An Investigation on The Relationship Between NEA Funding and Private Giving to Non Profit Dance Companies

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Nonprofit concert dance has always operated in a fragile environment. Low staffing, lack of resources, and lack of funding challenge the work and day-to-day lives of dancers and dance administrators. Especially since COVID hit in March 2020, issues of economic security have been of increasing concern to the leaders of dance companies. Typically, a large portion of revenue for concert dance companies comes from earned income. However, these companies can no longer rely on ticket sales because live performances on stage are not guaranteed. Donations and sources of contributed income are more important than ever to ensure financial stability. Therefore, it is important to reevaluate development planning and funding strategies to best allocate limited resources. Dance administrators should spend time and money targeting only the sources of funding that are fit for their needs. This way, they prioritize the sources that they have the greatest chance of success receiving and that are most relevant to company needs.

Why do dance companies spend valuable time targeting grants from the National Endowment for the Arts (NEA), the sole government agency dedicated to public support of the arts? This question is especially important because it is known that a very small portion of most organization's budgets is covered by NEA. What knowledge will enable dance administrators and fundraisers to more effectively identify and diversify future sources of funding? This paper explores where dance companies of varying sizes find the majority of their funding, as well as why NEA grants are so coveted. Once more informed, dance companies can diversify their funding sources and increase their annual revenue.

Ultimately, this paper will investigate the relationship between NEA funding and private giving to dance companies. First, a dance industry background will be established to inform readers about commercial and concert dance. For profit and nonprofit business models will be described, and a breakdown of traditional nonprofit dance funding in the United States will be reported. Next, the history of the NEA's contributions to dance companies from its creation until recent years will be addressed. The crowd-out theory will be defined and researched through a literary review focused on illuminating discoveries of several previous academic articles on the topic. Sources studying direct and indirect crowd-out impacts on non-profit dance funding will be examined. Then, a decision will be made regarding the claim that NEA funding produces a positive outcome on non-NEA funding for dance companies. Finally, advice will be given to non profit dance companies of varying sizes to inform them on how to curate the most efficient and effective fundraising process for their team.

Overview of Non-Profit Dance and Funding in the United States

Commercial vs Non-Profit Dance

"So… what kind of dance do you do?" This is the question often encountered by aspiring and working dancers when talking to non-professional dancers about how they make their living. Although it may be exhausting and redundant trying to explain one's career over and over again, the arts and entertainment business is complex and particularly hard to decipher for the vast majority of Americans who don't have a background or much experience in the traditional performing arts.

Although lines are starting to blur, there is generally a clear divide between the art form, general purpose, and business models defining commercial and concert dance. Commercial dancers' training usually centers around hip-hop, jazz, and street styles, and their performances are typically designed for, and appealing to, a broad range of audiences. Some examples of commercial dance jobs include: going on tour for Beyonce, being a professional partner on Dancing With The Stars, appearing on stage at the Grammys, getting featured in movies, dancing at the Superbowl halftime show, and so much more. On the other hand, concert dancers generally start training in ballet and modern dance at an early age and attend a conservatory to further their art. The divide between these two styles of dance is also reflected in the difference between art and entertainment. The purpose of commercial dance is to entertain and amuse the audience; oftentimes performers are diverting the audience from the "real world". The purpose of concert dance is to make the audience think and have feelings about what they saw, even if it seems uncomfortable or they do not quite understand what they are experiencing. The professional goal of a commercial dancer would be to sign with a top agent and book gigs, while a concert dancer would hope to gain full time employment with a professional dance company. Instead of hopping from job to job, professional concert dance companies perform seasonally at a local theater while sometimes going on national or international tours. Some well-known concert dance companies include American Ballet Theater (ABT), Martha Graham Dance Company, New York City Ballet (NYCB), Alvin Ailey American Dance Theater, and more.

These two categories of dance are also divided by one very important thing: money. Commercial dancers are usually hired by a standard for-profit business, while concert dance companies often operate as a not-for-profit organization. For-profit companies' main business goal is to generate revenue, which is often achieved by selling a good or service. A for-profit company can derive seed capital (money used to get the business up and running) from the business owner's personal assets, bank loans, or investors. Ultimately, the business' capital will come from the product or service being sold to consumers ("6 Differences…"). For example, a dancer might be hired to go on tour with Justin Beiber, who will generate revenue by selling merchandise and tickets to his shows.

Conversely, non-profit organizations' primary purpose is to serve and improve society. Arts organizations are often formed to develop and promote the works of artists in the fields of visual and performing arts. Many of these organizations have educational programs dedicated to building and preserving the arts. While bringing in money from varied sources is also vital for success, that revenue is used as a means toward fulfilling cultural or social purposes. All non-profit organizations must register through the government as a 501(c)(3) organization, in order to be exempt from paying taxes (Smith 23).

Non-profit organizations are eligible to receive funding from different sources than that of for-profits including government funding in the form of grants, as well as donations from private and corporate entities. Instead of being operated by a business owner, nonprofits are run by a board of directors or trustees who cannot stake financial ownership of the organization. For example, stakeholders including board, staff and artistic personnel of the Martha Graham Dance Company all work toward preserving the works created by Martha Graham, as well as educating young dancers about her technique. These individuals are united by the shared mission and dedication to the goals outlined by the non-profit organization. Any profit accruing from the activities of the company is invested in continuing to serve the mission of the organization rather than providing financial benefit to individual stakeholders.

Non-Profit Dance in the United States

To further outline the principal subject of this paper, it is important to understand the evolution and scope of the nonprofit dance industry in the United States. The total number of dance companies has been rising since the 1950s and has only increased with time. In 1958, there were only 28 modern dance companies and 18 ballet companies in the United States (Carr 8). In the year 1987, there were 188 tax exempt dance companies operating in the United States, more than half of which were concert dance companies performing the classical styles of modern and ballet. In the year 1997, this number doubled to represent 363 nonprofit dance companies. Again, the majority of these companies perform concert dance styles (Smith 2003, 18). Industry reporting also shows that the majority of modern dance companies exist in the northeast region of the United States. Most recently, information gathered from the 2012 US Economic Census reveals the growth in nonprofit dance companies has slowed, though not decreased. In 2012, there were 466 dance companies, 398 of which were granted tax exempt status (Census 1). Although it is wonderful to have the number of American dance companies continuously increasing, this also means increased competition for grants and other sources of funding.

Throughout the country, the sizes and types of dance companies range widely. Budget, staffing, and resources are just some factors that vary depending on the size and reputation of a dance company. For example, the Martha Graham Dance Company is a very large and established dance company. Information from the company’s Form 990 shows that Martha Graham received $2,476,485 in contributions in 2019. Of that amount, over half, an overwhelming $1,651,642, was received from government sources. This company also had a very wide range of funding sources consisting of government grants, fundraising events, contributions, various forms of earned income, and more.

On the other hand, many small dance companies rely on a smaller range of funding sources with ticket revenue from performances and contributions from individuals making up the largest share of revenues. This is likely because many small dance companies do not apply for NEA grants or may not have the staff to assist with diversifying sources for donations beyond individuals. Much industry research and statistics on concert dance does not include the smallest collectives of companies who do not report on an annual Form 990. In order to file a Form 990 and achieve this status, a dance company must have an annual revenue of more than $50,000 (IRS 1). Therefore, small dance companies may operate for several years before being included in such data. Small dance companies will usually have a very small amount of staff who have to take on multiple roles of responsibility. For example, a small dance collective may operate with less than ten people. In this case, individuals will have to take on overlapping roles in marketing, funding, and development, as opposed to focusing on just one. A larger dance company with more funds may keep these departments separate and hire individuals who specialize in their specific role.

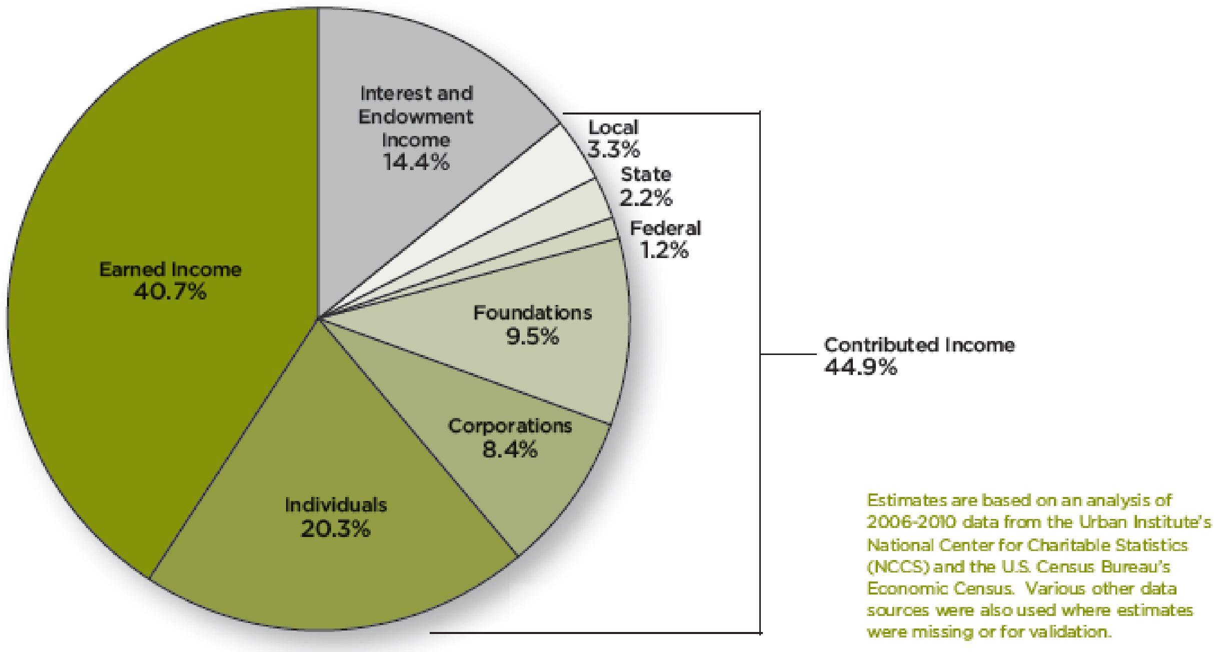
Typical staffing for a larger dance company can be broken down into several different subtitles, including but not limited to: leadership, administrative, production, development, marketing, press, and more. In addition to these paid staffing positions, most dance companies have a board of trustees dedicated to preserving the mission and values set forth by the founder of the company. Furthermore, a board of trustees is often responsible for some fundraising efforts, as well as maintaining donor loyalty within the community. Trustees are the face of the company when it comes to investments and stakeholding (Eisenstein 2). It is very important to maintain a good relationship with the community because nonprofit dance companies rely on individual donations year after year. Nonprofit dance companies depend on donors because the United States' funding system for the arts is much more complex than one would imagine.

Funding Sources for Non-Profit Dance

Securing funding has long-been a focus of those tasked with producing and presenting non-profit dance. What makes funding for nonprofit arts organizations in the United States unique is the decentralized system set in place. This system is complex and combines federal, state, and local government support with private donations from individuals, corporations, and foundations, as well as earned income such as box office receipts and ticket sales. In an analysis from 2006-2010 provided by the Urban Institute's National Center for Charitable Statistics (NCCS) and the U.S. Census Bureau's Economic Census, it can be concluded that 45% of funding to nonprofit performing arts groups and museums comes from government and private sector contributions. The private sector is made up of giving from individuals, corporations, and foundations and accounts for around 38% of the previous statement. The remaining 55% of the revenue can be traced back to earned income (ticket sales, subscriptions, educational program fees, etc) and interest from investments, such as an endowment (Smith 2012). As indicated in the chart below, labeled "Figure 1", the three levels of the U.S. government (local, state and federal) together only represent 7% of funding to nonprofit arts organizations in the U.S. in aggregate. While the amount of revenue individual organizations receive from public (government) sources vary (see Graham funding for 2019 above), understanding what organizations are applicable for larger gifts and from what sources can be a crucial tool for funding departments within dance companies, as it helps an organization allocate their time and resources when deciding which funding groups to target.

Figure 1

Revenue Sources of Not-for-Profit Performing Arts Groups and Museums in the US



Next, it is important to break down the different sources that make up the entire funding pie for dance companies. After all, sources of earned income can vary greatly depending on what type of art form one is examining. The most notable example of earned income within a dance company is ticket sales for public performances. Many dance companies also generate earned income by holding summer training opportunities for pre-professional dancers. These summer intensives can be costly for young dancers, but a chance to study from professionals and hopefully future employers is an opportunity that many dancers fork over their savings for. Furthermore, most dance companies often hold galas and benefits, during which additional revenue can be accumulated. Selling tickets to upscale dinners or auctions featuring the board of trustees and dancers from the company attracts many more dollars for the dance company.

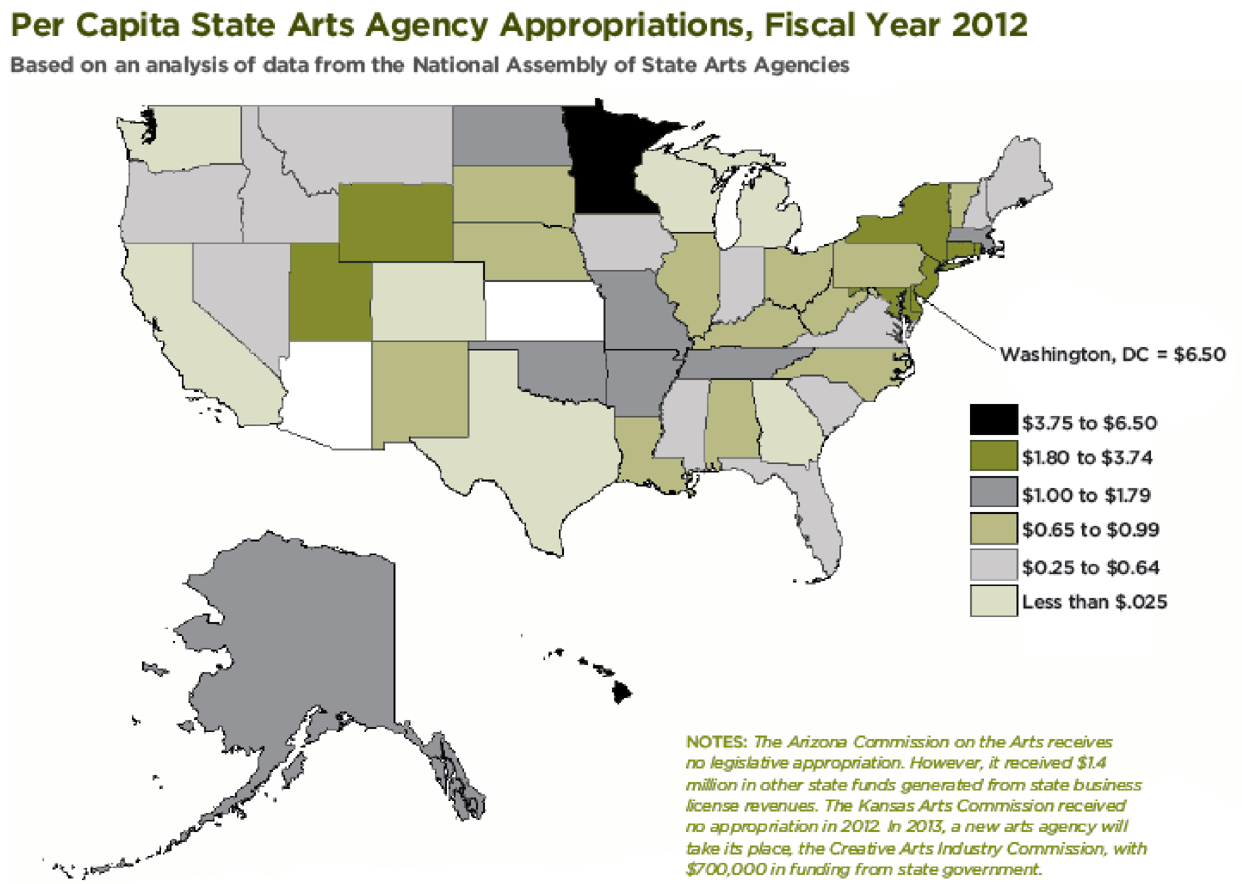
Another important part of revenue for a dance company can be attributed to interest received from investments. The most common example here would be when a dance company is given an endowment. An endowment is a sum of money given to a company purely for investment purposes. The nonprofit may take the annual earned interest to use how it pleases, but it must not touch the original sum of money in the bank. Sometimes endowments can have spending strings attached, depending on who is gifting the endowment. For example, Ballet Austin was given a $3 million investment in 2016 by Dr. Ernest C. and Sarah G. Butler. This investment has been named the Butler New Choreography Endowment. Ballet Austin draws approximately $100,000 per year from this investment and, as per the terms of the endowment, they only spend the money on the creation of new ballets for the company to perform (Stahl 2). Endowments can be a very useful partnership and form of revenue for dance companies.

Private arts support in the United States is broken down into giving from individuals, corporations, and foundations. Individuals account for the largest portion of giving within this sector, donating approximately $13 billion to the category “Arts, Culture, and the Humanities” in 2012 (“How the United States Funds The Arts”). Furthermore, individuals with larger incomes tend to donate more to arts and cultural organizations. Among individuals earning $200,000 or more in 2005, 15 percent of their charitable donations went to arts and cultural organizations. For individuals earning less than $200,000 in 2005, only 1 to 2 percent of charitable donations went to arts and cultural organizations (2). This information can be used by dance companies to find their target donor audience. It may be more useful to target individuals, especially if the company is smaller. It may be harder to achieve a sponsorship or corporate donation if the dance company is newer or lesser known.

Public arts support in the U.S. can be broken down into federal, state, and local levels. At the federal level, the National Endowment of the Arts (NEA) serves as the single largest funder of the arts across America. The NEA was created by Congress in 1965 to serve as an independent federal agency with a mission of advancing artistic excellence, creativity, and innovation for the benefit of American individuals and communities (NEA 1). Although the National Endowment for the Arts is the single largest funder in America, its funds are spread very thin due to its public mandate to support all of the arts in all 50 states, as well as in the six U.S. territories. For the Fiscal Year (FY) 2021, the NEA budget was $167.5 million (Bowley 4). Less than 10 percent of arts support in the U.S. comes from the government, of which slightly less than 1 percent comes from the National Endowment for the Arts ("..Funds the Arts"). It can be quite difficult for dance companies to earn a grant from the NEA, and often, these awards only go to very large, established, prestigious companies.

Smaller dance companies are advised to apply for grants from state and local arts agencies, which also exist to provide funding for arts nonprofits. In fact, many state arts agencies showcase the decentralized giving in the U.S. because they act under a partnership with the NEA. The NEA's State and Regional Partnership Agreement grants are awarded to over 60 arts agencies and organizations (2). Partnership Agreement support extends federal reach and impact to the states, allowing these organizations to better respond to local needs. According to the NEA, almost 90 percent of state partnership funding is allocated via formulas that reflect state populations and equal state proportions. The remaining funds are awarded to states competitively. The map below, labeled "Figure 2", is broken down to show these appropriations per state capita.

Figure 2



New York is known as a hub for many nonprofit dance companies in the United States. This is why it bears one of the highest appropriations per capita, regardless of New York's high population compared to more rural states. The New York State Council for the Arts (NYSCA) awards millions of dollars in direct and indirect grants every year, being that they are a partner of the NEA. Most recently, NYSCA awarded $40 million for the 2021 Fiscal Year. Even during COVID in 2020, NYSCA was able to give 1,200 direct grants (3). To take it one step further, NYSCA has its own decentralization program, similar to that of the NEA. Through NYSCA's Statewide Community Regrant Partners (SCR), they initiate funding partnerships with regional arts councils, allowing them to best serve all 62 state counties ("NYSCA Regrants and

Partnerships"). By delegating responsibilities and funds, the United States government believes it is able to better support and meet the needs of the thousands of arts organizations it houses.

Government Funding in Dance

Impact and Issues

When compared to more centralized systems of arts support, such as the case in many European countries, the NEA's funds appear to stretch too far and thin to make a difference. However, it must be kept in mind that the NEA only makes up 1% of a typical arts organization's funds. American arts organizations receive a multitude of other funding sources (most notably the private sector) that allow them to continually operate. A breakdown of revenue to tax-exempt dance companies in 1997 concluded that 1.1% of revenue came from the National Endowment for the Arts. Other government funding, such as state and local funds, accounted for 5.8% revenue (Smith 31). To ensure these statistics remain relevant to the nonprofit dance industry today, a recent analysis was conducted by examining several dance companies' Form 990s from the year 2019. This analysis is labeled "Addendum A" and can be found at the end of this paper. It includes several pie charts breaking down revenue sources for well-known dance companies of varying sizes. Although individual companies have slightly varied outcomes, the general consensus reflected and supported the data from 1997. Despite the small percentage of funding from government sources that makes up the budgets of many dance companies, those tasked with funding often prioritize government grants and awards.

The question remains as to why dance companies spend valuable time targeting grants from the NEA when so little of their budget is covered by the NEA. With so many different methods of funding in existence (federal grants, private grants, individual donors, etc), arts organizations have to be very specific and strategic with which ones they choose to target. Time can be just as valuable as money; therefore an organization would be wise to spend time targeting only the sources of funding that they have the greatest chance of success receiving.

The History of the NEA

In 1998, the National Endowment for the Arts (NEA) made a statement to arts organizations that receiving funding from them produces a positive impact on receiving other sources of funding. They claimed that, "each NEA dollar is matched by at least 1 to 1 and is a funding catalyst that attracts many more dollars from local and state agencies, corporations, foundations, and individuals" (Smith 1). The validity of this statement must be researched, for its outcome will certainly influence the funding methods taken by arts organizations. Should this be true, arts organizations might place more time and energy into additional private sources, trying to generate as much income as possible. If false, they may be wasting their time entirely, and should turn to public sources instead to generate more revenue. Furthermore, this statement is generalized for all arts organizations. Research must be done to prove how accurate this statement is for dance organizations specifically. Does NEA funding have a positive impact on non-NEA funding to dance companies? Several factors must be researched to come to a conclusion, including the history of the NEA's contributions to dance companies and findings from several previous academic articles studying direct and indirect crowd-out[1]. This information shall be used to help aid dance companies in the future when it comes to their fundraising plans.[1]

[1] Crowd-out defined on page 16

If NEA funding proves to have a significant positive impact on non-NEA funding, many dance companies will spend their time, money, and resources chasing a grant from the NEA. However, their efforts may be futile, as the chances of receiving such a grant are becoming increasingly more difficult. NEA contributions have been declining since the late 80s / early 90s. The period from 1989 to 1996 was marked by serious cuts for all programs. Specifically, during the fiscal years (FY) of 1995 and 1996, the Congressional appropriation to the NEA decreased by 40 percent from $188 million to $112 million (Dokko 5). During this time, the number of dance companies continued to rise, which spread funding thinner than ever.

In the United States, the amount of funding the NEA provides can be allocated to a mere 45 cents per person. Meanwhile, federal funding in other countries, such as Ireland for example, can be allocated to $12.66 per person. The United States has a population that is 73 times larger than that of Ireland, yet their budget is one-third the size of ours (Dokko 8). Even if NEA funding proves to have a positive impact on non-NEA funding, it may be too difficult for most companies to receive such funding to begin with. During the same FY of 1995-1996, the overall number of arts organizations receiving NEA grants decreased around 32 percent while the average amount received by arts organizations similarly decreased about 30 percent (Dokko 5). With all of the cuts made to the budget of the NEA, they have resorted to only funding the most prestigious and established dance companies. In a 1997 analysis of NEA funding, it was proven that the Dance Theatre of Harlem averaged $303,000 in funding. Similarly, all other companies with six-figure grants bear the names of modern American legends: Alvin Ailey, Merce Cunningham, Martha Graham, Paul Taylor, Twyla Tharp (Rice 3). What are the hundreds of other dance companies to do for funding? The truth is, the majority of dance companies survive with no funding from the NEA at all, as their applications are rejected and overlooked. This is turning many companies to work smarter, not harder to find their funding. Instead of exhausting time, money, and resources chasing an unrequited funding partnership with the NEA, companies turn to other sources such as state and local sources, individual and private donations.

The Theory of Crowd-Out

As stated previously, the NEA believes that their funding results in a positive impact for non-NEA funding. This belief that government funding signals a nonprofit's worthiness for support is known as the "crowding-in" theory. Conversely, the belief that increased government funding drives down or eliminates private spending is referred to as the "crowding-out" theory (Smith 3). Under this theory, donors see government gifts to arts organizations as a replacement and therefore give less themselves. It is important to study the crowd-out theory among arts organizations specifically because they operate with help from both the public and private sectors.

When studying crowd-out among private donors, previous scholarship leads to the belief that individuals may decrease their contributions because government funding (specifically larger government grants) is substitutable, to varying degrees, for their own. In this case, the response of private donors is a result of a direct crowding-out effect. Since the 1990s, several academic articles have been published arguing varying levels of crowd-out, and previous scholarship on the crowding-out hypothesis has moved in the direction of concluding that government funds partially crowd out private donations. Smith (2007) analyzes data from nonprofit performing arts organizations over the years 1998-2003. He first analyzes a balanced panel of 2,630 nonprofit theater, dance, ballet, opera, symphony and music companies. Then, he goes further to break down his findings by category. Smith examines 180 ballet companies and

227 modern dance companies in his paper (Smith 4). The financial information referenced in the study was collected from the IRS Form 990 – the tax form used to report finances of 501(c)(3) organizations with more than $25,000 in annual gross receipts. On average, he found that $75,273 of government support was given to ballet companies, while $46,068 of government support was given to dance companies of other styles (5). Additionally, the average amount given to ballet companies by private funding sources was $661,330, while the average amount given to other dance groups by private funding sources was $229,956 (5). Then, using an equation referenced by Steinberg (1991), Smith is able to examine the close relationship between government and private contributions. The model used by Smith is commonly used by many other sources of scholarship studying crowd-out, and it provides for an analysis of performing arts organizations across multiple periods. Smith's results imply that some art forms uphold the NEA's claim of having a positive effect on non-NEA funding - but not in the case of dance companies. Music companies specifically were found to have a significantly large amount of crowd-in ($3.49). However, ballet companies saw numbers of crowd-out that amounted to -$0.78, while modern dance companies were worse at -$0.995 (15). It has been previously assumed that all arts organizations are the same; however, these results prove otherwise. The NEA claimed that a dollar given to arts organizations would result in an additional dollar being given by a private source. Modern dance companies meet a fate that is almost exactly opposite. For every dollar given by the federal government, a dollar is taken away by private spending. These disappointing results directly contradict the NEA's claims.

Furthermore, it is important to study the crowd-out theory among arts organizations because they do not passively receive government contributions. Dance companies have to fight tooth and nail to be granted such gracious gifts. Even with government aid, nonprofit arts organizations actively pursue fundraising activities within their communities to cover the remainder of their budget. However, one approach to understanding the factors fueling crowd-out (known as indirect crowd-out) suggests that organizations alter the intensity of their fundraising activities with the varying levels of contributions received from the government. This is especially suspected within continuing campaigns. The goal of continuing campaigns is typically to raise enough money to continue meeting the ongoing needs of the nonprofit. This means that most nonprofits will set a funding goal for the year and, roughly speaking, stop raising money when the goal is reached. (Andreoni 2003, 2007). This approach displaces the fault of crowd-out onto the nonprofits instead of falling on the shoulders of the NEA. Suppose a dance company is set to raise $100,000 in funds annually. In previous years, they have received $30,000 from government grants and turn to private donations and fundraisers to earn the other $70,000. Now, if one year they receive a federal grant of $60,000 they may decide to cut their fundraising efforts short. By raising only $40,000 in private contributions, this organization just crowded out 42.8% of their private contributions. Of course, this example is theoretical and exaggerated, but the idea it is based off of is more substantial than one might think. In Andreoni and Payne’s study, social service organizations and arts organizations were examined over a period of 15 years. When analyzing the relationship between private giving and fundraising efforts, they concluded that 64% of crowding out was due to changes in fundraising efforts (Andreoni 3). These findings allow the pair to prove that increasing government funding does lead to a decrease in fundraising efforts in the United States. Overall, there are two ways government grants can be related to a reduction in private contributions. The classic, direct-crowd out method implies that the fundraising efforts of nonprofits can be considered a constant, unchanging variable - regardless of how much money is granted by the government.

Indirect crowd-out implies that a larger government grant will result in less fundraising efforts by the nonprofit, therefore reducing private giving. It can be concluded that the total effect of crowd-out between government grants and private contributions is an amalgamation of both direct and indirect crowd-out.

Regardless of the crowd-out effect being direct or indirect, previous studies have come to the conclusions that such theory does exist. Academic articles have come to these conclusions by studying past relationships between government grants and private contributions to arts organizations from data collected in the late 90s and early 2000s. However, it is also important to explore whether crowd-out is still impacting fundraising goals and practices of non-profit dance in the last two decades. A 2014 survey was created to test if government funding to a hypothetical nonprofit arts organization would influence donations made by individuals (Kim and Van Ryzin 1). This survey closely examined the behavioral aspect of the crowding-out hypothesis. This is important because previous studies tend not to consider this cognitive side of private giving. Furthermore, this experiment questions if the extent to which an individual gives is influenced by the information available to them about the presence of other funding received by the nonprofit. This experiment was conducted in the format of an online survey in which 562 individuals participated. It was concluded that the organization receiving government funding (compared to a hypothetical nonprofit receiving no government funding) collected 25% less in average donations (1). Furthermore, the nonprofit organization was also found to be half as likely to receive all of the money in a forced-choice scenario. A forced-choice scenario means the individual would have to give their total donation amount to only one source, instead of being able to give some money to each organization. It is worth noting that arts patrons who have previously contributed to the arts chose to fund the nonprofit receiving government funding more than non arts patrons (2). This may lead to the belief that donations from arts patrons result in less crowd-out because they understand the workings of arts organizations.

Toward a More Strategic Approach to Funding Dance

Suggestions for Small and Medium Dance Companies

After reviewing multiple sources of scholarship, it has been determined that the relationship between public grants and private contributions is not mutually beneficial. The NEA's claim that crowd-in exists at a 1:1 ratio is outdated and generalized, and it does not apply to the funding process of dance companies. As they look toward the future, a few suggestions can be made for non profit dance companies to maximize their sources of funding.

First of all, it is known that many small dance companies do not receive NEA grants. This may be because they do not qualify to apply, or may not have the staff to assist with diversifying sources for donations beyond individuals. Either way, many small dance companies' funding charts are made up of only earned income and contributions, lacking government grants, investment income, and fundraising events. These companies should seek to diversify their funding sources.

Doug Varone and Dancers (DOVA) is a relatively small dance company (with an annual revenue of less than $600,000). DOVA can serve as a funding model for other small companies, seeing that it has a wide range of funding sources. These funding sources are broken down in "Addendum A", along with a helpful pie chart that should serve as an excellent goal for smaller companies to aim for. By hosting even just a few fundraising events, or putting in extra work to receive even a small government grant, the dance company takes significant stress off of earned income and contributions. DOVA does not have to stretch specifically for an NEA grant, but can successfully attain grants from the state or local arts council. Dance companies that rely too heavily on earned income were certainly affected most during the onset of the pandemic, since theaters were closed and live performances were canceled. Dance companies can no longer rely on ticket sales as their biggest source of income because the ground underneath their feet is not stable. One simply cannot guarantee that live performances will continue at pre pandemic levels.

Of course, there is not a “one size fits all” approach to funding diversification for dance companies. Some small companies may still choose to go after a government grant if they have the opportunity. It is known that government grants sometimes incentivize specific projects or cover budget needs. They can also help dance companies achieve distinct goals such as increased accessibility, diversifying the field, or completing a research based initiative. These situations are not always fit for corporations and foundations to provide funding. Lastly, regional and smaller companies without professional staff and with smaller budgets based outside of populated, urban cities very well may need that $10-25k government grant to get through each year, which could be 10% or more of overall revenue. Overall, these are positives that can be associated with the governmental slice of the arts funding pie.

On the other hand, some companies may view government grants as being not worth their time and resources. Some companies wish to carry out their own visions when it comes to creating a new work, instead of having to align with the restrictions attached to grants received. Furthermore, if the government grant will ask them to follow strict guidelines, yet the funding provided does not cover even 10% of the budget, these companies may want to overlook this funding source.

Suggestions for Large Dance Companies

A few suggestions can also be made to larger, more established dance companies. Since crowd-out has been proved to exist, large dance companies who rely on NEA funding should place more efforts on receiving and increasing their government grants. Private sources of funding seem to be a declining source for these companies, and they cannot be depended on. For example, in 2019 the Martha Graham Dance Company received millions of dollars, amounting to 38% of their revenue, in government grants. For companies that receive such a multitude of government funding, they should not simply give up the funds or stop applying because of the existence of crowd-out. These companies have proven that they can secure significant funding from the government, and they benefit off of such funds immensely. However, securing government funding does not mean that these companies should put any less effort into engaging with their donors. Companies such as Martha Graham are at risk for subjecting themselves to indirect crowd-out. It has been confirmed that increasing government funding can lead to a decrease in fundraising efforts in the United States. Indirect crowd-out implies that a larger government grant will result in less fundraising efforts by the nonprofit, therefore reducing private giving. Overall, large dance companies receiving government funds should continue to host fundraising events and find ways to engage with their donors at all levels. Individual donors should not be overlooked by large dance companies because these large companies would not be where they are today without them. At one point in time, even the largest dance companies were just a small collective, relying on individual donations to be able to grow to their current size and status.

In conclusion, this study has thoroughly reviewed the funding process and sources for different sized dance companies in the United States. First a dance industry background was established, and a breakdown of nonprofit dance funding in the United States was reported. The history of the NEA was presented, as well as the theory of crowd-out. Several previous academic articles studying direct and indirect crowd-out were examined, and a decision was made regarding the claim that NEA funding produces a positive outcome on non-NEA funding for dance companies. In the end, the conclusions drawn were used to provide future insight for dance companies. This paper should be used as a helpful tool for dance companies seeking to diversify their funding sources. The guidance described can be used to create sustainable funding models for years to come. The conclusions of this analysis hope to ease the planning process and produce more successful rounds of funding for future organizations who rely on funding to operate.

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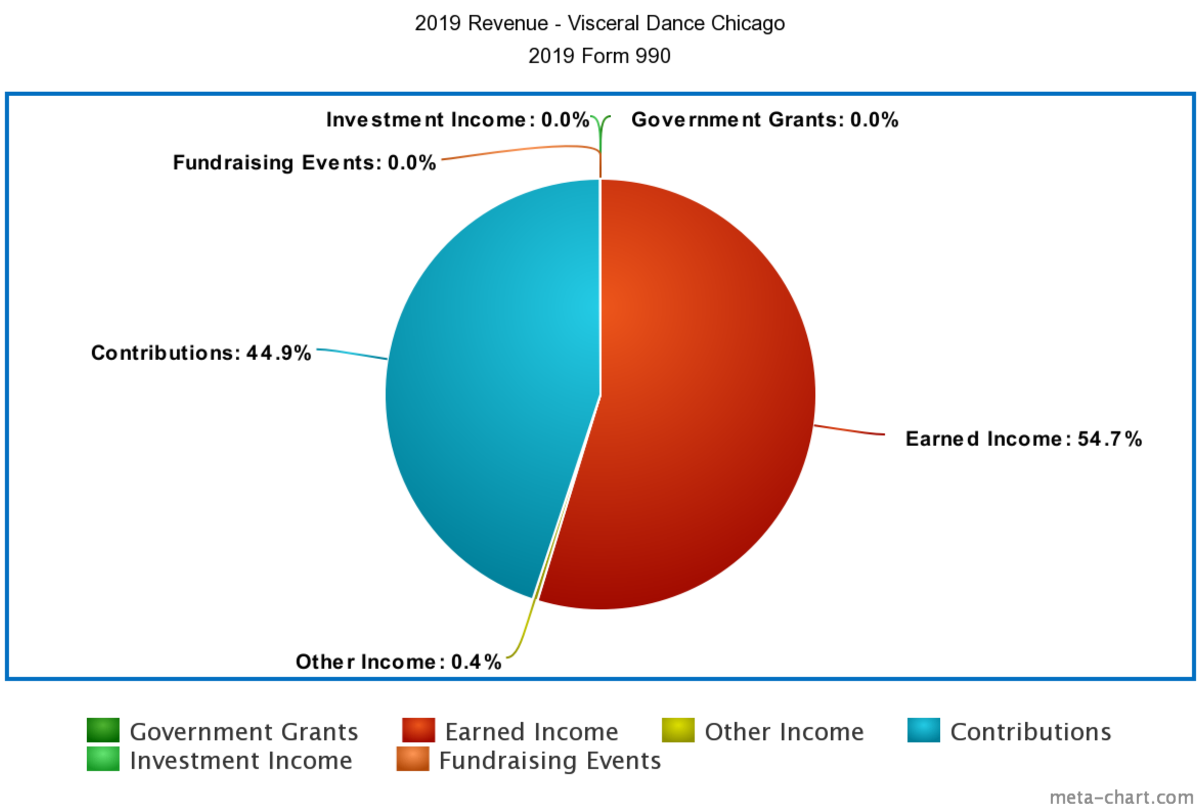
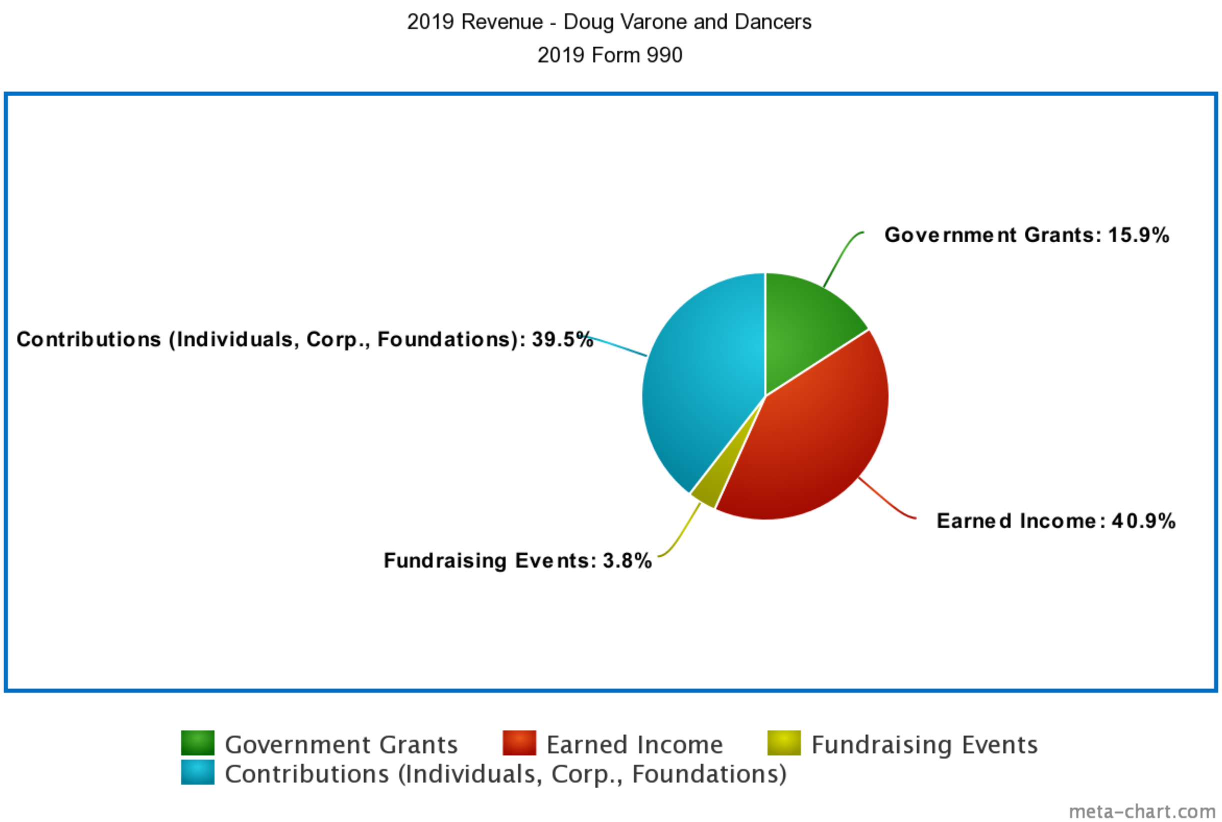
Addendum A

When examining a breakdown of revenue to tax-exempt dance companies in 1997, it was concluded that 1.1% of revenue came from the National Endowment for the Arts (Smith 31). To ensure this statistic remains relevant to the nonprofit dance industry today, a recent analysis had to be created by examining several dance companies' Form 990s from the year 2019.

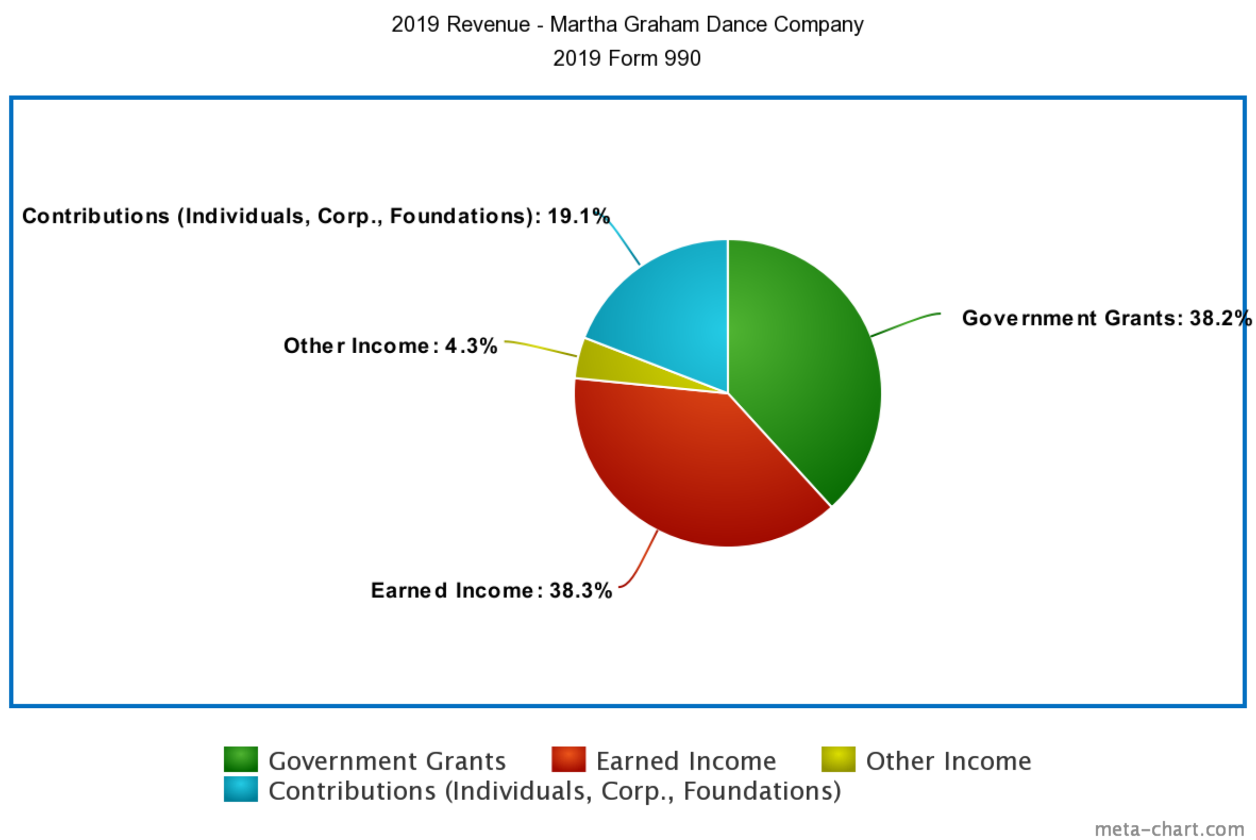


The first dance company to be examined was Visceral Dance Chicago. Visceral Dance Chicago is one such company that can be classified as a smaller dance company on account that its annual revenue amounts to less than $200,000. This company has a relatively simple breakdown showcasing no fundraising events, no government grants, and no income from investments. This company instead relies on ticket sales from performances, as well as other sources of earned income, to cover more than half of its annual revenue. The other 45% of income falls on the shoulders of donors. A suggestion can be made to Visceral Dance Chicago to seek out additional sources of funding in the future. Earned income dominates as their largest portion of revenue, yet since 2020, most dance companies have been suffering by producing less and less live shows. Visceral was one company largely at risk when COVID hit, as their number one source of funding was put at risk.



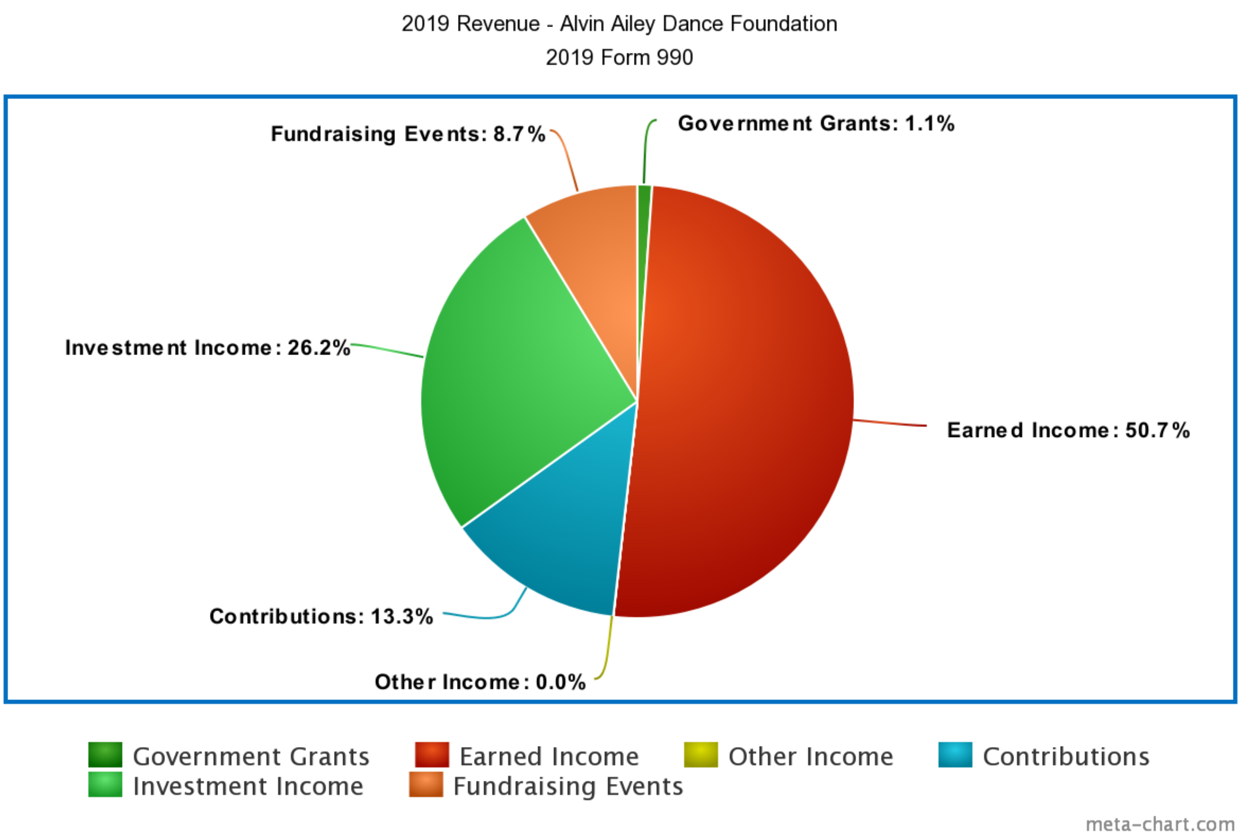
Doug Varone and Dancers (DOVA) is another relatively small dance company (with an annual revenue of less than $600,000). DOVA can serve as a funding model for other small companies, seeing that it has a wide range of funding sources. By hosting even just a few fundraising events, or putting in extra work to receive even a small government grant, the dance company takes significant stress off of earned income and contributions. Dance companies that rely too heavily on earned income were certainly affected most during the onset of the pandemic, since theaters were closed and live performances were canceled. Visceral Dance Chicago should seek to adapt their funding chart to become more aligned with how DOVA operates.

It is also important to review how larger, more established dance companies navigate the funding field. To begin, it was revealed that government grants vary as a percentage of contributed income for larger companies. The Martha Graham Dance Company is one example that appears to over-rely on government grants. Martha Graham received $2,476,485 in contributions in 2019. Of that amount, an overwhelming $1,651,642 was from government sources. This comes in at 38.2% of their total revenue. However, of the $1,651,642 in grants, only $80,000 was from the NEA, amounting to only 0.018% of their overall revenue.

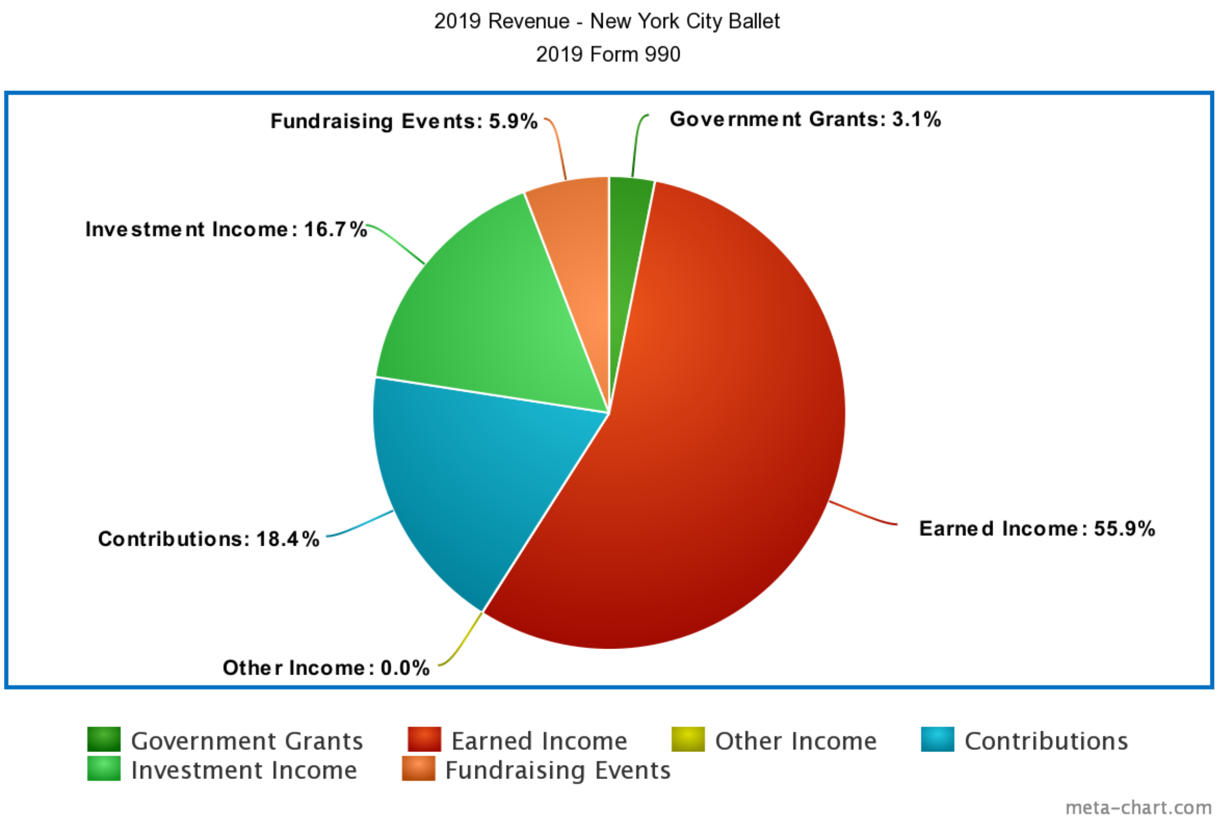


More research was done to answer if other large-scale dance companies receive the majority of their funds from the government. The Alvin Ailey Dance Foundation and the New York City Ballet are two other sources that received heavy grants from the NEA. In 2019, Ailvin

Ailey earned $539,730 in government grants, $90,000 of which were from the NEA. In total, 1.1% of Ailey's overall revenue was from government grants, but only 0.001% was from the NEA.



As for the New York City Ballet (NYCB), they received $2,850,883 in government grants, $75,000 of which was from the NEA. So, 3.1% of revenue total was from the government, but only 0.0008% of revenue was from the NEA.



All three of these examples conclude that funding from the NEA covers an extremely small percentage of overall revenue. However, the last two examples further show that not all large dance companies over-rely on government grants in general. If anything, Alvin Ailey and NYCB rely on the millions of dollars of investment income that they receive every year. Long-standing companies such as these are sure to have well established endowments and investments. Overall, when comparing these examples to the report on all performing arts companies in the U.S., it is revealed that larger dance companies report earned income closer to 50% than the generalized 40%. This could be because larger dance companies have their own theaters and are able to hold more performances annually and draw larger audiences. These same large companies consequently receive slightly less than projected when it comes to contributions from donors.