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A Balancing Act: Supporting the Arts in Canada

By Kelly Wilhelm

This is the second article in our series about arts and culture philanthropy. The series is published as a collaboration between The Philanthropist and The Metcalf Foundation.

In Canada, we support the arts using what is sometimes called a “mixed” or “balanced” model. This means that non-profit arts organizations rely on a combination of public, private, and earned revenues. This model has been described as sitting between the primarily state-sponsored arts and culture of European countries like France, and the free market, privately-supported model in the United States.

These comparative descriptions of arts funding models are, of course, simplifications of complex realities. They do not capture the variety of approaches within each country, or the different realities experienced by artists and arts organizations within and outside the non-profit model.

Artists and arts organizations working in Canada must deftly piece together webs of support from a wide range of public, private, and earned revenue sources. It is a balancing act that requires constant renewal and attention. The growth in the number and diversity of art forms and organizations over the past several decades has outstripped the growth of available funds, which has pushed both artists and funders to work in new ways. The future vitality of the arts in Canada will depend on new complementary collaborations among public and private partners.

Origins and rationale

In Canada, private philanthropy predates public funding to the arts. In the early years of the 20th century, individual donors were instrumental in founding Canada’s first symphonies, dance, and theatre companies. US foundations like The Rockefeller Foundation and Carnegie Foundation supported the establishment of, and the creation of work by, several Canadian arts organizations, such as the National Ballet of Canada.

The 1951 report of the Royal Commission on National Development in the Arts, Letters and Sciences, known as the Massey Commission, highlighted these contributions as part of its rationale for the Government of Canada to take a larger role. The report recommended the establishment of what is now the Canada Council for the Arts to develop the arts and support non-profits dedicated to excellence in European art forms.

From its inception, public funding for the arts in Canada was intended to support the country’s two

“founding” or settler cultures and official languages — English and French. It was intended to ensure space for Canadian voices and Canadian artists. The thinking was that without government intervention, Canada’s smaller population and its proximity to the US would lead to US voices dominating Canadian airwaves, screens, bookshelves, and stages. Without public support, Canada’s artists and arts organizations would not succeed. Canadian stories would not be told. Canadians’ understanding of one another — and Canada’s social cohesion — would be at risk. These concerns are still relevant today as digital technology and globalized trade influence the nature of cultural content available to Canadians.

The mixed model dates back to the founding of Canada’s first public arts funding agencies, which effectively took on the role of primary supporter for arts organizations as they grew in number and size in the second half of the 20th century. The Saskatchewan Arts Board was first, in 1948, followed by the Canada Council for the Arts in 1957. Many other provincial, territorial, and municipal departments and agencies have been created since.

Development of the current model

In the early days, government grants could be as much as 75–95% of an arts organization’s revenue (Marsland, 2013). Private support and earned revenues made up the rest. Government funders required, as they still do today, that arts organizations be non-profits to be eligible for funding. Foundations required that their recipients had charitable status.

By the 1990s, public funders began to expand their support to a broader and more diverse group of artists and arts organizations. Some created measures to support previously under-represented groups, including Indigenous and culturally diverse artists and art forms (ibid), with little or no increase in the size of their budgets. Public funding was spread thinner across a larger group of organizations. Recipients receiving public funding for the first time received smaller grants than those that had a history of public support.

Since the 1990s, the growth in the number of artists and arts organizations seeking government funding has far outstripped the growth of funds available. Private and earned revenue sources have become crucial for arts organizations to survive.

The mixed model revenue breakdown for non-profit arts organizations is sometimes described as one-third public, one-third private, and one-third earned revenue. However, this average does not accurately reflect the reality of individual arts organizations and art forms and differences according to region or length of operating history. For example, in 2013, the ratio of revenues for 75 artist-run centres in the visual and media arts was 73% public, 16% private, and 11% earned.

Public funding by Canadian provinces, territories, and municipalities varies. Quebec provides the highest level of provincial public funding to artists and arts organizations. The rationale for arts funding in Quebec is linked to the preservation of French language, culture, and identity, and reflects the state-sponsored arts funding model of France and European countries.

Municipalities play an increasing role in supporting the arts, providing direct funding as well as in-kind support through, for example, property tax rebates and services to festivals and events. Culture spending by Canada's municipalities increased during the first part of the 2000s, reaching nearly \$2.95 billion in 2009. In the same year, the federal government spent \$4.16 billion on culture and the provinces and territories spent \$3.02 billion.

The US model

Unlike Canada, the United States has traditionally looked primarily to individual donors and philanthropic foundations to support the arts. In 2012, revenue sources for non-profit performing arts groups and museums in the United States were just 6.7% public (local, state, and federal), 44.9% contributed (foundations at 9.5%, corporations at 8.4% and individuals at 20.3%), and 40.7% earned (National Endowment for the Arts, 2012).

Direct government funding to the arts is a small proportion of overall support in the US and can be unpredictable at both the state and national levels. Federal, state, and local public funding for the arts in the US totalled \$1.37 billion in 2018. Despite the fact that it serves a population 10 times the size of Canada, national funding through the US National Endowment for the Arts (NEA) was less than two-thirds the amount provided by the Canada Council for the Arts in 2018.

Indirect government support plays a larger role in the US. A favourable tax environment with specific incentives encourages private giving by charities and individuals. Americans give more to charity than Canadians — as much as two and a half times more (Lammam, MacIntyre, Ren, 2016). In Canada, government support to culture can be a disincentive for individuals to give, because of the view that their taxes already help (LaPlaca Cohen, Nanos Research, 2018).

The European model

By contrast, arts support in Europe is often described as a state-financed system in which governments directly fund artists and organizations to advance a unified vision of a country's culture. However, support to the arts across EU member states varies widely dispelling to some extent the myth of a single, state-supported European model. Where the state-financed model does exist, such as in France, it is under increasing pressure.

Funding for the arts in the EU tends to follow the general trends of public budgets in each country (Opri?, Inkei, Kangas, Srakar, 2013). When and where government budgets decrease, state support for culture also falls. Foundations and private philanthropy, as well as national lottery schemes, are playing an increasingly important role (Miró, Tromp, 2019). Foundations provide funding and non-financial supports: skills training, access to networks, communications, and advocacy.

Changing political priorities, diversifying populations, and increasing movement of immigrants and refugees across EU borders will continue to challenge the idea of a singular cultural identity supported by the state.

Canada's mixed model: strengths and challenges

Canada's model has been fairly robust in developing the arts across the country. Today, we have

outstanding artists in all art forms and innovative arts organizations from coast to coast to coast.

Because they rely on a diversity of revenue sources, non-profit arts organizations are, to some extent, resilient when one source fluctuates. Arts organizations are accountable to their communities because of their reliance on earned and contributed revenues. Many have excelled at seeking new ways to engage ever-broader audiences. Comparative economic stability in Canada, even following the 2008 global financial crisis, has provided a level of predictability to public funding over time.

Several current challenges are poised to deeply affect and test the success of Canada's approach in the future.

Access to funding is increasingly competitive as the number and diversity of arts organizations rises. In the 1950s, the Canada Council for the Arts funded just 29 arts organizations (Canada Council for the Arts, 2001). Its 2017-2018 annual report noted that it funded 2244 organizations and groups in those years. The doubling of the Canada Council's government funding to \$360 million by 2021, announced in the 2016 federal budget, will make a difference for many but will likely not fully address the explosive growth in the arts in Canada and long-standing inequities by art form or region.

There is no longer enough public funding available to make it feasible for artists to establish and maintain a non-profit organization (Marsland, 2013). While the non-profit model creates accountability and connections to community through the organization's mandate, board, and volunteers, it demands considerable staff time to maintain. This is a particular challenge for smaller arts organizations.

Arts organizations spend much of their time and effort developing and maintaining their revenue sources. A single arts organization may need to prepare, administer, and report on grants from foundations, its city, province, and the federal level, as well as seek sponsorships, donations, and one-off funding opportunities. Small organizations can struggle to keep up and to provide evidence of specific artistic, social, or economic impacts required by some supporters.

The non-profit model itself is a factor in chronic under-capitalization of arts organizations as organizations fear that, if they show a year-end surplus to build working capital or an unrestricted reserve, their government grants will be reduced. A lack of working capital can lead to under-investment in artistic work, particularly in risky or new work that may not attract a large audience. The operating margins are simply too small to allow for the organization to recover from failure to meet earned revenue targets.

Recent efforts to address under-capitalization have led to some solutions within the non-profit model, such as support for working capital reserves or endowments for medium-sized and large arts organizations. For example, the Department of Canadian Heritage Endowment Incentives program supported large and medium-sized organizations to create endowments by matching private donations. However, Canadian arts organizations generally continue to lack adequate working capital reserves.

Competition for scarce resources, changing arts practices, evolving technologies, and the blurring line between the "for-profit" and "non-profit" sectors mean that many artists work outside of the non-profit model (Litzenberger, 2013). Public arts funding bodies are trying to adapt and to support artistic collaboration and emerging work. Meanwhile, Canadian artists, particularly those who are self-employed, continue to live financially precarious lives.

Keeping an arts organization healthy in Canada is a balancing act between time spent on administrative and artistic work, generating private and public revenue sources, taking artistic risks, hitting earned revenue targets, and staying relevant to current audiences while engaging new ones.

A new balance: de-colonization, inclusion, and adaptation

Arts organizations rarely have enough resources and capacity to execute a major change in strategy, so change is often incremental. Yet, in this time of social, cultural, and economic disruption, organizations in all sectors must be nimble and adaptive to remain relevant. The arts are no exception.

Canada's support for the arts was built on the two "founding" settler cultures, English and French. Yet Canada is now one of the most diverse countries in the world and seeks to be a model of strength in its diversity of cultures, gender identities, and abilities. Greater space must be made for today's diversity of artists and art forms, and for the cultural expressions of the Indigenous peoples of this land. Making this space requires courageous change in the systems that support culture and identity. The question now is: how do we transform the existing model while also continuing to support the excellent work and the infrastructure built over the last 60 years?

Equitable support for the exceptional work created by artists and arts organizations requires significant new revenue sources. This is particularly true since artists and arts organizations that have been supported in the past are already in a financially fragile position. A new balance must be found between those that have historically benefitted from public and private support and those that have not.

Many public funders have implemented policies and programs to provide equitable access to artists working in culturally diverse art forms and Deaf and disability arts. Others have established partnerships. In British Columbia, since 1996, the BC Arts Council has partnered with the First Peoples' Culture Council to deliver programs for Indigenous artists and organizations. Arts supporters and foundations are developing initiatives and, in many cases, hiring Indigenous staff to lead them. For example:

1. The {Re}conciliation partnership between the McConnell Foundation and the Canada Council for the Arts;
2. The Canada Council's commitment to triple its funding to Indigenous artists and organizations through an Indigenous-led, dedicated program; and
3. The National Arts Centre's first Indigenous Theatre season, which provides presentation and employment opportunities for hundreds of Indigenous artists.

Philanthropy can be key, particularly because it is able to experiment more freely than the public and private sectors. Foundations can take risks, invest in new areas, and develop replicable models. They can provide significant new support to previously unfunded organizations or strategic support at key moments of transformation. They can target their support to innovation, adaptation, and positive change. For example:

1. The Wallace Foundation's Audience-Building Grants to 26 US arts organizations to attract new audiences while retaining current ones;
2. The Metcalf Foundation's Staging Change, an initiative led by EmcArts to support adaptive change initiatives for arts organizations in Toronto; and

3. Bloomberg Philanthropies' Arts Innovation and Management program to provide long-term support to small and medium-sized arts non-profits to help them flourish in cities throughout the US.

Social finance and impact investing are emerging as options to be further explored and may hold some promise for generating new sources of revenue for the arts. In practice, developing the environment for these new models will require collaboration among many partners to shift the regulatory environment for charities in Canada.

Arts funding has always needed to evolve and change. Finding a new balance in arts support in Canada for the future will be a collective effort involving artists, arts organizations, and funders. Private, public, and individual supporters all have a role to play.

To address inequities, further reconciliation, and support evolving art forms and the growth of the sector, our approach should aim to achieve a new balance between continuity and change, stability and risk, and new funds to complement existing ones.

The best solutions will come out of a deep understanding of public engagement with the arts, and in conversations with artists and arts organizations. Artists are adept at imagining possible futures, asking many of the most important questions facing the world, and offering new ways of thinking about them. Together, we can create the conditions for the arts to flourish in our communities and in our country.

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