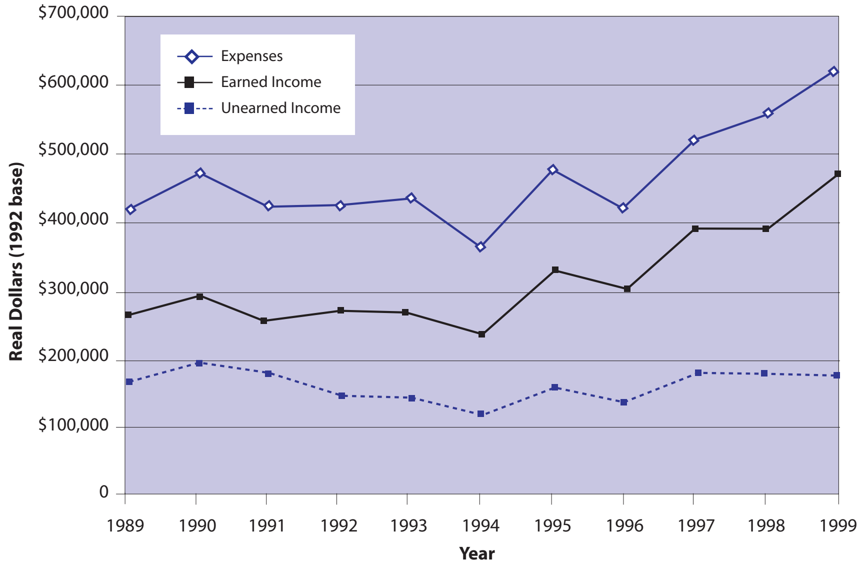
Another indicator of financial well-being is whether or not a dance company generates a surplus, or a positive difference between income and expenses in a given year. Like the patterns shown for income and expenses, the percentage of dance companies reporting a surplus fell in the early 1990s, then generally increased in the late 1990s. The share of companies reporting a surplus reached a low of 54 percent in 1993, and then followed an uneven up-and-down pattern in the remaining years, recovering to 62 percent in 1999. Chart 8 illustrates this trend.

## Chart 8.
## Percentage of Nonprofit Dance Companies Reporting Surplus



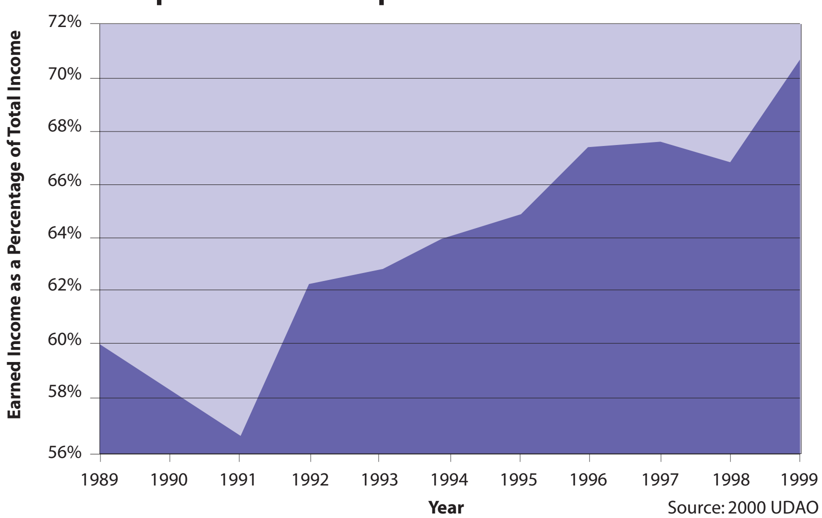

Source: 2000 UDAO

**Chart 9**
**Expenses, Earned Income, and Unearned Income**




Average values measured in constant 1992 dollars. Source: 2000 UDAO

**Chart 10**
**Earned income Ratio for Nonprofit Dance Companies**




Source: 2000 UDAO

### 6.2 Earned and Unearned Income

Dance company income is of two types: earned (ticket and other sales) and unearned (contributions, gifts, and grants). Over the decade examined, growth in ticket and other sales outpaced growth in contributions. In 1989, average earned income, adjusted for inflation, was $265,325, and remained near that level until 1995, when it increased to $327,237. Average earned income generally increased in the remaining years, reaching $467,953 by 1999—a 76 percent gain over the 1989 figure. By contrast, average unearned income started at approximately $174,411 in 1989 and remained fairly constant in the remaining years. By 1999, average unearned income had only increased by 4.5 percent over 1989 levels to reach $182,268.

Chart 10 shows this strength in ticket sales over contributions through the earned income ratio (EIR), which is calculated as earned income divided by total income. The EIR reveals that the nonprofit dance industry's financial health improved during the mid and late 1990s. Following declines in 1990 and 1991, the ratio generally increased in the remaining years, reaching 70.6 percent by 1999.

## The Connections Between Earned Income, Unearned Income, and Expenses

Though real earned income generally grew more rapidly than unearned income, particularly in the late 1990s, the two sources of revenue are actually closely related. Ticket buyers are often asked to make contributions when buying tickets, or are contacted later by fundraising staff. Also, businesses are more likely to award grants and advertise with companies that sell a lot of tickets. Accordingly, this study found that every $1 in ticket sales generated about 14 cents in contributions. Correlation analysis, detailed in the appendix of this paper, further supports this relationship. The correlation coefficient (a number ranging between 0 and 1, with 0 meaning two variables are unrelated, and 1 indicating two variables are perfectly related) between earned income and contributed income was 0.90, quantifying a strong relationship between the two revenue sources.

Unearned income is also related to expenses. As dance companies stage more or larger productions, engage in more outreach, and spend more on fundraising, they receive more in contributions. As a result, the correlation coefficient between unearned income and expenses was high, 0.95.

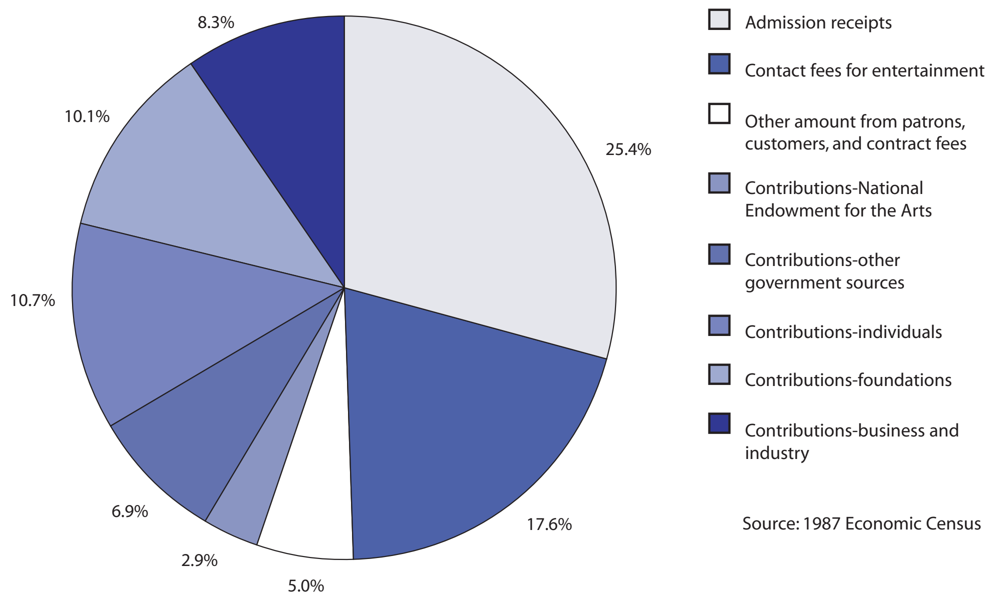
The income, both earned and unearned, and expenses of ballet companies help illustrate this point. The staging of popular ballets such as *The Nutcracker* and *Swan Lake* help ballet companies sell more tickets and garner more contributions. They also have larger budgets for fundraising. As a result, this study found that ballet companies received an average of $50,000 to $100,000 more annually in contributions than modern, ethnic, and other (jazz and tap, for example) troupes.

As an interesting aside, the analysis also found that dance companies located in Illinois received more contributions, on average, than companies located in other states. This is probably because Illinois is home to a number of businesses that make significant donations to the arts (such as Polk Brothers and the Sara Lee Foundation) and has a smaller concentration of dance companies compared to other states with large populations, such as New York, California, and Texas.

### 6.3 Sources of Revenue

While the strong economy during the mid and late 1990s probably helped dance companies sell more tickets, declining government and

**Figure 1.
Share of Tax-Exempt Dance Company Revenue by Source, 1987**

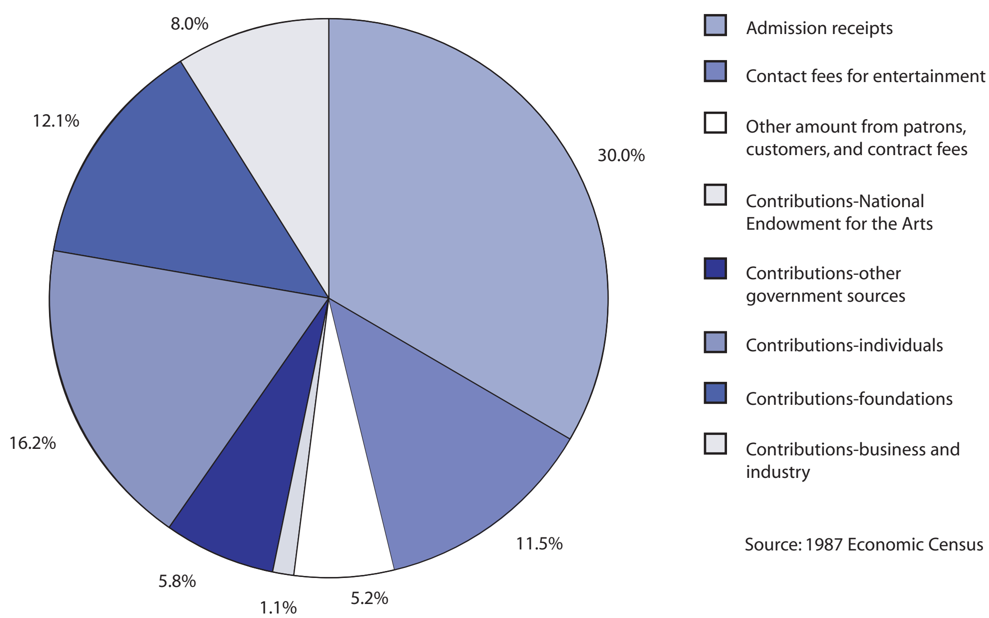



Source: 1987 Economic Census

business support for dance companies served to curtail growth in unearned income. In 1987, admission receipts (ticket sales) were 25.4 percent of total revenue; by 1997, this share increased to 30 percent. During the same 10-year period, NEA and other government support, combined, declined from nearly 10 percent of income to about 7 percent. Business contributions fell, though slightly, from 8.3 percent of revenue in 1987 to 8.0 percent in 1997.

Contributions from individuals rose, however. In 1987, individuals contributed 10.7 percent of revenue. This share rose to 16.2 percent of revenue in 1997. These results show that, over the decade studied, dance companies became increasingly dependent on ticket sales and donations from individuals to support their budgets, and therefore, their artistic goals.

**Figure 2.**
**Share of Tax-Exempt Dance Company Revenue by Source, 1997**



Bill T. Jones/Arnie Zane Dance Company's
production of Bill T. Jones' *Still/Here*.
(Photo by Beatriz Schiller)

# The NEA's Role in Supporting Dance Companies

San Francisco Ballet's production of Helgi Tommason's *Prism*. (Photo by Marty Sohl)

**Table 6.**
**NEA Budget and Allocation To Dance Companies**

| Year | Average Dance Grant Funded | Total NEA Grants To Dance | Total NEA Appropriations | % NEA Budget To Dance Companies |
|---|---|---|---|---|
| 1988 | $53,280 | $5.643,700 | $167,731,000 | 3.4% |
| 1989 | $49,872 | $6,034,500 | $169,090,000 | 3.6% |
| 1990 | $48,728 | $5,993,500 | $171,255,000 | 3.5% |
| 1991 | $54,198 | $5,630,600 | $174,081,000 | 3.2% |
| 1992 | $46,815 | $5,617,820 | $175,955,000 | 3.2% |
| 1993 | $51,119 | $5,572,000 | $174,459,000 | 3.2% |
| 1994 | $49,221 | $5,562,000 | $170,288,000 | 3.3% |
| 1995 | $55,582 | $5,447,820 | $162,311,000 | 3.4% |
| 1996 | $30,278 | $2,725,000 | $99,470,000 | 2.7% |
| 1997 | $59,474 | $3,449,500 | $99,494,000 | 3.5% |
| 1998 | $29,544 | $2,334,000 | $98,000,000 | 2.4% |
| 1999 | $23,414 | $2,177,500 | $97,966,000 | 2.2% |
| 2000 | $19,009 | $2,167,000 | $97,688,000 | 2.2% |

Source: 2001 NEA-DA All values are nominal dollars.

## Grants to Dance Companies

Between 1988 and 2000, the number of non-profit dance companies applying for NEA grants was fairly stable, ranging from a high of 218 in 1988 to a low of 148 in 1996. On the other hand, NEA funding was unstable during the decade. In 1996, the agency's appropriations were cut by nearly 40 percent from the $162.3 million it received the year before, and grant awards to dance companies fell correspondingly. In nominal dollars (not adjusted for inflation), the average NEA grant to dance companies fell to $19,009 in 2000, about 35 percent of its 1988 nominal value.[13]

Table 6 shows average NEA grants, adjusted for inflation, for ballet, modern, ethnic, and "other" (for example, tap and jazz) dance companies.[14] Of the four categories, ballet companies experienced the largest decrease in support. Between 1988 and 2000, the average real grant to ballet groups dropped from $120,760 in 1988 to $20,671 in 2000—an 82 percent cut. Average real grants to modern dance companies were down 65 percent, and support for ethnic and other dance troupes declined by 54 percent and 53 percent, respectively.

[13] This study examined the overall dance budget. During the period examined, the NEA also supported dance companies through programs such as "Challenge," "Advancement," and "Expansion Arts," all of which are excluded from the analysis.
[14] Ballet and modern dance companies have received larger NEA grants because they have, on average, larger budgets and engage in more expensive projects than ethnic and other dance troupes.

Though ballet companies shouldered the strongest declines in average NEA grant awards, ballet was less dependent on NEA funding than other dance companies. For any year shown in Table 7,[15] NEA contributions as a share of total unearned income were lowest for ballet companies. In 2000, for example, NEA grants made up only 0.75 percent of unearned income for ballet companies, but 13.2 percent for ethnic dance companies.

## Leveraging Contributions from Other Sources

The arts community has long accepted the idea that NEA grants leverage contributions from other sources. The research community, however, has questioned the relationship between government and non-government contributions.[16] During the time period covered by this study, for example, NEA contributions to dance companies fell and contributions from individuals and foundations rose, suggesting a potential "crowding-out effect."

By combining information from the UDAO and NEA-DA, this study is the first to methodically investigate the NEA's role in leveraging funding for nonprofit dance companies. A regression model, detailed in the appendix, shows that, during the late 1980s through late 1990s, every $1 in NEA grant funding leveraged about $3.50 in contributions from other sources.

**Table 7.**
**Average NEA Grant Awarded by Genre**

| Year | Average Ballet Grant | Average Modern Grant | Average Ethnic Grant | Average 'Other' Grant |
|---|---|---|---|---|
| 1988 | $120,760 | $48,730 | $19,958 | $20,794 |
| 1989 | $106,343 | $43,788 | $19,302 | $24,816 |
| 1990 | $99,907 | $44,271 | $16,388 | $16,531 |
| 1991 | $92,479 | $50,769 | $17,193 | $18,131 |
| 1992 | $78,175 | $41,974 | $15,182 | $17,560 |
| 1993 | $89,055 | $46,494 | $16,199 | $15,346 |
| 1994 | $75,704 | $44,784 | $17,332 | $16,126 |
| 1995 | $76,671 | $52,753 | $18,100 | $16,072 |
| 1996 | $35,282 | $30,195 | $10,712 | $11,400 |
| 1997 | $74,968 | $53,659 | $25,732 | $33,784 |
| 1998 | $39,512 | $26,446 | $11,250 | $16,315 |
| 1999 | $30,480 | $20,719 | $7,898 | $10,970 |
| 2000 | $20,671 | $17,209 | $8,987 | $9,653 |

Source: 2001 NEA-DA. Average values measured in constant 1992 dollars.

**Table 8.**
**NEA Grants as a Percentage of Unearned Income (Contributions, Gifts, and Grants)**

| Year | ALL | Ballet | Modern | Ethnic | Other |
|---|---|---|---|---|---|
| 1988 | 13.08% | 7.95% | 29.60% | 28.68% | 19.92% |
| 1989 | 11.49% | 6.70% | 25.90% | 22.61% | 23.85% |
| 1990 | 9.29% | 5.49% | 21.13% | 24.02% | 10.94% |
| 1991 | 10.14% | 5.88% | 20.87% | 16.75% | 10.74% |
| 1992 | 8.65% | 4.65% | 20.40% | 17.53% | 12.99% |
| 1993 | 10.13% | 6.37% | 22.80% | 16.43% | 10.19% |
| 1994 | 8.85% | 5.71% | 18.37% | 16.52% | 7.11% |
| 1995 | 42.53% | 29.77% | 54.61% | 43.11% | 37.47% |
| 1996 | 4.87% | 2.12% | 11.05% | 12.34% | 6.06% |
| 1997 | 7.58% | 3.87% | 20.09% | 33.23% | 19.62% |
| 1998 | 3.78% | 2.02% | 11.10% | 12.41% | 9.75% |
| 1999 | 3.03% | 1.48% | 8.43% | 11.81% | 3.18% |
| 2000 | 3.62% | 0.75% | 4.99% | 13.18% | 11.66% |

Source: 2001 NEA-DA

[15] The high percentages shown in Table 6 for 1995 reflect the agency's efforts to award comparatively large grants to fewer, bigger arts organizations in that year.

[16] Warr (1982), Roberts (1984), and Bergstom et. al. (1986) propose theoretical one-to-one crowding out between government funding and private contributions. Other research has found negative relationships between government funding and private contributions—Kingma (1989), for example, found a "crowding-out" between government and private funding for public radio.

For example, a company that received a $15,000 grant from the NEA received, on average, an additional $53,500 in donations from businesses, foundations, individuals, and other government sources. In addition, the $3.50 was the most conservative finding of the study. Restricting the model to the years 1998 and 1999, a period of strong economic growth, yielded a much higher result—$16.45 in contributions for every $1 in NEA funding.

The statistical model also reveals that non-NEA contributors were more likely to fund dance companies that sold a lot of tickets, ran budget surpluses, and were older and well established.

These findings suggest that the NEA may play a special role in identifying new talent. When considering applications sent by companies throughout the country, the agency's dance staff and reviewing panels (comprised of dance-field experts from outside the agency) consider a host of factors, but quality of the company's proposed project is a chief criterion. Through this process, the NEA may discover dance companies that are not yet well established or well known to the larger contributing community. An NEA grant may signal to other contributors, particularly foundations, that such a company is worthy of financial support.

Flamenco Vivo Carlota Santana's
founder and choreographer
Carlota Santana.
(Photo by Lois Greenfield)

# Conclusion

American Ballet Theatre's production of Kevin McKenzie's *Swan Lake* featuring Irina Dvorovenko. (Photo by MIRA)

In 2001, the U.S. economy again fell into recession. Since this study ends with data from the late 1990s, it cannot capture growth and financial conditions now facing nonprofit dance companies. However, based on the model used in this study, and if the effects of the 2001 recession mirror what happened to dance companies in the early and mid 1990s, earned income may fall by as much as 30 percent.

Dance companies may be taking an even harder hit from decreases in contributed income. Recent press articles report that nonprofit dance companies are hurting from falling ticket sales and cuts (in some cases drastic cuts) in contributions from state and local governments.[17] The Foundation Center reports that, after increasing in the late 1990s and into 2000 (due in part to high stock values at that time), foundation giving will fall during the next couple of years.[18] And, though NEA appropriations increased in 2001, the agency's funding remained flat at about $115 million in 2002 and 2003.

Historically, some sectors of the economy, such as select manufacturing industries, have emerged stronger from recessions—the painful losses in profits and ensuing layoffs forced some firms to employ more efficient business operations. These leaner firms were then poised for increases in profits and market share as the economy expanded. But the nonprofit nature of dance makes it difficult to predict how dance companies will manage the current economic weakness. It's possible that dance organizations will endure by cutting costs and implementing new measures to increase ticket sales and attract contributions. Research suggests that these measures may include new advertising and marketing campaigns (Yesselman, 1983) and increases in education and outreach (Smith, 1998).

[17] See "Starting Here," *Dance Magazine*, June 2003. And also see BBC News, World Edition, "US Arts Face Devastating Cuts," June 12, 2003.
[18] See Arts Funding IV "Highlights," available on the Foundation Center's website at www.fdncenter.org.

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# Appendix

## I. Dance/USA Survey Results

Based on information from Dance/USA member companies,[19] Munger[20] (2001) reported on the trends of dance companies throughout the 1990s. In this report, Munger suggested that there were several trends present: large ballet companies experienced growing revenue budgets despite declining audiences; medium ballet companies experienced similar declining audience, but countered with internal cost-controls on payroll and increased ticket prices; medium-sized modern dance companies found touring revenue was responsible for a larger portion of total earnings. Munger also found that the percentage of ballet and modern companies that reported surpluses dropped in 1991, increased throughout the early 90s, and dropped again in the mid-to-late 90s. With respect to contributions, Munger found a decrease in the amount of government grants and an increased reliance on individual donations. Overall, Munger sees that the strong companies are becoming stronger, while the smaller companies are challenged to establish themselves in the market.

**Appendix Table 1.**
**Number of NEA Grants Funded and Rejected**

| Grant Year | Grant Applications | Applications Funded | Applications Funded | Average* Grant Funded |
|---|---|---|---|---|
| 1988 | 210 | 106 | 50% | $53,280 |
| 1989 | 216 | 121 | 56% | $49,872 |
| 1990 | 218 | 123 | 56% | $48,728 |
| 1991 | 206 | 104 | 50% | $54,198 |
| 1992 | 195 | 120 | 62% | $46,815 |
| 1993 | 204 | 109 | 53% | $51,119 |
| 1994 | 206 | 113 | 55% | $49,221 |
| 1995 | 205 | 98 | 48% | $55,582 |
| 1996 | 185 | 90 | 49% | $30,278 |
| 1997 | 159 | 58 | 36% | $59,474 |
| 1998 | 148 | 79 | 53% | $29,544 |
| 1999 | 174 | 93 | 53% | $23,414 |
| 2000 | 201 | 114 | 57% | $19,009 |
| 2001 | 217 | 121 | 56% | $16,537 |

Source: 2001 NEA-Dance Applicant
*Average values-arithmetic means- are in nominal dollars.

Many of the results listed in Munger (2001) are similar to the findings presented in this report (Smith, 2002). These similarities include:

1. Munger found that approximately 65-70 percent of ballet and modern companies were profitable—reported a positive difference between income and expenses for a given year. He also found a decrease in the percentage of companies reporting a profit in 1991 and 1997.

2. Munger found that large ballet companies had an average Earned Income Ratio—earned income as a percentage of total income—of 57 percent, small ballets had an EIR of 52 percent, large modern companies had an average EIR of 55 percent and medium moderns reported an average EIR of 44 percent.

3. The companies in the Dance/USA data show two trends with respect to government funding: a decrease in the percentage of companies that received government support and a decrease in the average dollars funded (pp. 11). An analysis of the NEA-DA identified that although the average dollar amount of each grant from the NEA to dance companies decreased, the percentage of grant applications funded by the NEA steadily and slightly increased between 1995 and 2001.

[19] John Munger writes an annual report for Dance/USA based on the information from its survey of member companies. The 1999 Dance/USA report included 34 companies.
[20] An overview of the surveys throughout the 90s is found in: John Munger, "Dancing with Dollars in the Millennium: A Ten-Year Summary of Trends," *Dance Magazine*, April 2001, pp. 3-14.

4. The Dance/USA companies replaced lost government grants with individual contributions. In fact, many companies increased individual contributions by more than the lost government funding. Figures 1 and 2 in this analysis report a similar trend from the 1987 and 1997 Economic Census.

Although the Dance/USA dataset is smaller than the three datasets used in this analysis, both reports found similar results across the dance field. Each dataset provided its own perspective on dance companies. The advantage of the Dance/USA dataset was that the surveyors asked member companies about detailed financial information (i.e. touring revenue). The advantage of the UDAO, NEA-DA, and EC was that they included a large number of companies and a large array of demographic and financial variables. When the three datasets were used together they provided an unprecedented in-depth look at the dance field.

## II. Interrelation Between Expenses, Earned Income and Contributions:

Correlation coefficients were estimated for dance companies across the U.S. between 1989 and 1997 in order to gain a better understanding of the relationship between earned income, unearned income, and expenses. A correlation coefficient is arrived at through a statistical technique that tracks the closeness or association between two variables. The coefficient ranges between 0.00 (no connection) and 1.00 (perfectly connected).

The correlation coefficients show that for a given period, t, current expenses, income, and contributions were highly associated with each other. Current expenses were a bit more correlated with earned income (0.978) than current contributions (0.950), although not dramatically so. It is important to note that expenses for a given year were highly correlated to the earned income and contributions received the previous year. The association between this year's expenses and last year's income underscores the importance of revenue in dictating future expenses—a company may be unable to present

**Appendix Table 2.**
**Correlation Coefficients for Expenses, Earned Income, and Contributions**

| | | Expenses *t* | Earned Income *t* | *Contributions* *t* | Earned Expenses *t-1* | Income *t-1* | *Contributions* *t-1* | Expenses *t-2* | Income *t-2* | *Contributions* *t-2* |
|---|---|---|---|---|---|---|---|---|---|---|
| Expenses | t | 1.00 | 0.978 | 0.950 | 0.852 | 0.828 | 0.786 | 0.685 | 0.660 | 0.621 |
| Earned Income | t | 0.978 | 1.00 | 0.903 | 0.836 | 0.840 | 0.753 | 0.687 | 0.676 | 0.606 |
| Contributions | t | 0.950 | 0.903 | 1.00 | 0.816 | 0.769 | 0.789 | 0.638 | 0.596 | 0.603 |
| Expenses | t-1 | 0.852 | 0.839 | 0.816 | 1.00 | 0.980 | 0.948 | 0.681 | 0.655 | 0.621 |
| Earned Income | t-1 | 0.828 | 0.840 | 0.769 | 0.980 | 1.00 | 0.903 | 0.675 | 0.655 | 0.601 |
| Contributions | t-1 | 0.786 | 0.753 | 0.789 | 0.948 | 0.903 | 1.00 | 0.652 | 0.606 | 0.625 |
| Expenses | t-2 | 0.685 | 0.687 | 0.638 | 0.681 | 0.675 | 0.652 | 1.00 | 0.983 | 0.947 |
| Earned Income | t-2 | 0.660 | 0.676 | 0.596 | 0.655 | 0.665 | 0606 | 0.983 | 1.00 | 0.909 |
| Contributions | t-2 | 0.621 | 0.606 | 0.603 | 0.621 | 0.6014 | 0.625 | 0.947 | 0.909 | 1.00 |

Source: 2000 UDAO

* *t*, *t-1*, and *t-2* indicate time periods: *t* is current year, *t-1* is one year ago, and *t-2* is two years ago.

the program of their choice next year if it falls short in earned and unearned income this year. Although "making a profit" may not be the primary goal of a company, the relationship between current expenses and income from the last two years does confirm that companies may not be able to reach artistic goals without reaching budget goals.

## III. Leveraging Effect of NEA Grants

Section 7 of this paper reported that the NEA had a leveraging effect on private and non-NEA contributions to nonprofit dance companies. It should be noted that some studies have found a negative relationship between public grants and private contributions.

In studies of public funding to social services and hospitals—Jones (1983), Schiff (1985, 1990), Steinberg (1985), and Lindsey and Steinberg (1990)—government contributions have the effect of pushing away additional contributions from private individuals and other government sources. This 'crowding out' exists because these government contributions signal individuals and other government agencies that the needs of a specific industry (or nonprofit organization) are being met. The reason that a leveraging or 'crowding in' effect was found in the nonprofit dance field may be because the NEA signals that the industry, or specific company, is particularly worthy of additional funding. In fact, many industry leaders have identified NEA grants as a "Stamp of Excellence" (Illinois Economic Association, 2001).

**Appendix Table 3.**
**OLS Coefficients*: The Marginal Effect of NEA grants on Private and Non-NEA Public Contributions to Nonprofit Dance Companies**
Coefficients with (t-stats in parenthesis)

| Dependent Variables ➤ / Independent Variables ▼ | Private + Non-NEA Contributions[1] | | Private + Non-NEA Contributions | |
|---|---|---|---|---|
| | ß | t-stat | ß | t-stat |
| Constant | -19927 | (0.200) | 134127*** | (3.331) |
| NEA Grant | 3.24*** | (3.042) | 3.54*** | (3.647) |
| Current Fundraising Exp. | 5.67*** | (23.45) | 5.40*** | (17.27) |
| Last Year's Surplus | 0.032 | (0.757) | -0.032** | (2.071) |
| Last Year's Public Service Revenue | 0.061*** | (4.29) | 0.273*** | (12.50) |
| Ballet | 54738* | (1.872) | -9155 | (0.308) |
| Ethnic | 4397 | (0.069) | 11991 | (0.175) |
| Modern | 16384 | (0.380) | -71935* | (1.689) |
| N | 1175 | | 1260 | |
| Adj-R2 | 0.8737 | | 0.8860 | |
| Sig at 0.10 * Sig at 0.01 ** 0.001*** | (235 companies between 1992 and 1996: 1175 total companies) | | (210 companies between 1992 and 1997: 1260Sig at total companies) | |

* Selected Coefficients: The model includes variables measuring the state where the company is located as well as the year of operation.
1. These results are similar to estimates reported in Smith (2003) with the exception of a modified fundraising variable and the time period of several financial variables.

A n analysis was conducted on 235 companies between 1992 and 1996, 210 companies between 1992 and 1997, and 177 nonprofit dance companies between 1998 and 1999. The analysis is similar to the time-series and cross-section estimates presented in Smith (2003). Depending on the time frame of the analysis, the results suggest that every $1 from NEA grants leveraged between $3.25 and $16.50 in non-NEA donations. Current fundraising expenditure, current program service revenue, and ending the year with a surplus also had a significant effect on private contributions. The program service revenue and surplus from the previous year also had important implications for non-NEA contributions and grants.

The results also indicated that NEA grants had a positive effect on non-NEA public funding. The financial reality of the company, especially the fundraising expenditure of the company, did not have as large of an impact on other government contributions. In fact, fundraising expenditure had a negative relationship with respect to non-NEA government contributions.

**Appendix Table 4.**
**OLS Coefficients: The Marginal Effect of NEA grants on Private and Non-NEA Public Contributions to Nonprofit Dance Companies (177 companies in both 1998-1999: 354 total observations)**
Coefficients with (t-stats in parenthesis)

| Dependent Variables ➤ / Independent Variables ➤ | Private Contributions | | Non-NEA Public Contributions | | Private+ Non-NEA Contributions | |
|---|---|---|---|---|---|---|
| Constant | -32699 | (0.646) | 30856** | (2.19) | -1843.32 | (0.033) |
| NEA Grant | 14.49*** | (6.13) | 2.967*** | (4.51 ) | 16.45*** | (6.33) |
| Current Fundraising Exp. | 12.69*** | (7.23) | -6.307*** | (12.92) | 6.38*** | (3.311) |
| Current Surplus | 0.591*** | (12.85) | 0.302*** | (23.65) | 0.894*** | (17.67) |
| Current Public Service Rev. | 0.390*** | (10.71) | 0.027** | (2.733) | 0.417*** | (0.040) |
| Ballet | 347.40 | (0.006) | -4532.08 | (0.302) | -4184.68 | (0.071) |
| Ethnic | -12584 | (0.138) | 5200.71 | (0.205) | -7383.34 | (0.074) |
| Modern | -37502 | (0.513) | -1837.44 | (0.090) | -39339 | (0.490) |
| Other | Benchmark | | Benchmark | | Benchmark | |
| Location | | | | | | |
| NY | -46890 | (0752) | 6625.89 | (0.382) | -53516 | (0.781) |
| CA | 61159 | (0.912) | 6317.06 | (0.339) | 67476 | (0.915) |
| MA | -6754.61 | (0.043) | -16401 | (0.374) | -23155 | (0.134) |
| DC | 40323 | (0.238) | -19713 | (0.419) | 20611 | (0.111) |
| IL | 248441*** | (1.972) | -46198 | (1.318) | 202243 | (1,460) |
| FL | 212682** | (2.296) | 10455 | (0.406) | 223136** | (2,191) |
| Year 1999 | 63221 | (1.480) | 1790.05 | (0.151) | 65011 | (1.384) |
| N | 354 | | 354 | | 354 | |
| Adj-$R^2$ | 0.9426 | | 0.7710 | | 0.9416[2] | |

Sig at 0.10 *
Sig at 0.01 **
Sig at 0.0q1 ***

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