THE LONG AND WINDING ROAD:

MONEY, CULTURE, AND PUBLIC POLICY IN NEW JERSEY

by

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ABSTRACT OF THE DISSERTATION

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By CAROL C. CRONHEIM

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This dissertation examines for the first time the impact of a 1999 statute that created General Operating Support (GOS) grants for historic sites and organizations in New Jersey, as well as a law passed in 2000 that created the New Jersey Cultural Trust to help financially stabilize arts and history organizations. The research question addressed examines what effect GOS grants have had on history organizations as a group and on those organizations that directly received GOS grants. In addition, this dissertation examines what effect the creation of the New Jersey Cultural Trust has had on the cultural community[1] in New Jersey. Direct subsidies for culture have been called into question, but such research does not address cultural spending financed through a tax or fee that is specifically earmarked for that purpose, as is the case in New Jersey with the Hotel/Motel Occupancy Fee. The research method employed was a statewide survey of arts and history organizations in the state. The results indicate that history organization are in better

[1] Although "culture" can encompass a wide range of meanings, throughout this dissertation the term "cultural community" will be used as it often is in Trenton -- in its narrow political sense as an aggregate term for the non-profit arts and history community in New Jersey.

financial condition and are better able to serve the public through increased programming and staffing than before operating grants were available to them. Public funding did not "crowd out" private funding as some literature suggests. More dollars are out in the economy as a result of a more financially hearty history community, but economic impact studies show that the effect per million dollars in expenditures does not have as large an economic impact as it did ten years earlier. This finding, however, is true for many other industries, mainly because of the increasingly global economy. For the arts and history, a critical mass of funding is necessary to create a positive economic impact, both for state agencies and for their grantees. The data show that we have not yet reached that critical mass. The research also shows that arts and history organizations have thought more about their long-term financial future and stability since the creation of the New Jersey Cultural Trust. This finding holds even if an organization only applied for but did not receive a grant from the Cultural Trust.

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Dedication

I dedicate this effort to my wonderful family, without whom I could not have possibly finished – or started – this endeavor. I can't thank my dear husband, Bill Flahive, enough for his remarkable support on every front – at work, at home, and at play. I am grateful to my fantastic children, Sean and Kevin, for their patience when I had to study or write and for their good humor and sense of fun when I didn't. And, of course, I'd be remiss if I didn't thank my outstanding parents, Bob and Marion Cronheim, who started me on this path toward ever-higher education by passing on their own love of learning and intellectual curiosity. Finally, I'd also like to express my gratitude to my brothers and sisters, both by birth and marriage, and my close friends and colleagues who made this work possible. You frequently picked up the kids, picked up the slack, and picked up the phone to encourage, inspire, and motivate me. You know who you are – and I thank you.

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Chapter I: State of the Arts and History -- A Public Policy Odyssey

> Ἄνδρα μοι έννεπε, Μοῦσα, πολύτροπον, όζ μάλα πολλά
> πλάγχθη, έπει Τροίηζ ΄ιερόν πτολίεθρον έπερσεν.[2]

> **Sing in me, Muse, and through me tell the story of that wandering man**
> **Who was tossed about in many ways after he had sacked sacred Troy.**

The blending of the arts and history go back many centuries. The Odyssey is a prime example of their interrelated nature. Written down, it's a work of great literature. Passed down originally through storytelling, it was song and performance art. Heinrich Schliemann later showed that this epic poem also was an oral history of the times. Going against conventional wisdom, he traced Odysseus's long and winding road to uncover Troy and many of the possible spots along the twisting journey[3].

In much the same way, the arts and history are interrelated in New Jersey. As one of the original thirteen colonies, the Garden State has a long and richly significant history. As the most diverse and densely populated state in the country, it has a vibrant and influential arts scene. Research on the combined impact of the arts and history as one cultural community[4] would be an important contribution to the field and build on earlier research in each area. This dissertation is built around research that is a joint project of the New Jersey Historical Commission and the New Jersey State Council on the Arts.

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[2] Homer, *The Odyssey*, circa 700 BCE. Translation by C. C. Cronheim.
[3] http://www.mnsu.edu/emuseum/information/biography/pqrst/schliemann_heinrich.html
[4] Although "culture" can encompass a wide range of meanings, throughout this dissertation the term "cultural community" will be used as it often is in Trenton -- in its narrow political sense as an aggregate term for the non-profit arts and history community in New Jersey.

America has long had a love/hate relationship with culture. The reasons behind this duality are similar for both the arts and history, but not identical.

From the earliest days of the Republic, Americans have wanted both to break away from the "excesses" of Europe and to prove that the new world is as cultured and sophisticated as the "old" world. We have rejected "state-sponsored" Soviet-style sponsorship of art, but still recognize that culture needs support to flourish. This push and pull of policy and how it relates to the funding of the arts has sometimes been called the "awkward embrace."[5]

Similarly, history in America faces the same types of contradictions. As the New World, we came late to the idea of appreciating our history. We preserve some of our historic treasures, but bulldoze others. In New Jersey, the non-profit group Preservation New Jersey annually publishes a list of the 10 Most Endangered Sites[6] in the state. The state government sets bond money aside annually for non-profit groups to engage in historic preservation, but shutters and allows to deteriorate many of the sites under its own stewardship.

This awkward embrace has been reflected through the ways in which the arts and history have been funded during the nation's history. The first great rush of cultural funding came during the 19th century from the so-called robber barons. Great fortunes were made during the Civil War. To enhance their images and ensure their legacies, perhaps to distract the working class from substandard living and labor conditions, and even to "ennoble" the "common man," wealthy industrialists began to provide a modern-

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[5] Joan Simpson Burns, *The Awkward Embrace: The Creative Artist and the Institution in America* (New York: Alfred A. Knopf, 1975).
[6] http://www.preservationnj.org, May 18, 2010

day equivalent of the Romans' bread and circuses. They built grand museums, elegant concert halls, and magnificent libraries. Post Civil War Chicago is an excellent example.

> Each of these broader concerns – democratic aims, the desire to provide a check on rampant materialism and unrest, to educate the masses, and boost the city's image – merged with more personal considerations to foster the rapid development of cultural patronage in Chicago. Many of the city's most dedicated patrons were property holders, men who stood to benefit from anything which promoted the city's welfare, be it curbing crime and unrest or attracting new citizens to spark the growth of the economy. Moreover, the presence of such institutions helped to mitigate Chicago's unsavory reputation for ruthless materialism.[7]

The next great change came with the imposition of the first federal income tax in 1913. To soften that blow and encourage continued philanthropy, the federal government created 501(c)3 status for charitable organizations and made contributions to these charitable organizations tax deductible. Andrew Carnegie created the first foundation and the Rockefellers soon followed. Their mantra was "doing well by doing good."[8]

Tax deductibility has been the main way the United States has supported the arts and history. Kevin Mulcahy writes, "The indirect public support provided by tax-exempt charitable deductions is the crucial element in sustaining the nation's 8,000 museums, 2,000 local preservation commissions, 351 public television stations, 548 public radio stations, 7,000 community theaters, and 1,800 symphony orchestras among other components of the nation's cultural infrastructure."[9]

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[7] Kathleen D. McCarthy, *Noblesse Oblige: Charity and Cultural Philanthropy Chicago, 1849-1929* (Chicago and London: The University of Chicago Press, 1982) p. 78.
[8] Ruth Ann Stewart, Public Policy and the Arts Lecture (New Brunswick, NJ: Rutgers University, February 19, 2003) paraphrasing a sentiment originally expressed by Benjamin Franklin.
[9] Kevin Mulcahy, "The Government and Cultural Patronage: A Comparative Analysis of Cultural Patronage in the United States, France, Norway, and Canada" in Joni M. Cherbo and Margaret Jane Wyszomirski, eds., *The Public Life of the Arts in America* (New Brunswick, NJ: Rutgers University Press, 2000), p. 144-145.

The first real foray into direct public funding of the arts came during the Great Depression courtesy of the New Deal and the Works Progress Administration. Artists of all types, including writers, painters, actors, and musicians, were hired by the federal government to write travelogues, histories, and plays, paint murals, and put on shows and concerts. The theater program became controversial and was closed down in the late 1930s. The other programs petered out during World War II.

From 1945 to 1965, the Central Intelligence Agency covertly funded cultural exchanges with Russia and its Soviet satellites. America had a lot of new and exciting culture to showcase, as fascism and Nazism had forced many artists – particularly modern artists who were considered "degenerates" – to flee repressive regimes throughout the 1930s and `40s. The United States became the home base for the avant-garde. The CIA seized upon this influx of talent and used culture as a weapon to fight communism, sending ballets, jazz musicians, orchestras, and artworks behind the Iron Curtain. When the agency's covert role in cultural funding was brought to light in 1965, the program was ended.[10]

Finally, the federal government created the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH) in 1965 as separate, independent agencies as part of the Great Society programs. The NEA's legislation called for the creation of arts agencies in all fifty states to act as counterparts and to fight the still-feared centralization of culture.

> Private support of the arts is considered paramount as recognized in the preamble of the National Foundation on the Arts and Humanities Act of 1965, which states that '…the encouragement and support of national progress…in the humanities and the arts…[is] primarily a matter for private and local initiative.' Consequently, the

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[10] Gary O. Larson, *The Reluctant Patron: The U.S. Government and the Arts 1943-1965.* (Philadelphia, PA: University of Pennsylvania Press, 1983).

> NEA has not functioned as a national 'ministry of culture' responsible for comprehensive cultural planning or managing the nation's artistic activities. Rather it has promoted the arts in limited and collaborative ways.[11]

The NEH inspired Humanities Councils in all 50 states by 1997. Unlike the arts agencies, most of these are citizen-operated organizations unaffiliated with their state governments.

Of course, the NEA and NEH are not the only federal agencies involved in cultural programs. The Institute of Museum Services, the Library of Congress, the Department of the Interior, the National Trust for Historic Preservation and many others provide support, funding, and direction. This system directly relates to the awkward embrace. "This institutional fragmentation reflects both the diffuse nature of artistic activity in the United States and a fear of the effects that a unified cultural bureaucracy might have on artistic expression."[12]

The Great Society's programs also led to the system in place in New Jersey. In 1966, the New Jersey State Council on the Arts (NJSCA) was created in response to the NEA's legislation.[13] The New Jersey Historical Commission (NJHC) and the New Jersey Historic Trust (NJHT) followed in 1967.[14] The NJSCA became the central policy and programmatic home for all aspects of the arts in New Jersey. Conversely, the NJHC and NJHT right from the beginning divided up different aspects of history policy and programs, even residing in different departments of state government. The NJHT's

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[11] Kevin V. Mulcahy and Margaret Jane Wyszomirski, eds. *America's Commitment to Culture: Government and the Arts* (Boulder, CO: Westview Press, 1994), p. 122.
[12] Mulcahy, p. 144.
[13] P. L. 1966, c. 214, §1 et seq. NJSA: 52:16A-24 et seq.

[14] P. L. 1967, c. 271. NJSA:18A:73 et seq. (New Jersey Historical Commission) and
P. L. 1967, c. 124. NJSA: 13:1b-15.112 et seq. (New Jersey Historic Trust)

programs were meant to deal with all the "bricks and mortar" issues related to the actual preservation of historic buildings. The NJHC's programs were originally intended to focus on commemoration of and research into New Jersey's history as well as the support and production of scholarly publications. This division of labor still exists today.

Neither agency was given the ability to make general operating grants to history organizations as the arts council could do for arts organizations. Consequently, history organizations lagged far behind arts organizations in what they were able to accomplish and provide to the people of New Jersey. Public Law 1999, c. 131 (also known as the Bagger Bill after its prime sponsor, then-Assemblyman Richard Bagger; other prime sponsors were then-Assemblyman Leonard Lance, then-Senator Robert Littell, and Senator Joseph Kyrillos) stated that "New Jersey's program of history services has suffered for many years from severe underfunding, especially in comparison with funding provided to other cultural interests in the State and to history services in other states[.]"[15] That sentiment was the impetus behind the creation of the program for general operating grants for historic sites and organizations, which is a focus of this dissertation.

The awkward embrace, these contradictions, have led to uneven and unpredictable funding for the arts and history. This research is necessary because the arts and history in New Jersey continually need to explain why they are necessary and important to the state and must continually make the case for government funding. Decision makers, on the other hand, must balance the needs and priorities of the whole state, and therefore continually question whether money for culture is necessary.

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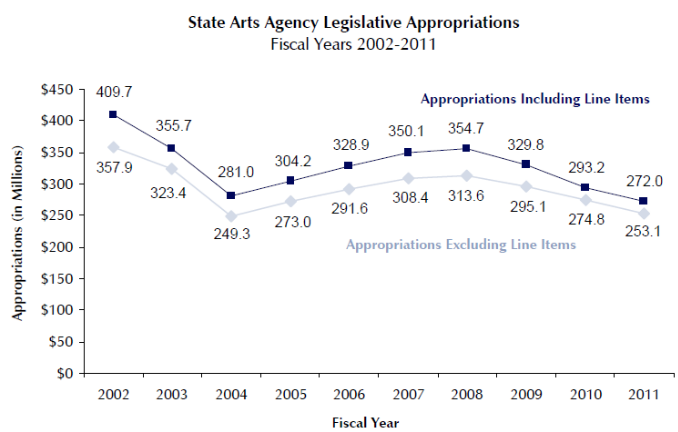
[15] L.1999, c. 131, §1, eff. June 25, 1999.

The National Assembly of State Arts Agencies (NASAA) annually compiles aggregate data on legislative appropriations for state arts agencies. This graph is from NASAA's Fiscal Year 2011 update.[16]

Figure 1-1: State Arts Agency Legislative Appropriations



As the figure shows, legislative appropriations have declined significantly in real dollars over the past ten years. The lines reflect recessionary peaks and valleys in the U.S. economy. Overall, since FY 2002, legislative appropriations including line items for state arts agencies have dropped from $409.7 million to $272 million in FY 2011, for a loss of $137.7 million. When line items are excluded, appropriations dropped from $357.9 million to 253.1 million, or $104.8 million. When the economy turns down, the arts and history organizations are frequently the first to be affected.

[16] http://www.nasaa-arts.org/Research/Funding/State-Budget-Center/FY11PressRelease.pdf

As a result, even the most successful non-profit cultural institutions are one bad season or exhibit away from financial calamity. In the best of times, the lack of resources often forces organizations to operate at less than full capacity, not using facilities or talents to the fullest. In the worst of times, hours are reduced, productions scrapped, and concerts are eliminated or streamlined. New Jersey organizations experienced these disruptions in the recessions of 1990-1991 and 2007-2009.[17] Both of these recessions were severe enough to affect government funding, private fundraising, and earned income. According to the *Star-Ledger*, the most recent recession necessitated the canceling of the American Repertory Ballet's season and a reorganization of its operations and staff and the closing of 12 Miles West Theater in March of 2010. October 27, 2010 witnessed the closing of another recession victim, the 62–year-old Colonial Symphony in Morristown.[18] And this quote comes from a January 24, 2011 piece in the *Star-Ledger* about the Jersey City Museum:

> Last year, it shed staff and pulled back on its public hours, but its board was still unable to find financial stability. When a hoped-for partnership with New Jersey City University failed, museum officials decided to close the doors. The museum will remain shuttered, with only an off-site exhibition at the Hudson County Courthouse in the works, officials said.

In New Jersey, the 2001 recession saw the closing of three prominent arts organizations -- Crossroads Theatre in New Brunswick, Opera Festival New Jersey, and the John Harms Theater. Only Crossroads Theatre reopened after an intensive state and federal effort. Succeeding years saw news reports focused on mandatory staff furloughs at two of the state's larger players on the cultural scene, the Paper Mill Playhouse and the

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[17] http://www.bls.gov/opub/mlr/2010/10/art1full.pdf (Bureau of Labor Statistics)
[18] Peggy McGlone, *The Star-Ledger*, October 28, 2010.

New Jersey Performing Arts Center.[19] In his March 21, 2006 budget address, then-Governor Jon Corzine stressed the poor financial health of New Jersey. His fiscal year '07 budget cut funding for arts and history.[20] Three years earlier, then-Governor James McGreevey proposed completely eliminating the New Jersey State Council on the Arts, the Historical Commission, and the New Jersey Cultural Trust.

Some might ask "Why does this matter? Aren't the arts and history just frills?" I would argue against that interpretation. In the arts and history, three groups of people are directly affected by this phenomenon – the producers and presenters, the consumers, and those who benefit financially from the presence of the arts and history. The producers are affected in very real economic terms. Staff members – artistic, managerial, and blue collar -- are fired, bills mount up or go unpaid, debt is incurred, and production is halted or limited.

The consumers of art and history are the people. From survey data collected as a supplement by the U.S. Census Bureau, the National Endowment for the Arts estimated that 78 million adult Americans (one-third of U.S. adults) attended museums, concerts, ballets, or shows in 2008, not including elementary or high school performances.[21] The benefits to these people are not necessarily as tangible as they are for producers of art or businesses. Lives are enriched, lessons are learned, diversity is explored, and beauty is appreciated. Some individuals claim that they are literally rescued from lives of crime or despair by being inspired by the arts to change their lives. At a rally in Trenton, New

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[19] Peggy McGlone, "It will be coal in their stockings for NJPAC employees," The Star-Ledger, Dec. 20, 2005.
[20] http://www.state.nj.us/, April 18, 2006
[21] National Endowment for the Arts, "2008 Survey of Public Participation in the Arts," http://www.arts.endow.gov/research/2008-SPPA.pdf, p. 1.

Jersey on May 14, 2003, the actor John Amos claimed "the arts saved his life as a teen."[22] He frequently notes that the arts give kids the opportunity to "step over a crack vial and onto the stage."[23] These benefits may defy conventional measurement.

Those who benefit financially from the presence of the arts and history include restaurants, hotels, shops, printers, and urban downtowns. The arts and historic preservation are often used as a cornerstone for redevelopment in distressed urban areas.[24] New Brunswick, New Jersey's cultural district is an example of art being used to stimulate economic development and a safer neighborhood. According to New Brunswick's Mayor, James Cahill, "[a]rts can be multiplied into other industries….The New Brunswick Cultural Center is a $30 million operation."[25] According to a 2007 study conducted by Americans for the Arts, arts activities in just Newark and New Brunswick together generate over $214 million in economic activity with nearly 5,500 jobs, and more than $8 million in local and $8.6 million in state government tax revenues.[26]

It would benefit all New Jersey communities to understand the impact of policy decisions regarding the arts and history. Perceived by some as the land of shopping malls and highways wedged between two of the country's biggest cities, the state has an identity crisis. It is constantly in danger of becoming the "Noplace" that Jane Jacobs referenced in her seminal work, *The Death and Life of Great American Cities*.

A problem, however, that plagues many programs in state government is a lack of evaluation. This statement holds true for policy decisions made for all programs, not just

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[22] The Star-Ledger, "800 artfully protest slashed state funding," May 15, 2003.
[23] Ibid.
[24] Elizabeth Strom, "Let's Put on a Show! Performing Arts and Urban Revitalization in Newark, New Jersey." *Journal of Urban Affairs*, Dec. 1999, Vol. 21, Issue 4.
[25] Home News Tribune, April 24, 2003.
[26] Americans for the Arts, *Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences*, 2007.

cultural programs. When the Legislature passes a program and the Governor signs it into law, the agency responsible for the program issues rules and regulations and begins to run the program. Rarely will evaluation be built into the statute, the rules or regulations, or the budget for the program. The few exceptions usually occur when the federal government partners with the state on a program, such as massive federal initiatives like Medicaid, and requires evaluation data in exchange for federal funding.

This dissertation attempts to begin to address the lack of policy evaluation for the arts and history in New Jersey. It will explore the status, needs, and goals of cultural sites and organizations in New Jersey and compare them to previous data in an effort to evaluate recent policy changes. It will update a survey that examined the profile of, and direct and multiplier effects from, New Jersey's historic sites and organizations and expand that survey to include arts organizations. The original survey was designed and conducted in 1995 and 1996 and became the basis for Chapter Six in Volume III of 1997's *A Heritage Reclaimed: Report of the Task Force on New Jersey History*. This research revised and expanded the original survey instrument, a questionnaire, to include questions suitable for both arts and history organizations and to address current concerns and issues in the cultural community. The research problem is an experiment testing the pre- and post-effects of the availability of operating grants for history organizations and financial stabilization grants for arts and history organizations. Because the previous survey data was taken just a short time before two key cultural statutes were enacted, this dissertation is able to evaluate the effects of the programs created by these policies. It specifically looks at the organization, facilities, operations, and finances of cultural sites and organizations, as well as assesses the present and future needs and goals of the cultural community.

The research increases the body of information available on New Jersey's cultural resources, both to the public and to the stewards of those resources. It expands understanding and awareness for the field and the public. Inasmuch as it provides information and alternatives to public, private, and non-profit policy makers, it should help strengthen and further develop existing cultural organizations' operations, programs, and services by seeking to show the impacts of current policies and programs on these organizations. Because the survey was conducted at a relative high point in state funding, it captures a slice of time that demonstrates what can be achieved with adequate funding. (History funding, mostly for General Operating Support grants but also for research projects, in FY `06 and `07 was $4,552,000 and $4,168,000 respectively, and FY `06 and `07 arts funding was $22,680,000 and $19,112,000 respectively.) In addition, where it exposes mutual areas of concern and shared needs, it opens an avenue for greater cooperation between the arts and history components of the cultural community.

Hypotheses:

This research seeks to determine the impact of certain public policies on the arts and history in New Jersey over the past decade. Among these policies is a 1999 statute that created general operating grants for historic sites and organizations in New Jersey, as well as a law passed in 2000 that created the New Jersey Cultural Trust to help financially stabilize arts and history organizations.

Hypothesis 1:

My main hypothesis is that history organizations as a group are in better financial condition and are better able to serve the public through better amenities, increased programming and increased staffing than before General Operating Support (GOS) grants from the New Jersey Historical Commission were available to them. I have examined this assertion by comparing my data to the data from the original survey published a decade before this survey was conducted.

Hypothesis 2:

In addition, I hypothesized that organizations that actually received General Operating Support grants are better off than those that did not.

Hypothesis 3:

Conversely, though, organizations that did not receive GOS grants should be no worse off than a decade before and could conceivably be better off due to a number of factors, like greater attention to history statewide because of the new grant programs, greater organizational longevity since the first survey was taken, or efforts on an organization's part to qualify for an operating grant or a grant from the New Jersey Cultural Trust.

Hypothesis 4:

Furthermore, I hypothesized that organizations that received GOS grants also received more funding in private sector grants.

Hypothesis 5:

I also hypothesized that both arts and history organizations have thought more about their long-term financial future and stability since the creation of the New Jersey Cultural Trust. The survey specifically asked, "If applicable, regarding the New Jersey Cultural Trust, please check off any of the following to indicate how applying for and/or receiving qualification and/or a grant affected your organization." The respondents then had the option of checking off any of 17 boxes relating to financial needs, awareness, capital structure, planning, debt, training, technology, and many other areas.

Hypothesis 6:

Arts and history organizations that received New Jersey Cultural Trust grants should respond more positively to questions about their financial and management capabilities.

Organization of Dissertation:

Chapter II reviews the relevant literature regarding culture in America, cultural funding, and New Jersey's cultural community. Chapter III is a description of the methods used and an examination of the characteristics of the respondents. Chapters IV and V examine the six hypotheses, with Chapter IV focusing on the first and Chapter V focusing on the remainder. Chapter VI looks at the regional impacts of the arts and history in New Jersey and makes comparisons. Chapter VII makes conclusions drawn from the research and addresses avenues for future study.

Chapter II: A Review of the Literature, Not the Neil Simon Play

As mentioned in Chapter I, America has no official cultural policy.[27] Instead, the arts and history play out in front of a backdrop of many cultural policies**.** For example, many states and cities have public art programs. Copyright laws are cultural policy, as are the laws governing public broadcasting and the tax deductibility of donations to non-profit arts and history organizations. Some would argue that this decentralized mix of relatively small government subsidies and rather expansive business and tax subsidies leads to a richer, more diverse cultural community.

> Most of all, arts policy is a window onto how the United State supports creative endeavors. It is commonly believed that we have no arts policy, and on one obvious level this claim is true. No central cabinet-level ministry plans the development of the American arts. At the same time, American governments, at varying levels, have done much to support creative enterprise. The American model arguably mobilizes government more effectively than do many of the European models for arts support. We are further from artistic laissez-faire than is commonly believed to be the case.[28]

The literature supports the view that Americans have long felt conflicted about culture, shunning the perceived "excesses" of Europe yet desiring to prove that the New World was as cultured as the Old.[29] We have been described as prizing usefulness in the arts over beauty.[30] Because of our fear of tyranny, we have feared "centralization."[31] We have rejected a Soviet-style "state-sponsored" system of art, which closely controls its

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[27] Charles C. Mark, *A Study of Cultural Policy in the United States* (UNESCO, 1969); Michael Kammen, "Culture and the State in America," in Gigi Bradford, Michael Gary and Glenn Wallach, *The Politics of Culture: Policy Perspective for Individuals, Institutions, and Communities*. (New York: The New Press, 2000); Glenn Wallach, "Introduction" in Bradford, Gary and Wallach.

[28] Tyler Cowen, *Good and Plenty: The Creative Successes of American Arts Policy*, (Princeton, NJ: Princeton University Press, 2006), pp. 2-3.

[29] Kevin V Mulcahy and Margaret Jane Wyszomirski: *America's Commitment to Culture: Government and the Arts,* (Boulder, CO: Westview Press, 1995); John Kreidler, "Leverage Lost: Evolution in the Nonprofit Arts Ecosystem," in Bradford et al.

[30] Alexis de Tocqueville, George Lawrence, trans., J.P. Mayer, ed. *Democracy in America, (1848),* (New York: Harper and Row, 1969).

[31] Michael Kammen, "Culture and the State in America," in Bradford, Gigi, Michael Gary and Glenn Wallach, *The Politics of Culture: Policy Perspective for Individuals, Institutions, and Communities,* (New York: The New Press, 2000).

content, and the bureaucratic European style.[32] In the Preface to *The Politics of Culture: Policy Perspectives for Individuals, Institutions, and Communities*, James Allen Smith writes:

> If culture is "ordinary," as the British literary theorist Raymond Williams reminds us…the term "cultural policy" is not at all ordinary or familiar to most Americans. In fact, for many in the Unites States "cultural policy" seems to elicit images of government intervention, stifling aesthetic controls, or centralized bureaucratic decisionmaking – at worst Soviet, at best French. [33]

Yet we still recognize that culture needs support to flourish. This push and pull of policy, this awkward embrace, has led to what many consider to be inadequate funding for the arts. In the literature, this has been referred to as "cost disease" because it is a chronic illness in the cultural community. The theory proposes that non-profit arts institutions will never be able to earn enough to support their activities -- that an "earnings gap" will always exist – and therefore government subsidy will always be needed and need to increase as well.[34] As Richard Caves writes in *Creative Industries: Contracts Between Arts and Commerce*:

> One more element intersects with the contracting and fixed-cost problems: the "cost disease" flagged by William J. Baumol and William G. Bowen in their celebrated book on the performing arts. In the long run people's real incomes rise because of innovations that raise the quality of goods and services, and productivity gains that decrease the costs of producing them. The corollary of higher real incomes is rising real wages. These tend to increase producers' costs of production, cutting against the cost savings that come from technical progress. Because productivity advances at uneven rates in different industries, this process alters the relative prices of goods, cheapening those with the greater opportunities for productivity advance. The performing arts, goes

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[32] Kevin V Mulcahy, "The Government and Cultural Patronage: a Comparative Analysis of Cultural Patronage in the United States, France, Norway, and Canada" from Mulcahy and Swaim, C. Richard. *Public Policy and the Arts,* (Boulder, CO: Westview Press, 1982).
[33] Bradford, Gigi, Michael Gary and Glenn Wallach, *The Politics of Culture: Policy Perspective for Individuals, Institutions, and Communities*. (New York: The New Press, 2000), p. ix.
[34] William J Baumol. and William G. Bowen. *Performing Arts: The Economic Dilemma,* (New York: Twentieth Century Fund, 1966).

> the argument, are the losers in this game, as the labor hours required to perform a Beethoven string quartet remain exactly what they were when Beethoven wrote it. Over the long run the cost of producing performances rises without limit relative to other things on which people spend their incomes. Other consumption goods and services will be substituted for the increasingly expensive performing arts until they disappear from the marketplace, their fixed costs squeezing relentlessly against the public's willingness to pay. This analysis has been put forth as an argument for public subsidy to the performing arts.[35]

As a result, even comparatively stable non-profit cultural institutions are always struggling to break even. Non-profit arts organizations only "earn" about half their operating expenses through ticket sales, hall rentals, gift shops, and other income-generating activities. The rest is made up by individual, corporate, and foundation contributions and government subsidies.[36] The exploration of the effect of government subsidies for history organizations will be explored in the discussions of Hypotheses 1 through 4.

Cowen discusses two different approaches to the view of direct subsidy for culture, the aesthetic and the economic.

> The aesthetic approach opens the door for a case for government subsidies to art. Few critics believe that market-driven culture will maximize its potential aesthetic value, or admit of no aesthetic improvements. The perspective of the critic therefore finds an obvious, and potentially remediable, flaw in market outcomes. To the extent that the government can use good taste to target outcomes, direct subsidies could improve on laissez-faire. The economic framework, by adopting the perspective of consumers, leads to greater skepticism about subsidies. Consumers spend most of their cultural time with commercially viable products. They watch television, buy popular novels, and listen to popular music; esoteric forms of high culture are of less interest to them. Not only will art subsidies remove resources from nonartistic pursuits, but subsidies may cause the quality of art to decline, from the perspective of consumers. John Updike wrote: "Government money in the arts, I fear, can only

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[35] Richard E. Caves, *Creative Industries: Contracts Between Art and Commerce* (Cambridge, Massachusetts: Harvard University Press, 2000), p. 229.
[36] The American Assembly. *The Arts and the Public Purpose,* (New York: Columbia University, 1997).

> deflect artists from their responsibility to find an authentic market for their products, an actual audience for their performance.[37]

Regarding the economic framework, Caves also discusses other "cost conundrums," as he calls them. He notes that:

> Only a few nonprofit cultural organizations of each type – operas, dance companies, theatre groups, or museums – operate even in large cities. Their numbers face limits imposed by their cost structures and the sizes of the audiences on whom they draw. Judith Blau explored this relation statistically, obtaining counts of cultural organizations in 110 U.S. cities and relating them to the city's size, wealth, social diversity, and other factors. She found that the city size (population) strongly regulates the numbers of these organizations, especially the museums, ballet companies, and symphony orchestras that are pinched the tightest between high fixed costs and the extent of the market. Her statistical findings…imply that demand for the arts is favored by a large class of affluent households that are well and similarly educated. Only as the city becomes very large do the counts of cultural organizations increase with measures of diversity, implying that social and ethnic groups' differing styles and tastes give rise to distinct cultural institutions only where the fixed-cost burden does not press too hard.[38]

This cost conundrum could be perceived as working both for and against culture in New Jersey. As a state, New Jersey is extremely suburban, with no truly large cities. The 2010 U.S. Census notes that the state has only two cities with populations of more than 200,000 (Newark: 277,140 and Jersey City: 247,597).[39] However, the state as a whole has a population of 8,791,894 with the highest population density of any state. According to the Census, New Jersey has 1100 people per square mile compared to the U.S. average of 79.6 per square mile. If the size of the audience on whom they draw is considered the population within driving distance, many organizations would be within reach of a very large market. According to the Census:

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[37] Cowen, pp. 10-11.
[38] Caves, pp. 231-232.
[39] http://2010.census.gov/news/releases/operations/cb11-cn15.html viewed on February 21, 2011.

> The largest county is Bergen, with a population of 905,116. Its population grew by 2.4 percent since 2000. The other counties in the top five include Middlesex, with a population of 809,858 (increase of 8.0 percent); Essex, population of 783,969 (decrease of 1.2 percent); Hudson, population of 634,266 (increase of 4.2 percent); and Monmouth, population of 630,380 (increase of 2.5 percent).[40]

And these numbers only take into account potential audiences within the state. For certain northeastern and southwestern counties, New York City and Philadelphia are a potential source of millions of additional patrons, although up to this point they have served more as competitors for millions of New Jersey cultural patrons – and large donors who make their fortunes in those cities. For example, former Governor Jon Corzine had a foundation that made cultural grants while he was governor. According to the *Star-Ledger*:

> In 2006, Corzine's foundation supported more organizations with larger grants. In New Jersey, he donated
> -- $578,250 to NJPAC
> -- $63,500 to the Newark Museum
> -- $35,000 to Drumthwacket
> -- $10,000 to **Two River Theater Company** in Red Bank
> -- $5,000 to the arts council's tennis tournament
>
> Out of state, he contributed
> -- $225,760 in two grants to the Kennedy Center
> -- $100,000 to the **New York Philharmonic**
> -- $21,235 to the Tribeca Film Institute
> -- $14,550 to the **Folksbiene Yiddish Theatre** in New York City
> -- $10,000 for the **School for Strings** , also in New York.[41]

These contributions shows that individuals with very strong ties to the state and even electoral reasons to give solely in New Jersey still send their dollars to other cities for which they have an affinity, in this case New York City and Washington, D.C., two

[40] Ibid.
[41] http://www.nj.com/entertainment/arts/index.ssf/2008/10/gov_jon_corzine_puts_his.html Retrieved March 6, 2011.

places where the former Governor worked. Clearly, cultural giving crosses the Hudson and the Delaware, as supporting major, nationally known institutions, exhibits, etc., may bring more visibility and prestige to donors, whether they are corporations, foundations, individuals, or even governments.[42]

On the favorable side, New Jersey is home to many "affluent households that are well and similarly educated." According to the most recent Census data, New Jersey's median household income is well above the national average, and it has a higher percentage of both high school graduates and college graduates than the national average.[43]

These demographics may be at play in results reported by the National Endowment for the Arts in its 2007 Survey of Public Participation in the Arts (SPPA).[44] The Survey notes that the Middle Atlantic region of which NJ is a part ranked third among the nine identified regions for attending what the NEA categorizes as benchmark arts activity (attendance at jazz, classical music, opera, musical plays, non-musical plays, and ballet performances, and visits to art museums or art galleries). They have been tracking this data since 1982. The Mid-Atlantic's adult "attendance in the past 12 months," however, dropped from 41.9 percent in 2002 to 36.5% in 2008. These numbers represent a greater decline than the nation experienced – 39.4% to 34.6 – but the 36.5 percent is still above the national average. This downward trend, however, doesn't bode

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[42] Cowen, p. 24 et seq.

[43] http://www.factfinder.census.gov/servlet/ACSSAFFFacts?_event=Search&_name=&_state=04000US34&_county=&_cityTown=&_zip=&_sse=on&_lang=en&pctxt=fph&_submenuId=factsheet_1 .

[44] National Endowment for the Arts, "2008 Survey of Public Participation in the Arts," http://www.nea.gov/research/2008-SPPA.pdf .

well for organizations that depend on in-person attendance. Reasons for this trend could include better access to the arts through technology, as Cowen notes in his comment about consumers spending "most of their cultural time with commercially viable products"[45] – like television, movies, and downloaded pop music. No doubt the easy availability through technology to multiple cultural experiences certainly must play a role in the downward trend in attending live performances.

The specific financial problem that non-profit arts and history organizations face has been described as undercapitalization. The Spring 2003 *Nonprofit Quarterly* published an article entitled, "Hidden in Plain Sight: Understanding Nonprofit Capital Structure" by Clara Miller, the president of the Nonprofit Finance Fund. She defines capital structure as "the distribution, nature and magnitude of an organization's assets, liabilities and net assets."[46] She adds that "[e]very nonprofit – no matter how small or young – has a capital structure."[47] The problem arises because the nonprofit arts and history sector frequently does not understand how its capital structure affects its mission and programs. The majority of staff is almost always on the programming side of the ledger, not on the business side. Cultural organizations' assets and liabilities will be examined during the discussion of the first four hypotheses in Chapters IV and V.

Creative and commercial success are also not guaranteed, and either one can exist without the other. Predicting either one is difficult and predicting wrong can lead to financial ruin. Again, Caves writes in *Creative Industries:*

> The problem worsens when the costs are sunk, as they usually are, and cannot be retrieved once a disaster is evident. This property implies that

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[45] Cowen, pp. 10-11.
[46] Clara Miller, "Hidden in Plain Sight: Understanding Nonprofit Capital Structure," *The Nonprofit Quarterly* (Boston, MA: Third Sector New England), Volume 10, Issue 1, Spring, 2003, p. 1.
[47] Ibid.

> the risk associated with any given creative product is high, and that ways of allocating or sharing it will be important for the organizations of production. This is what one Hollywood observer called the *nobody knows* property.[48]

In addition, nonprofit assets are often restricted by government funders, foundations, and even private donors. Grants are frequently slated for particular programs, program development, or even facility expansion without taking into account the increase in fixed costs that this growth will cause. The concomitant fundraising to match the grant or cover the increase in organizational capacity usually saps strength from the program side of the organization, as well as weakens it financially. As Ms. Miller states, the large percentage of restricted assets creates a sort of "superilliquidity" -- "or lack of financial flexibility, that makes it difficult to keep the 'business' aspects of nonprofits functioning well."[49]

Ms. Miller's reasoning makes a case for General Operating Support grants, which provide unrestricted funding for the unglamorous aspects of operating a cultural organization. Again, GOS is the focus of the first four hypotheses, found in Chapters IV and V. The state also created the New Jersey Cultural Trust to address the "business aspects of nonprofits" to help ensure that they function well. How the NJCT has been fulfilling this goal is addressed in Chapter V's discussion of Hypothesis 5 and 6.

The literature shows that funding for the arts is made up of three eras: before 1960, the pre-Ford (Foundation) era of proprietary organizations and discounted wages; the Ford Era (1960-1990), characterized by the invention of the matching grant and funding leverage gained; and the post-Ford era (1990-present), which is described as

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[48] Caves, p. 3.
[49] Miller, p 4.

"leverage lost" as characterized by John Kreidler.[50] According to Kreidler, this last era calls for institutions to "buffer themselves" against financial troubles through better capitalization, including building endowments (a main focus of the NJCT). He makes these predictions about the post-Ford era:

> There is, perhaps, one reasonably safe assertion that can be made about the near term direction of the nonprofit arts ecosystem: that for the present, the arts will have no choice but to adapt to the circumstances of less discounted labor and contributed income, and, in some instances, flat or declining consumer demand as well. The most likely result will be an overall decline in the number of nonprofit arts organizations, along with a reduction in the production of program services: exhibitions, performances, and so forth….Many, though by no means all, larger institutions have buffered themselves from some of the exigencies of the post-Ford environment through enhanced capitalization (buildings, cash reserves, equipment, and endowments), reasonably adequate employee compensation, and multiple streams of contributed income from individual donors and institutional grants, complemented by dependable flows of earned revenues based on loyal audiences….Surely, the most vulnerable organizations are the small and medium size arts groups that have had the highest reliance on inexpensive labor and grants.[51]

Kreidler's work examined the arts in San Francisco, and literature points to the fact that the arts and history have long been very important to urban areas. In the earliest days of western expansion, charitable impulses toward culture, as well as other philanthropic causes, were highly valued and considered even morally sound.

> The necessity for this type of responsible behavior was quite plain to the men of the post-Revolutionary generations. If excess riches could by siphoned back into the community, then rampant materialism would be checked. If leisure were employed to enhance the quality of city life, rather than being wasted in dissipation, virtue and simplicity would flourish. If the rich were willing to personally devote time and energy to aiding their fellow men, then class lines would not harden into caste lines, and the well-to-do would not be insulated from the rest of society by their wealth….Self-culture, devotion to family and

[50] Kreidler, in Bradford et al, p. 147 et seq.
[51] Ibid, p. 163-164.

> community, charity, and cultural patronage were means of curbing the acquisitive spirit while justifying the process of acquisition itself.[52]

Nearly a hundred years after the Revolution, morality and anti-materialism gave way to perhaps coarser motivations.

> The presence of cultural institutions could also shore up a city's sagging image, revivifying its competitive edge even as its economic supremacy waned. Hundreds of towns and hamlets were founded throughout the midwest during the first decades of the nineteenth century, each vying for settlers, businesses, and, ultimately, survival. Competition between leading cities like St. Louis, Chicago, and Cincinnati was intense. Although economic considerations were paramount, cultural clout was also extremely important, as each in turn cast its bid for the title of "Athens of the West." Beyond the spiritual considerations, the aggressive development of cultural amenities made good business sense. It was a sound investment, luring students, visitors, and settlers who might otherwise have located elsewhere.[53]

Although vying more for bragging rights than the strongest workforce, perhaps the 19th century philanthropists were on to something. Creative people are an important factor in the global economy, and it is claimed that they attract and retain businesses locally. Richard Florida's "creative capital" theory argues in support of cultural funding. It flips the previous argument that people follow jobs on its head. Florida claims that jobs and industries cluster where creative people are, and creative people flock to areas with strong cultural scenes. He argues that cities with strong cultural policies that support a thriving street-level arts scene will reap financial and civic benefits. He dismisses the role of financial incentives to lure companies.

> The bottom line is that cities need a *people climate* even more than they need a business climate. This means supporting creativity across the

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[52] Kathleen D. McCarthy, *Noblesse Oblige: Charity and Cultural Philanthropy Chicago, 1849-1929*, (Chicago and London: The University of Chicago Press, 1982) p. 59.
[53] Ibid, pp.77-78.

> board – in all of its various facets and dimensions – and building a community that is attractive to creative people, not just to high-tech companies….Instead of subsidizing companies, stadiums and retail centers, communities need to be open to diversity and invest in the kinds of lifestyle options and amenities people really want.[54]

According to Florida, cultural organizations help support the types of communities that attract creative people who, in turn, attract creative industries and prosperity.

Of course, not everyone agrees with this analysis. Stan Katz writes in the *Chronicle of Higher Education*:

> [F]or as long as I have been studying arts policy, about thirty years, the arts have felt that they were in crisis. Well, perhaps when Richard Nixon inexplicably decided the federal government should invest in the arts following the establishment of the National Endowment for the Arts, arts people were temporarily upbeat. But mostly there is not enough money, and except for advocating for government support (local, state, federal), people in the arts care only about their own discipline (theater, dance, music) rather than about "the arts." But over the past generation the arts community has discovered what it hopes is the killer argument – that arts activity is the driver of social creativity and the engine of economic growth in urban America….The economists I work with on the arts mostly do not agree, I have concluded that we should not have confidence in these studies.[55]

He is joined by others. John Deskins, Sally Deskins, and Brian Hill also argue against this interpretation. They state that "…a very simple examination of Florida's (2004) index of cities with a higher "creativity index" does not correlate well in a simple univariate comparison with employment growth rates."[56] They go on to make additional arguments:

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[54] Richard Florida, *The Rise of the Creative Class: and how it's transforming work, leisure, community and everyday life* (New York, NY: Basic Books, 2002), p. 283.
[55] Stan Katz, "Can the Arts Save New Jersey?" *Chronicle of Higher Education.* Retrieved March 27, 2010 from http://chronicle.com/blogs/brainstorm/can-the-arts-save-new-jersey/22103.
[56] John Deskins, Sally Deskins, and Brian Hill, "How Do State Arts Appropriations Affect State Economic Growth?" The Review of Regional Studies, 2009, Vol. 39, No. 3, (Morgantown, WV: Southern Regional Science Association, 2009), p. 4.

> Despite the potential benefits of public support for the arts in promoting economic development, other potentially negative effects could also follow such spending. In particular, public spending for the arts could have the potential to reduce economic activity if accompanied by increases in taxes, which may reduce economic activity, or by reductions in other areas of government spending, which may positively affect economic activity. This potentially negative effect may be strengthened if crowding-out of private arts spending or donations accompany public spending for the arts.[57]

The issue of "crowding out of private arts spending or donations" is examined in the discussion of Hypothesis 4.

They use regression analysis to evaluate the relationship between public arts funding and economic activity.

> Results indicate that increases in public arts spending lead to reductions in gross state product (GSP) and state employment growth when financed through own-source revenues. More specifically, we find that an increase of state government spending for the arts of $1 per person is associated with a decline in non-government GSP growth of around 0.58 percentage points and a decline in private sector employment growth of around 0.26 percentage points, when financed through own-source revenue. Given the magnitude of these results, a noticeable change in economic growth would require a large proportional change in spending on the arts. On the other hand, if policymakers determine that spending for the arts should be raised for reasons other than the promotion of economic growth, they should take comfort in knowing that moderate proportional increases in arts spending would not likely reduce employment of GSP growth noticeably….Indeed, while state support for the arts is important and constitutes the majority of funding for state arts agencies, federal and local funding are also important, and public support as a whole is a small fraction of total arts funding when private contributions and the earned income of arts organizations are considered (see National Endowment for the Arts (2007) for an in-depth analysis of funding for the arts in the U.S.).[58]

They recognize that there are exceptions to their analysis. "Specifically, [Sarah J.] Skinner finds that systematic government provision of blockbuster exhibits in Jackson,

[57] Ibid, p. 1.
[58] Ibid, pp. 4-5.

Mississippi in the 1990s significantly increased local area employment."[59] They also note that their results were based on "arts spending financed simply through the state's general fund. Correspondingly, our results do *not* address a situation in which arts spending is financed through some tax or fee that is specifically earmarked for arts spending."[60]

This is a significant distinction for state arts and history funding in New Jersey, which does have a specific tax earmarked for cultural spending. The State Hotel/Motel Occupancy Fee law (P.L. 2003, c. 114) provides for a state tax on qualified hotels and motels, with 60 percent of the collected revenue going to the State of New Jersey (used mostly for municipal aid) and 40 percent going to arts, history, and tourism. Specifically, the New Jersey State Council on the Arts, the New Jersey Historical Commission, the New Jersey Cultural Trust, and the New Jersey Division of Travel and Tourism are the beneficiaries of a minimum amount annually, not to dip below the Fiscal Year 2004 state appropriations level for those organizations. The floor for the NJSCA is $16 million, for the NJHC $2.7 million, for the NJCT $500,000 and for Tourism $9 million. This support for culture in the bill is not incidental. Indeed, a "poison pill" provision in the statute calls for the fee to stop being "paid or collected" if at least the minimum FY 2004 amount is not appropriated to the cultural agencies. This condition was placed in the legislation by the State Senator whose one vote (which required crossing the political aisle) ensured the passage of the legislation in the State Senate.

In any event, as Deskins et al. noted, public support is a "small fraction of total arts funding" and it would take a great deal of additional public funding to create a

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[59] Ibid, p. 3.
[60] Ibid, p.8.

"noticeable change in economic growth." For New Jersey, the floor amounts in the Hotel/Motel Occupancy Fee add up to $28.2 million, equaling about 0.0009 percent in a roughly $30 billion state budget.

Florida makes his creative culture argument in support of history as well as the arts. He argues that these creative people are looking for an "authentic" experience. He writes:

> Places are also valued for authenticity and uniqueness, as I have heard many times in my studies. Authenticity comes from several aspects of a community – historic buildings, established neighborhoods, a unique music scene or specific cultural attributes….People in my interviews and focus groups often define "authenticity" as the opposite of generic. They equate authentic with being "real," as in a place that has real buildings, real people, real history.[61]

This statement can be taken to encompass the many facets of history -- the importance of the interpretation of history in its "real" sense as well as the preservation of it – and supports the role of GOS grants, as discussed in Chapters IV and V.

Jane Jacobs in her seminal work, *The Death and Life of Great American Cities*, also made the case for history in her argument for cities brimming with mixed uses and diversity. She called for both a bricks and mortar presence and authenticity in her book, entitling one chapter "The need for aged buildings"[62] and arguing for the importance of place. She writes, "Landmarks are crumbled or are so sundered from their contexts in city life as to become irrelevant trivialities. City character is blurred until every place becomes more like every other place, all adding up to Noplace."[63]

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[61] Florida, p. 228.
[62] Jane Jacobs, *The Life and Death of Great American Cities*, (NY, NY: Vintage Books, 1992, 1st printing: 1961), p. 187.
[63] Ibid, p. 338.

Public funding isn't the only way that government supports history and the arts. *Smart States, Better Communities: How State Governments Can Help Citizens Preserve Their Communities,* written by Constance Beaumont for the National Trust for Historic Preservation in 1996, details local, state, and federal legislation and initiatives to preserve, protect, and support history. Included in her analysis is information on three very important federal laws that have served as prototypes throughout the country -- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. § 470f), Section 4(f) of the Department of Transportation Act of 1966 [49 U.S.C. § 303 (c)], and the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. § 4332). Section 106 declares that federal agencies shall "prior to the approval of the expenditure of any Federal funds on the undertaking or prior to the issuance of any license, as the case may be, take into account the effect of the undertaking on any district, site, building, structure, or object that is included in or eligible for inclusion in the National Register [of Historic Places]. The head of any such Federal agency shall afford the Advisory Council on Historic Preservation…a reasonable opportunity to comment with regard to such undertaking."[64]

Section 4(f) declares that "[i]t is the policy of the United States Government that special effort should be made to preserve the natural beauty of the countryside and public park and recreation lands, wildlife, and waterfowl refuges, and historic sites."[65] NEPA was established in part to "…preserve important historic, cultural, and natural aspects of our national heritage…."[66]

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[64] Constance Beaumont, *Smart States, Better Communities: How State Governments Can Help Citizens Preserve Their Communities*, (Washington, D.C.: National Trust for Historic Preservation, 1996), p. 46.
[65] Ibid.
[66] Ibid.

Beaumont gives concrete examples of the importance of history and historic preservation to community revitalization in *Smart States, Better Communities*. She points out successes in Wisconsin, Iowa, Georgia, California, and Rhode Island and ties them to economic revival.[67] In New Jersey, cities like Lambertville and Ocean Grove have reaped the benefits of appreciating and caring for history and historic building stock.

2004's "Dollar$ and Sense of Battlefield Preservation – The Economic Benefits of Protecting Civil War Battlefields" by Frances H. Kennedy and Douglas R. Porter looked at some of the same issues that this dissertation will study, like the operations and financial impact of historic sites. "Dollar$ and Sense" concludes:

> There are many benefits to be gained from planning to preserve your community's heritage:
> - greater diversification in your local economy
> - a more attractive place to live and work
> - the net profit in tax revenue that open space can generate
> - increased land values that a historic area can generate
> - an agreed upon vision of your community's future.[68]

These benefits support the rationale for studying the efficacy of cultural subsidies in the form of GOS and Cultural Trust grants, as this disseration's six hypotheses explore.

New Jersey:

Research has been done specifically focused on New Jersey's cultural community. A number of previous studies have looked at various issues in the cultural community in New Jersey.

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[67] Constance Beaumont, *Smart States, Better Communities* (Washington, DC: National Trust for Historic Preservation, 1996), p. 191.

[68] Frances H. Kennedy and Douglas R. Porter, *Dollar$ and Sense of Battlefield Preservation: The Economic Benefits of Protecting Civil War Battlefield*, (Arlington, VA: The Conservation Fund, 1994), p. V.

In 1994, the Port Authority of New York and New Jersey released *The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region.* The highlight of the report was the finding that a good cultural climate attracts business.[69]

Also in 1994, the Eagleton Institute of Politics at Rutgers University published *The Arts in New Jersey: A Study of Economic Activity,* which found that the arts produced more than $640,000,000 in economic activity.

The Center for Public Interest Polling at Eagleton and the Graduate School of Education at Rutgers released another study, *A Survey of New Jersey Arts Organizations: Current and Future Needs, Priorities, and Goals,* in 2000. The study's goal was "to ascertain the nature and magnitude of the financial needs of New Jersey's arts and cultural organizations, their plans for future growth, and the best purposes to which a cultural fund could be devoted."[70] Surveying direct grantees of the New Jersey State Council on the Arts and local grantees, the report found that both groups listed institutional stability as their greatest need. This result helped bolster the case for the creation of the NJCT, discussed in Hypotheses 5 and 6. It also noted that "responding organizations can roughly be broken down into three groups: those that view themselves as stable for the foreseeable future, those that state they are stable for the next 1-5 years, and those that are experiencing immediate or impending financial difficulty."[71]

These were the first two of what would eventually be three studies on "the contribution of the arts and the spending of their audiences on the economy of New

[69] Port Authority of New York and New Jersey, "The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region." 1994.
[70] Janice Ballou and Jeff Smith, *A Survey of New Jersey Arts Organizations: Current and Future Needs, Priorities, and Goals,* (Center for Public Interest Polling of the Eagleton Institute of Politics, Rutgers, The State University of New Jersey, 2000), p. 3.
[71] Ibid, p. 5.

Jersey."[72] The third study, *The Economic Impact of New Jersey's Nonprofit Arts and Associated Audience Spending on the State's Economy – 2009,* succinctly described the first two and itself:

> The first study…established the economic importance of the arts in New Jersey for the first time. The second study…measured the robust growth of the arts since the first study. This study illustrates both the durability of the arts' economic impact, and its vulnerability to weakness in the broader economy.[73]

These studies used spending and budgetary data gathered from the NJSCA and county arts councils, while this dissertation is based on surveying both arts and history organizations about their budgets and spending.

National Arts Stabilization, Inc. (NAS) conducted an *Analysis of the Capitalization of 67 New Jersey Arts and Cultural Organizations* in 2000. The New Jersey State Council on the arts contracted with NAS "to assess the financial health of the New Jersey arts community and provide a graphic representation of the fiscal year 1998 (FY 1998) financial position of 67 arts and cultural organizations in the state."[74] The report goes on to define current liquidity ("an organization's ability to pay its bills in a timely manner. Liquidity is calculated by subtracting unrestricted current liabilities from unrestricted current assets"[75]), working capital or cash reserves ("assets set aside to act as an internal line of credit, to be borrowed during periods of negative cash flow and repaid

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[72] Catherine Lanier and Eugene Spruck, *The Economic Impact of New Jersey's Nonprofit Arts and Associated Audience Spending on the State's Economy -- 2009*. (ArtPride New Jersey with the Geraldine R. Dodge Foundation and The New Jersey State Council on the Arts, 2009), p. 2.
[73] Ibid.
[74] National Ars Stabilization, *Analysis of the Capitalization of 67 New Jersey Arts and cultural Organizations*, (Baltimore, Maryland: January 2000), p. 1.
[75] Ibid, p. 5.

within a one-year period"[76]), and total working capital ("an organization's current liquidity and working capital reserves….").[77] The study found that fewer than half of the 67 organizations had negative liquidity, but that the aggregate group was deficient in both working capital reserves and total working capital compared to their aggregate operating expenses. These findings also bolstered the creation of the NJCT to address the financial health of cultural organizations, again as discussed in Chapter V's Hypotheses 5 and 6.

The American for the Arts published *Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences* in 2007. As mentioned in Chapter I, this report detailed the economic impacts of the arts in Newark and New Brunswick, New Jersey and found them to be substantial.

There have been several other studies and books that relate to funding for culture with more of a focus on history. In 1998, the New Jersey Historic Trust released *Partners in Prosperity: The Economic Benefits of Historic Preservation in New Jersey* which summarized the results of *Economic Impacts of Historic Preservation*, a study conducted by the Center for Urban Policy Research at Rutgers University in 1994. That research concluded that:

> Preservation is a powerful tool in creating jobs, generating income, stimulating tax revenue, nurturing tourism and enhancing older cities. As an economic force, it surpasses investment in new housing or commercial construction.[78]

This dissertation revises and expands the original survey the Center for Urban Policy Research (CUPR) designed and conducted in 1995 and 1996, which became the

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[76] Ibid.
[77] Ibid.
[78] New Jersey Historic Trust, *Partners in Prosperity: The Economic Benefits of Historic Preservation in New Jersey*, (U.S Department of the Interior, National Park Service, National Center for Preservation Technology and Training, and New Jersey Historic Trust: 1998), p. 1-2.

basis for Chapter Six ("Profile of, and Direct Effects from, New Jersey Historic Sites and Organizations") in Volume III of 1997's *A Heritage Reclaimed: Report of the Task Force on New Jersey History*. It was adapted to include all cultural sites and organizations in New Jersey, including arts organizations and organizations that engage in both arts and history programming.

The Task Force report is integral to this dissertation. It is a four-volume work that "evaluated history in terms of heritage tourism, historic sites and artifacts, scholarly research and publication, education, and the structure of history within state government."[79] Among the Task Force's proposals was the following recommendation:

> To reverse the underfunding of history in New Jersey, the Governor and the Legislature should increase grant funds available for history museums and historic sites, local historical societies, cultural and heritage commissions, and other organizations dedicated to the preservation of New Jersey's past. These funds should be granted only after proper application procedures are followed and should require high standards of accountability.[80]

This recommendation was the basis and helped form the consensus for the creation of General Operating Support grants for history organizations in New Jersey. Again, the effectiveness of these grants is a major focus of this dissertation.

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[79] Task Force on New Jersey History, *A Heritage Reclaimed: Report of the Task Force on New Jersey History,* (June 1997), p. ii.

[80] Ibid, p. Chapter 1, p. 4.

Chapter III: Methods to this Madness and Profiles in Culture

The first two chapters delved into the history of culture -- and cultural funding -- in America, enumerated the hypotheses that this dissertation is interested in examining, and reviewed the relevant literature. This chapter describes the methods used and looks at the organizational profiles of the respondents under study.

As one of the original thirteen colonies and the font of the industrial revolution, the Garden State has a long and richly significant history. As the most diverse and densely populated state in the country, it has a vibrant and influential arts scene. Together, the statewide impact of cultural sites and organizations in New Jersey has a profound effect on the state's economy, educational goals, quality of life, and identity.

Survey Strategy and Methods

Funding:

This research was funded through a joint project of the New Jersey Historical Commission (NJHC) and the New Jersey State Council on the Arts (NJSCA). The NJHC approached the Center for Urban Policy Research (CUPR) at the Bloustein School at Rutgers University about creating a survey to follow up on the 1997 survey done for the Task Force on New Jersey History.[81] When the NJSCA learned of the project, they asked to be included.

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[81] Full disclosure: this author served as the Liaison, Office of the Governor, to the Task Force on New Jersey History. In addition, I was brought in by CUPR to work on the new survey both as part of the

Main Methodology:

The main research methodology was an original survey of arts and history organizations. **(See Appendix 1.)** It was created after reviewing previous surveys, especially the original survey designed and conducted in 1995 and 1996 that became the basis for Chapters Six and Seven in Volume III of *A Heritage Reclaimed: Report of the Task Force on New Jersey History*, released in June of 1997. This research revised and expanded the original survey instrument, both to include questions suitable for arts organizations and to address current concerns and issues in the cultural community. It specifically looked at the organization, operation, facilities, and finances of New Jersey's cultural sites and organizations, as well as assessed the present and future needs of the cultural community. Not every question in the survey is relevant to the hypotheses laid out in this dissertation. Only those questions that bear on the matter at hand will be included in the analysis.

Subjects:

The subjects for the survey were arts and history organizations throughout New Jersey. Specifically, the then-current administrators of non-profit cultural organizations were asked to respond to the survey.

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eventual report, which has not yet been released, and as part of my dissertation. My stipend was part of the budget for the project.

It was important to take into account the universe that the Historical Commission and Arts Council wished to include in the study. In order to understand what that universe would be, the following definition was proposed: "A cultural site is an organization or major program whose primary mission is the arts, history, or humanities. It must be eligible for funding from the New Jersey State Council on the Arts, the New Jersey Historical Commission, or the New Jersey Cultural Trust." This definition allowed for the inclusion of direct grantees of the agencies and regrantees through the County Cultural and Heritage Commissions, as well as for the inclusion of organizations that have not received public funding but are eligible. Working with the New Jersey Cultural Trust (NJCT), which has a combined arts and history list, and the Historical Commission and Arts Council staffs, I assembled a list of the survey universe. In addition, I worked with the County Cultural and Heritage Commissions to ensure that the universe include as many groups as possible.

The original History Task Force Survey was sent to a universe of approximately 200 respondents, of which 64 responded. Using the method described above, the new, combined arts and history universe was much larger. It numbered 1800 organizations after duplicates were eliminated – 598 history organizations, 981 arts organizations, and 221 organizations that categorized themselves as "both arts and history." 238 cultural organizations returned the survey, which amounted to a completion rate of slightly above 13 percent.

Since the total arts and history organizations' universe is comparatively small, it was not a sample. Again, because the New Jersey Historical Commission, the New Jersey State Council on the Arts, the New Jersey Cultural Trust, and the counties helped assembly the respondent pool, the list was comprehensive. Although respondents to the survey were essentially self-selected, efforts were made to ensure that the sample was as representative as possible. The survey was pretested on different types and sizes of cultural organizations from all over the state. Twenty-one organizations were selected by size, geographical location, organizational category (arts, history, or both), and discipline (dance, historical society, etc.) for the pretest to try to increase the representativeness of the respondent pool. It was important to ensure that the survey was accessible, understandable to, and able to be filled out by even the smallest groups. Extra care was taken to include small-sized organizations to ensure that the eventual respondent pool would have enough diversity in organization size. Selecting smaller organizations for the pretest helped with the representativeness of the sample, since smaller groups are often less likely to have the staff and resources to participate in these types of project. Small groups were defined as those with budgets of less than $100,000. Mid-sized groups had budgets of $100,000 to $500,000, and large groups were defined as those with budgets over $500,000.

Comparison of 1997 Survey Respondents to 2007 Survey Respondents:

Again, the original History Task Force Survey in 1997 was sent to a universe of approximately 200 respondents, of which 64 responded. 238 organizations responded to the 2007 survey out of a much larger potential universe of 1800. History organizations accounted for 116 of the 238 respondents. (The rest were arts organizations.) The potential universes for the 1997 and 2007 surveys were different in size, but the actual respondents were more similar in both size and characteristics.

Although the 1997 study referred to all its respondent organizations as history organizations, the survey respondents included organizations coded as "both arts and history" organizations for the purpose of the 2007 study. The 1997 survey had fewer respondents (64) from an intentionally smaller universe (197). The 1997 respondent pool "consisted mainly of those who steward or operate sites as opposed to the larger universe of historical societies, many without collections or sites."[82] It was the first-ever survey of this sector in New Jersey, and the researchers were starting from scratch.

The 2007 survey attempted to include every type of history organization, even those without sites or collections, like certain leagues, societies, preservation commissions, etc. Therefore, the 2007 extrapolated data was weighted to include many more small organizations than the 1997 data was weighted to include. (See Appendix 3 for details about the weighting in 2007.) In this way, the 2007 survey data results are probably a more accurate reflection of the field today, which is broader and more diverse, than the 1997 results indicated.

However, the actual respondents from 1997 and 2007, while not a perfect match, are a fairly good match and adequate to be used to make longitudinal comparisons. This research can be thought of as a cohort study, "in which some specific subpopulation, or cohort, is studied over time, although data may be collected from different members in

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[82] History Task Force Report, Volume III, p. 90.

each set of observations. A study of the occupational history of the class of 1970, in which questionnaires were sent every five years, for example, would be a cohort study."[83]

Of the 116 organizations that reported being either a history or both a history and arts organizations, 83 (71.5%) steward sites or collections, like their 1997 survey counterparts. The size of the budgets grew considerably between the two decades, changing the scale at which an organization would be considered small, mid-sized, or large. The 1997 organizations, though, by virtue of their role as stewards of sites and collections, included many mid-sized and large organizations, though not exclusively. Examining available budget data from 2007 shows that nearly half of the 2007 organizations responding were mid-sized or large, like their 1997 cohorts, versus only an estimated 1 out of 3 of the entire 2007 universe of 1800.

The analyses of Hypotheses 1 through 4, which examine the effects of General Operating Support (GOS) grants on the field, other history organizations, and in comparison to 1997, are based on the 57 organizations that reported applying for at least one New Jersey Historical Commission grant and possibly GOS funding. 4 out of 5 of these organizations steward sites and collections, like the 1997 survey respondents, making them similar to that earlier group. Among the 34 respondents in 2007 that reported actually receiving GOS, 32 (more than 94%) steward sites. That makes this group very similar to the 1997 group for comparison's sake.

Admittedly, the number of cases is not large enough for this data to be generalizable. Because of the small N-sizes involved, simple frequencies and cross-tabulations were used to examine the data. With more cases, tests of statistical

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[83] Earl Babbie, *The Practice of Social Research, 10th Edition*, (Belmont, CA: Wadsworth/Thomson Learning, 2004), p. 103.

significance like chi square would have been appropriate to determine the probability that variables like “greater annual budget expenditures” and “receiving GOS” were unrelated to each other and could have resulted from sampling error alone. However, the 34 organizations that reported receiving GOS are from a pool of only 78 groups that had ever received GOS from the NJHC by FY 2006[84], so as a percentage of total GOS recipients, the number is 43.5%. This dissertation is the first attempt at trying to gauge the effect of these operating grants.

In addition, many organizations that received the 1997 survey also received this survey, so it was possible to draw longitudinal comparisons about the overall health and status of New Jersey’s history community compared to ten years earlier. Again, although the parallel is not perfect, I have determined from the earlier study that many of the organizations that completed the 1997 survey also completed this survey, including the largest organizations in the field, the largest GOS recipient, and both public and private organizations. (Respondents were guaranteed confidentiality, so organizations will not be identified by name.) The organizations that completed both surveys vary in size, geography, and mission. Based on those findings, I concluded that the two samples had enough in common to be used for comparison’s sake. Half of the all of the survey questions paralleled questions from the 1997 survey closely enough to make direct comparisons and, of course, many of the questions that did not parallel were specifically targeted for arts organizations, which were not included in the 1997 survey.

[84] My thanks to Sara Cureton, Executive Director of the New Jersey Historical Commission for this estimation. March 4, 2011.

The Survey:

In order to revise the previous survey, and incorporate the new issues raised both by including the arts and the passage of time, the NJHC and NJSCA executive directors and I assembled a committee composed of arts and history representatives to serve in an advisory capacity. **(See Appendix 2.)** The Advisory Committee and I also discussed common terms that could be used in the survey and worked on questions that could apply to both the arts and history. When necessary, we determined which questions were appropriate to only one area or the other. We quickly discovered that most of the old survey had to be rewritten to collect the desired data more accurately and efficiently. After I wrote and revised multiple drafts, I was ready to share a new version with the Advisory Committee.

The Advisory Committee helped refine the survey instrument and discussed how the results would be measured and disseminated. They reviewed it closely and made many thoughtful suggestions.

The survey went through a total of 11 revisions before it was accepted as the final draft. I then worked with the Bloustein Center for Survey Research[85] to computerize the survey. That stage involved many pages of skip codes, as different responses led to different computerized "tracks" or questions. Since the respondents were divided into "history," "arts," and "both" groups, that required testing three different unique tracks

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[85] Special thanks to Thomas Regan, then of the Bloustein Center for Survey Research, now Project Manager, Office of Information Technology, Rutgers, The State University of New Jersey, for all his invaluable help with computerizing the survey. Thanks also go to Chris Wyce, Assistant Director, Data/Technology of the Bloustein Center for Survey Research for his thoughtful assistance.

beyond the usual skips created by how each respondent answers. I reviewed all three and their variations online and made changes with the Center. The next step was to get the survey into its final form. As mentioned earlier, the survey was then pretested on selected arts and history organizations.

After necessary readjustments made to fix any glitches uncovered by the pretests, the survey was released to the field. Each respondent received a yellow postcard in the mail that contained a link to the survey and a passcode unique to the organization. A web site link was available from several sites as well as directly to make it easier for organizations to quickly open the survey and to contact me in case they lost or had not received their unique passcode. The NJSCA, the NJHC, the NJCT, ArtPride New Jersey, and the History Advocates all had links to the survey from their web sites. The links also helped to remind organizations to complete the survey. In addition, printed copies were available for organizations that did not have either the human or technological capital to respond electronically. Those returned by mail were assigned a passcode and inputted by hand. The probable universe of respondents was sizeable, but not unmanageable. Follow-up phone calls were made and reminder e-mails to the field were sent as well, which enlarged the respondent pool.

The online survey remained open for several months, closing in August of 2007. Before results could be analyzed, the survey data had to be cleaned, which took months to complete. Several lessons were learned about survey design, including in the future prohibiting electronically putting words in for numbers and giving respondents clearer directions about what a correct answer would look like.

After the survey data were gathered, recorded, and cleaned, I worked with an outside consultant, Ioan Voicu[86], Ph.D., formerly of CUPR, to construct weights for the statistics. In that way, the data could be extrapolated to the larger field. **See Appendix 3** for a discussion of how the statistics were weighted.

The data were next placed into an input/output model, created by CUPR. This model was used for the 1997 History Task Force Report, as well as in previous studies in New Jersey and around the country. The economic data from the input/output modeling are the subject of Chapter 6. Also, because the survey was conducted at a relatively high economic peak, both in the private sector and in the public sector funding that groups received, this research will show the capabilities and impact that a relatively healthy cultural community can have in New Jersey.

The survey was organized into five sections:

1. Organizational Profile
2. Facility Profile
3. Operations
4. Finances
5. Needs and Goals

An analysis of the first section follows. I felt it was necessary to understand the characteristics of the respondent pool before beginning to analyze the data for relevance to the hypotheses. Questions from the remaining sections will be analyzed as needed if they relate to the hypotheses. Throughout this dissertation, questions from the 2007 survey are indicated in italics.

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[86] Ioan Voicu, Ph.D., Financial Economist, Office of the Comptroller of the Currency, Washington, D.C.

Organizational Profile

The 238 respondent organizations are a representative cross-section of the cultural community in New Jersey. The very first substantive question on the survey asks each group to identify itself by category as history, arts, or both. Below are the results.

Table 3-1: Organization Category (Question 1)

		Frequency	Percent
Valid	History Org	84	35.3
	Arts Org	122	51.3
	Both	32	13.4
	Total	238	100.0

These numbers very closely reflect the breakdown used to construct the weights for the statistics.[87] The expected breakdown was about 33 percent for history, 55 percent for the arts, and 12 percent for organizations that do both. The "both" organizations might be slightly overrepresented because on the whole they tend to be larger institutions.

The next question asked what each organization considered its primary county. As Table 3-2 shows, every county was represented in the survey, although some more strongly than others. County population rank in New Jersey only loosely predicted the respondent pool proportions, with most (8 out of 10) of the ten respondent counties in the top ten also in the top ten for population.

[87] This author classified all 1800 potential respondents by organization category, geographic location, size, and discipline.

2007 data (Table 3-3) on grant recipient organizations by county from the NJSCA and the NJHC show that the percentage proportions adhere fairly closely to the respondent pool. Differences can be explained by the much broader list used to compile the respondent pool, which included many smaller organizations that do not apply for funds at the state level. In Table 3-3, 6 of the top 10 counties in population were the top ten counties in grant recipients.

Table 3-2: Organization County (Question 3g)

		Frequency	Percent	Population Rank in NJ[88]	Total Population
Valid	Atlantic	5	2.1	15	274,549
	Bergen	24	10.1	1	905,116
	Burlington	5	2.1	11	448,734
	Camden	8	3.4	8	513,657
	Cape May	10	4.2	20	97,265
	Cumberland	6	2.5	16	156,898
	Essex	24	10.1	3	783,969
	Gloucester	1	.4	14	288,288
	Hudson	4	1.7	4	634,266
	Hunterdon	10	4.2	18	128,349
	Mercer	25	10.5	12	366,513
	Middlesex	18	7.6	2	809,858
	Monmouth	21	8.8	5	630,380
	Morris	28	11.8	10	492,276
	Ocean	4	1.7	6	576,567
	Passaic	6	2.5	9	501,226
	Salem	4	1.7	21	66,083
	Somerset	16	6.7	13	323,444
	Sussex	5	2.1	17	149,265
	Union	9	3.8	7	536,499
	Warren	5	2.1	19	108,692
	Total	238	100.0		

It is also interesting to note that the wealth (as determined by mean household income for these purposes) of the county does not correlate to the number of grant recipients. The 11th wealthiest county, Essex, had the largest number of grant recipients, followed by the 6th wealthiest county, Mercer. Of course, both counties are home to major cities, where art scenes tend to flourish, with rich histories.

[88] http://2010.census.gov/news/xls/st34-final_newjersey.xls Retrieved March 7, 2011.

Table 3-3: Agency Grant Recipients by County

2007 NJSCA and NJHC Grant Recipients by County				
	History	Arts	Combined	Mean Household Income
	Organizations	Organizations	Number/(%)	(State Rank)
Atlantic	4	6	10 (3.4%)	$70,433 (18)
Bergen	7	15	22 (7.4%)	$109,111 (4)
Burlington	8	5	13 (4.4%)	$90,910 (10)
Camden	2	1	3 (1.0%)	$79,018 (15)
Cape May	9	7	16 (5.4%)	$67,119 (19)
Cumberland	4	6	10 (3.4%)	$60,706 (21)
Essex	8	31	39 (13.1%)	$83,960 (11)
Gloucester	1	2	3 (1.0%)	$82,637 (12)
Hudson	6	6	12 (4.0%)	$79,329 (14)
Hunterdon	5	6	11 (3.7%)	$123,502 (2)
Mercer	15	16	31 (10.4%)	$99,855 (6)
Middlesex	6	12	18 (6.1%)	$92,798 (8)
Monmouth	11	10	21 (7.1%	$106,509 (5)
Morris	12	9	21 (7.1%)	$128,562 (1)
Ocean	2	6	8 (2.7%)	$74,447 (16)
Passaic	5	5	10 (3.4%)	$71,055 (17)
Salem	3	2	5 (1.7%)	$66,613 (20)
Somerset	6	6	12 (4.0%)	$120,653 (3)
Sussex	4	3	7 (2.4%)	$91,336 (9)
Union	9	11	20 (6.7%)	$93,267 (7)
Warren	2	3	5 (1.7%)	$82,037 (13)
Total	129	168	297	
			101.1%(Percentage overage	
			caused by rounding)	

Table 3-4 below shows how the organizations break down by region. 44% are in North Jersey, nearly 38% in Central Jersey, and about 18% in South Jersey.[89]

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[89] For the purposes of this study, North Jersey is defined as Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union, and Warren, and Central Jersey is defined as Hunterdon, Mercer, Middlesex, Monmouth, and Somerset. South Jersey is defined as it is in the various set-aside provisions in legislation for arts and

Table 3-4: Regional Breakdown of Organizations

		Frequency	Percent
Valid	North	105	44.1
	Central	90	37.8
	South	43	18.1
	Total	238	100.0

Looking at just the North and South division, 81.9% of the organizations are in North Jersey, and 18.1% are in South Jersey. According to the New Jersey Historical Commission, those numbers are slightly lower than their applicant organizations in 2007. That year, 28.5% of their applicants for General Operating Support (GOS) grants were from South Jersey, while nearly 23% of their special project applicant organizations were from South Jersey. Of course, the difference could be explained by the fact that the NJHC gives grants to organizations with more of a statewide mission, while the respondent pool for this survey included organizations that may never seek state-level grants. Conversely, it could be explained by the legislatively required 25 percent set-aside for grants for South Jersey organizations, although the 25 percent refers to available grant dollars, not number of organizations. The New Jersey State Council on the Arts reports that its North/South breakdown is pretty consistent year to year. In 2010, 20 percent -- 28 out o140 grantees – were from South Jersey, fairly close to the general respondent pool of 18.1 percent.

Interestingly, when cross-referenced by organization category, the “both” organizations veer from the expected breakdown. Table 3-5 shows that they are fairly

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history grants: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem Counties.

evenly distributed across the three regions, with about a third of respondents in each region.

Table 3-5: Org Cat * County North Central South Crosstabulation

			County North Central South			Total
			North	Central	South	
Org Cat	History Org	Count	36	33	15	84
		% within Org Cat	42.9%	39.3%	17.9%	100.0%
	Arts Org	Count	59	46	17	122
		% within Org Cat	48.4%	37.7%	13.9%	100.0%
	Both	Count	10	11	11	32
		% within Org Cat	31.3%	34.4%	34.4%	100.0%
Total		Count	105	90	43	238
		% within Org Cat	44.1%	37.8%	18.1%	100.0%

This disparity could be due to the previously mentioned fact that “both” organizations tend to be larger and may have been more inclined to respond to the survey.

The next descriptive piece of information came from this question: *Of the following categories, which best describes your organization? (Question 4)*

Table 3-6: Organization Type

		Frequency	Percent	Valid Percent	Cum. Percent
Valid	Private Non-Profit, tax exempt	191	80.3	80.9	80.9
	Public State	13	5.5	5.5	86.4
	Public County	13	5.5	5.5	91.9
	Public Municipal	13	5.5	5.5	97.5
	Public Other	1	.4	.4	97.9
	Other	5	2.1	2.1	100.0
	Total	236	99.2	100.0	
Missing	System	2	.8		
Total		238	100.0		

Table 3-6 shows that nearly 81% of all of the cultural organization respondents are non-profits. About 17 percent are some sort of public organization, and the remaining 2 percent are "other."

Table 3-7: Org Cat * Org Type Crosstabulation

			Org Type						Total
			Private Non-Profit, tax exempt	Public State	Public County	Public Municipal	Public Other	Other	
Org Cat	History Org	Count	64	4	3	11	0	2	84
		% within Org Cat	76.2%	4.8%	3.6%	13.1%	.0%	2.4%	100.0%
	Arts Org	Count	109	7	3	0	1	1	121
		% within Org Cat	90.1%	5.8%	2.5%	.0%	.8%	.8%	100.0%
	Both	Count	18	2	7	2	0	2	31
		% within Org Cat	58.1%	6.5%	22.6%	6.5%	.0%	6.5%	100.0%
Total		Count	191	13	13	13	1	5	236
		% within Org Cat	80.9%	5.5%	5.5%	5.5%	.4%	2.1%	100.0%

Table 3-7 shows more private non-profit respondents for history than 1997's History Task Force Report, with 76.2% claiming that status versus 63% in 1997. The presence of the head of the Division of Parks and Forestry within the Department of Environmental Protection on the History Task Force may have increased the percentage of responding public organizations to 37%.

As Table 3-7 shows, within "both" organizations, the much higher Public County percentage (22.6%) can be mainly attributed to the county cultural and heritage agencies that responded. (Each county has one of these agencies. They receive grant money from the state to redistribute at the county and local level, although a few [Monmouth and Morris] divide their arts and history into two county agencies.) Their large response rate could be attributed to the fact that they were asked to help compile the respondent pool list by sharing the lists of their grantees and sending reminders to fill out the survey. This involvement in the process may have enlarged their response rate.

When was your organization founded? (Question 5)

The data show that more than 50% of respondent organizations were founded after 1980. The earliest organization was founded in 1683, and the most recent in 2006. Only 6.1% were founded before 1900, with the vast majority founded in the 20th century. About 12% have been founded since 2000. Although, obviously, the 1997 survey does not include data for the 21st century, it also noted that a small number of organizations, 8%, were founded before 1900.

Is your organization part of a larger entity (such as a college or university, community center, library, or other type of organization)? (Question 6)

Table 3-8: Larger Entity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	58	24.4	24.9	24.9
	No	175	73.5	75.1	100.0
	Total	233	97.9	100.0	
Missing	System	5	2.1		
Total		238	100.0		

Nearly one-quarter of the respondent organizations noted that they were part of a larger entity. Among the types of entities listed were state and county colleges and universities, state and county governments, private colleges and universities, libraries, private associations and clubs, national and international societies, municipalities, foundations, school districts, churches, a Community Development Corporation (CDC), and a fire department. Respondents were informed that they should answer only for their organizations and not for the larger entities mentioned.

Finally in this first section, the respondents were asked to describe their overall primary area of work and note their primary description *(Questions 7 and 8).* On the advice of the Advisory Committee, this question was approached much the same way that the federal government asks for information. In hindsight, though, this format led to a hodgepodge of responses that required recategorization. Below is the simplified discipline table.

As the table shows, the most frequent respondents were historical societies (38), followed by music organizations (37). Theatres and visual arts organizations were next at

21 each. Many different types of organizations, however, are represented, attesting to the diversity within the cultural industry in New Jersey.

Table 3-9: Simplified Discipline Table

		Frequency	Percent
Valid	Historical Society	38	16.0
	History Museum	14	5.9
	Historic Site	20	8.4
	Library/Archives	3	1.3
	History County/Local Agency	10	4.2
	Dance	8	3.4
	Music	37	15.5
	Opera/Musical Theatre	8	3.4
	Theatre	21	8.8
	Visual Arts	21	8.8
	Crafts	2	.8
	Media	3	1.3
	Literature	1	.4
	Folk Arts	1	.4
	Local Arts	4	1.7
	Arts Multidisciplinary	12	5.0
	Arts Basic to Education	1	.4
	Performing Arts Presenters	11	4.6
	History Other	5	2.1
	Arts Other	4	1.7
	County Cultural and Heritage Commission	7	2.9
	Museum Other	2	.8
	Both Arts and History programs	2	.8
	Service Org - Arts	3	1.3
	Total	238	100.0

Now that the respondent pool has been described and compared where possible to the 1997 respondents and the broader field in general, it is time to begin the examination of the central hypotheses of this dissertation. This step begins in the next chapter.

Chapter IV: My Analyst Told Me[90]…An Analysis of the First Hypothesis

This dissertation uses the survey data collected for this purpose and comparative data to examine the effects of Public Law 1999, c. 131 (again, also known as the Bagger Bill). Without the ability to seek General Operating Support (GOS), history organizations lagged far behind arts organizations in what they were able to accomplish and provide to the people of New Jersey. That sentiment was the impetus behind the creation of General Operating Support grants for historic sites and organizations, thirty-three years after the New Jersey Historical Commission was created and decades after the NJSCA started providing GOS. This chapter focuses on whether the long journey for GOS was worth the effort. It examines Hypothesis 1 to determine if any change can be seen when comparing data from 1997's History Task Force Report to the 2007 data collected for this dissertation. Each survey reports data from the fiscal year before, FY 1996 and FY 2006 respectively.

Hypothesis 1:

Hypothesis 1: History organizations as a group are in better financial condition and are better able to serve the public through better amenities, increased programming and staffing than before operating grants were available to them.

[90] My thanks to Bette Midler.

Testing "Better Financial Condition"

One way to determine better financial condition is by comparing the budget expenditure data reported in 1997 to the history/both budget expenditure data from 2007. (Although the 1997 study just referred to all its respondents as history organizations, the survey respondents included organizations coded as "both" arts and history organizations for the purpose of the present study.) In the more recent survey, the expenditures question was laid out in three parts like a math equation. Organizations were asked to fill in their annual operating expenditures (including all programmatic outlays), then add their annual capital expenditures (e.g, major repairs, rehabilitation, restorations, additions, and other capital outlays for major furnishings, equipment, acquisitions, HVAC, ADA access, major conservation, etc.) to arrive at their total annual expenditures (100%).

The survey was extensive, and by the time respondents reached the budget questions, they had already answered more than 40 questions. In addition, the budget information required the most detailed information. 129 of the respondents answered the annual budget expenditure question. 66 of the responding organizations were categorized as history or "both."

Total Expenditures

Table 4-1: $ Total Annual Expenditures History and "Both" Organizations

N	Valid	66
	Missing	50
Mean		604,643
Median		68,000
Mode		2000a
Sum		39,906,408

a. Multiple modes exist. The other mode is 3000,

As Table 4-1 shows, the mean of total annual expenditures was $604,643. The median was $68,000, and the modes were $2000 and $3000. The range was $0 to $19,264,224. The total annual expenditures reported for all of the responding history/both organizations equaled $39,906,408.

The 1997 survey respondents reported a mean "annual budget" of $311,060 and a median of $60,000. The respondent pool of 64 organizations had an aggregate $17,108,318 in annual budgets.

Despite the predominance of larger, site-connected organizations in the 1997 pool, the 66 respondents from 2007 still reported a higher mean of total annual expenditures and a higher median. They also reported a much higher combined total expenditure. Of course, the dollar was worth more in 1996. "$1.00 in 1996 had the same buying power as $1.28 in 2006."[91] Still, adjusting for inflation would make up about half

[91] http://www.dollartimes.com/calculators/inflation.htm Retrieved March 9, 2011.

of the difference between the years for the mean annual budget figure and aggregate annual budgets.

It is interesting to note that the history/both organization with the highest annual expenditures in the 2007 survey reported a higher single budget than the aggregate total of more than $17 million for the history community in 1997. It is even more illuminating because the same organization participated in each survey.

Conclusion: Using annual budget expenditures as a proxy for financial health, these data appear to support Hypothesis 1's first assertion that history organizations as a group are in better financial condition than before operating grants were available to them.

Of course, annual budget size is not the only measure of financial health. The size of the total budget is not a good indicator of financial health if the total income to support it is less than is needed.

Total Income

Table 4-2: $ Total Income History and "Both" Organizations

N	Valid	65
	Missing	51
Mean		643,298
Median		50,000
Mode		20,000
Sum		41,814,359

The mean of total income reported by the history/both organizations was $643,298. The median was $50,000 and the mode was $20,000. The range helps illuminate why such a wide gap exists between the mean and median and mode. The range was $0 to more than $23 million. 1997's survey did not collect income data.

The sum total income for the 2007 history/both organizations was more than $41.8 million. That figure compares favorably to the lower total annual expenditures figure of $39,906,408.

Conclusion: While no inferences can be made about the financial health of any particular organization, the aggregate data does reflect positively on the financial health of the responding organizations. Although direct comparisons to 1997 cannot be drawn, these financial numbers support, or at least do not refute, Hypothesis 1's assertion.

A broader picture of financial health could be drawn by putting assets and liabilities into the equation as well. Although that data also is not included in the History

Task Force Report, it's possible to look at the data from the 2007 survey to assess the overall financial health of the history/both organizations.

Assets and Liabilities

(Please answer for the most recently completed fiscal year. Please use audited figures or 990s where possible. If not possible, estimate.) What is the value of your total assets (building, campus, endowment, cash reserve, collections, other): (Question 57)

As Table 4-3 shows, the mean assets reported by the organizations responding to this question were nearly $5 million. The median was $161,411, and the mode was $0. (The mode included just 5 organizations, three of which were municipalities with historic assets that must not think of them in a monetary way.) These numbers show great variation among the organizations in their holdings. The total value of the responding organizations' assets was more than $278 million. Put in perspective by comparing this number to the respondents for the arts, when the arts groups were included in this analysis, the total value of all of the cultural organizations' assets was more than $868 million. History/both organizations make up about a third of that share. Still, 3 of the organizations reporting assets in the top ten of respondents were history/both groups.

Table 4-3: $ Total Assets Value History and "Both" Organizations

N	Valid	56
	Missing	60
Mean		4,975,620
Median		161,411
Mode		0
Sum		278,634,738

Assets, of course, cannot stand alone. They need some point of comparison. In this case, that necessary data can be found within the 2007 survey.

What is the value of your total liabilities? (mortgage, loans, other) (Question 58)

Table 4-4: $ Total Liabilities Value History and "Both" Organizations

N	Valid	57
	Missing	59
Mean		138,548
Median		0
Mode		0
Sum		7,897,260

Table 4-4 shows that the mean liabilities reported by the organizations responding to this question were $138,548. The median and mode, however, were both $0, reflecting the fact that many organizations reported minimal income as well as minimal expenditures. The mode was selected by 63% of responding history/both organizations. 14 groups in the entire cultural respondent pool reported liabilities of more than $1 million. Looked at the data by organization category, 12 of those organizations reporting the most liabilities were arts groups, 1 was history, and 1 was a "both" organization. The total liabilities among the history/both respondents were valued at more than $7.8 million, less than 3% of the total assets reported by the same group above.

Conclusion: These data do not directly support a comparison to 1997's data, but by showing a relatively favorable financial position of assets to liabilities (positive liquidity), they do not refute Hypothesis 1's assertion that history organizations as a group are in better financial condition. "Negative liquidity indicates that an organization will periodically or regularly face cash flow crises. NAS recommends that an organization's current liquidity equal 0% to 5% of annual operating expenses."[92] Under those parameters, the less than 3% figure calculated above shows that the history/both organizations as a group are in fairly good financial condition.

Although staffing is also a measure of financial health, it will be dealt with separately after amenities and programming.

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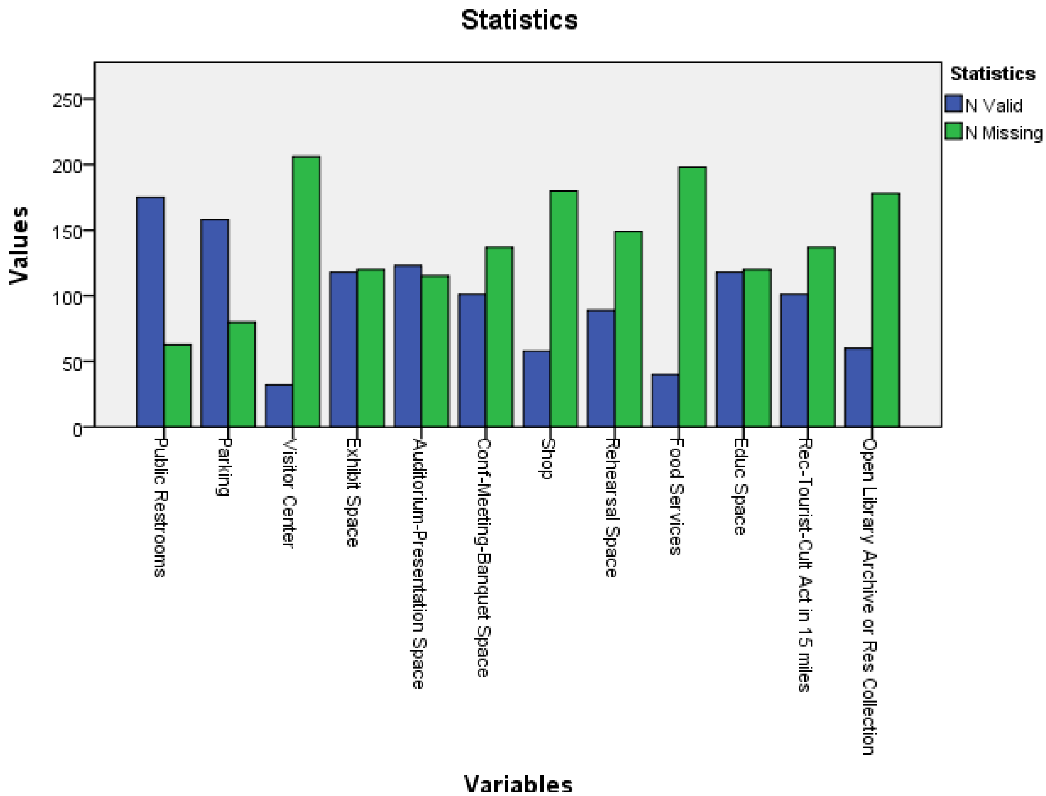
[92] National Ars Stabilization, *Analysis of the Capitalization of 67 New Jersey Arts and cultural Organizations*, (Baltimore, Maryland: January 2000), p. 5.

Testing "Better Able to Serve the Public through Better Amenities"

The question below, which was Question 14 et seq. in the survey, delves into the second piece of Hypothesis 1-- amenities provided and available to visitors at New Jersey's cultural organizations. It was asked to get a sense of whether amenities had improved or declined in the intervening years between the surveys. (In the multi-pronged Question 14, "missing" indicates that those respondents did not check that they had those amenities.)

Check <u>*all*</u> *of the following that* <u>*all*</u> *of your facilities combined provide (Question 14):*

Figure 4-1: Amenities



In 9 out of 12 categories, fewer respondents had the amenities listed than could offer them. Organizations were more likely to have the listed amenity in only three categories: public restrooms, parking, and auditorium/presentation space, although the numbers were very close for exhibit space and educational space.

As Figure 4-1 indicates, most organizations (175) indicated that they had public restrooms, but at 73.5% that shows that many cultural institutions are not tourist-ready. When broken down by arts and history/both, the picture becomes clearer.

Table 4-5: Public Restrooms * Org Cat Crosstabulation

Count

		Org Cat			Total
		History Org	Arts Org	Both	
Public Restrooms	Yes	50 (59.5%)	100 (81.9%)	25 (78.1%)	175 (73.5%)
Total Organizations in Org Category		84 (100%)	122 (100%)	32 (100%)	238 (100%)

According to the table, 81.9 percent of arts organizations had public restrooms, while only 59.5 percent of history organizations did and 78.1% of "both" organizations. The history organizations are clearly behind in this amenity, although some of the organizations may not be open to the public in the conventional sense of the word or have facilities of their own. A full table comparing amenities offered by history organizations in 1997 and 2007 (Table 4-21) follows this brief discussion of each amenity.

In a state as congested as New Jersey, parking may be the most important amenity for cultural organizations. 158 organizations, or 66.4 percent, reported that they had "a parking area for visitors" at their facilities. When broken down by organization category, the table shows that parking is still an issue for many cultural organizations, with arts organization more likely to have parking than history organizations. Organizations that provide both arts and history programming, which tend to be larger by the nature of their mission, were the most likely to report that they have parking.

Table 4-6: Parking * Org Cat Crosstabulation

Count

		Org Cat			Total
		History Org	Arts Org	Both	
Parking	Yes	47 (55.9%)	86 (70.5%)	25 (78.1%)	158 (66.4%)
	Total Orgs in Org Category	84 (100%)	122 (100%)	32 (100%)	238 (100%)

A follow-up question asks how many cars the groups can park. The answers ranged from spaces for 1 car to 125. The mean was slightly over 60, and the median was 50, meaning that half of the respondents had parking for more than 50 and half had parking for fewer than 50. The most commonly cited answer, or mode, was 125, with 40 organizations reporting that many spaces.

The survey also inquired if the organizations' parking areas were large enough for buses. Of the 154 organizations that responded to this question, 112 (72.7 of the group with parking) did have room for buses, while 42 (27.3%) did not. When the entire respondent pool is examined, fewer than half of the organizations have room for buses. A follow-up question attempted to gauge the visitor capacity of the organizations by determining how many buses could be parked. The range was from 1 to 50 buses, the mean over 6, the median more than 3, and the mode 2.

Table 4-7: Number of Buses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	14	5.9	13.2	13.2
	2	26	10.9	24.5	37.7
	3	13	5.5	12.3	50.0
	4	8	3.4	7.5	57.5
	5	10	4.2	9.4	67.0
	6	5	2.1	4.7	71.7
	8	2	.8	1.9	73.6
	10	14	5.9	13.2	86.8
	12	1	.4	.9	87.7
	15	3	1.3	2.8	90.6
	20	2	.8	1.9	92.5
	25	3	1.3	2.8	95.3
	30	4	1.7	3.8	99.1
	50	1	.4	.9	100.0
	Total	106	44.5	100.0	
Missing	System	132	55.5		
Total		238	100.0		

In total, the respondent organizations could handle 715 buses daily if demand required.

The next part of the question asked whether the organization had a Visitors' Center. As the Amenities Bar Graph shows, there is a large decline in affirmative responses to this inquiry. Only 32 organizations or 13.4 percent of the entire respondent pool responded that they had a Visitors' Center. In this case, history organizations were most likely to report having one.

Table 4-8: Visitor Center * Org Cat Crosstabulation

Count

		Org Cat		Total
	History Org	Arts Org	Both	
Visitor Center Yes	19 (22.6%)	6 (5%)	7 (22%)	32 (13.4%)
Total Organization in Org Category	84 (100%)	122(100%)	32(100%)	238(100%)

The next part of the question asks about Exhibit Space.

Table 4-9: Exhibit Space * Org Cat Crosstabulation

Count

		Org Cat		Total
	History Org	Arts Org	Both	
Exhibit Space Yes	56 (67%)	44 (36%)	18 (56%)	118(49.5%)
Total Organization in Org Category	84 (100%)	122(100%)	32(100%)	238(100%)

This table shows that more than half of the responding history and "both" organization reported having exhibit space. A follow-up question asks: *How many square feet of display space?*

For the 96 respondents, the range of square footage was from 20 to 500,000 square feet. The median was about 1000 square feet, and there were multiple modes. 6 organizations each reported having 200, 800, or 1000 square feet, while another 6 organizations did not know the square footage of their exhibit space.

123 organizations (51.7%) of the respondent pool reported having Auditorium/presentation space(s). 44 of those were history/both organizations. In a follow-up question, the survey asked how many different presentation spaces they had.

As the table below shows, nearly half of the respondents to this question had only 1 space, and about a third had two.

Table 4-10: Auditorium/Presentation Spaces

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	6	2.5	4.7	4.7
	1	62	26.1	48.1	52.7
	2	41	17.2	31.8	84.5
	3	12	5.0	9.3	93.8
	4	3	1.3	2.3	96.1
	5	1	.4	.8	96.9
	7	2	.8	1.6	98.4
	9	1	.4	.8	99.2
	10	1	.4	.8	100.0
	Total	129	54.2	100.0	
Missing	System	109	45.8		
Total		238	100.0		

Regarding the auditorium/presentation space(s), the respondents were asked to give the seating capacity for each of their spaces (Question 14e2 et seq.). For those with one space, the mean seating capacity indicated was about 325, the median 200. It was bi-modal, with 9 groups each reporting room for 50 and 300. The range was 20 seats to more than 1800. The second space seating capacity had a mean of about 258, a median of 144, and a mode of 100.

101 organizations reported having *conference/meeting/banquet space.* 51 were history/both organizations.

Table 4-11: Conference-Meeting-Banquet Space

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	101	42.4	100.0	100.0
Missing	System	137	57.6		
Total		238	100.0		

The following parts of the amenities question referred to some basic tourism amenities – *museum shop/book store/gift shop* and *food services*.

Just 24% of all organizations reported that they had a shop. As Table 4-12 shows, history and "both" organizations were more likely to than arts organizations.

Table 4-12: Shop * Org Cat Crosstabulation

		Org Cat			Total
		History Org	Arts Org	Both	
Shop	Yes	30 (36%)	17 (14%)	11 (34%)	58(24.4%)
Total Organization in Org Category		84 (100%)	122(100%)	32(100%)	238(100%)

Only 16.8 percent of the respondent pool reported offering food services. Table 4-13 shows that "both" organizations were the most likely to offer food services.

Table 4-13: Food Services * Org Cat Crosstabulation

	Org Cat			Total
	History Org	Arts Org	Both	
Food Services Yes	9 (11%)	23 (18%)	8 (25%)	40(16.8%)
Total Organization in Org Category	84 (100%)	122(100%)	32(100%)	238(100%)

In a section of the question that resonated more for arts organizations, 37.4 percent of the respondent pool reported that they had rehearsal space.

Table 4-14: Rehearsal Space

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	89	37.4	100.0	100.0
Missing	System	149	62.6		
Total		238	100.0		

This makes sense when compared to the fact that nearly 36 percent in the "disciplined simplified" category could definitely be categorized as organizations with rehearsal needs – dance, music, opera/musical theatre, theatre, and performing arts presenters. In fact, cross-tabulated by organization category, arts organization made of nearly 80 percent of the 89 "rehearsal space" respondents, with "both" organizations accounting for about 14.5 percent and history about 5.5 percent.

About half of all respondents reported having educational space. 53 were history/both organizations.

Table 4-15: Educational Space

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	118	49.6	100.0	100.0
Missing	System	120	50.4		
Total		238	100.0		

A follow-up question asked about their educational capacity (in students able to be served per session). The mean response was nearly 55, the median 35, and the mode 125, with 21 selecting it as their choice. Among those with educational space, the range was 10 to 125.

The respondents were then asked to check whether they had *other recreational, tourist, and/or cultural activities within approximately 15 miles*.

Table 4-16: Recreational-Tourist-Cultural Activities within 15 miles

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	101	42.4	100.0	100.0
Missing	System	137	57.6		
Total		238	100.0		

42.4 percent reported that they did have nearby activities. 57 of the 101 organizations were history/both groups. Those who answered in the affirmative were asked *approximately how many*? The responses ranged from 2 to 20, with the mean at more than 14, the median at 20, and the mode at 20.

Do you have any joint sponsorship of events, marketing, etc. with any other recreational, cultural, and/or tourist sites (or other type of organization)? (Question 14k2)

Table 4-17: Joint Sponsorship

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	80	33.6	79.2	79.2
	No	21	8.8	20.8	100.0
	Total	101	42.4	100.0	
Missing	System	137	57.6		
Total		238	100.0		

Of those reporting nearby organizations, nearly 80 percent had some form of joint sponsorship. The number of joint sponsorship projects ranged from 1 to 20, the mean was more than 6, the median 4, and the response was bi-modal, with 2 and 5 as the answers for 14 organizations each. (Question 14k2a)

Finally in Question 14, more than a quarter of all respondents reported having *a library archive or a research collection open to the public*.

Table 4-18: Open Library Archive or Research Collection

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	60	25.2	100.0	100.0
Missing	System	178	74.8		
Total		238	100.0		

Not surprisingly, among those 60 respondents, 39 (65%) were history organizations, 12 (20%) were "both" organizations, and just 9 (15%) were arts organizations.

How many of your facilities are served by public transportation? (Question 15)

Table 4-19: Public Transportation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	64	26.9	30.6	30.6
	One	63	26.5	30.1	60.8
	Two	24	10.1	11.5	72.2
	Three or more	11	4.6	5.3	77.5
	All	47	19.7	22.5	100.0
	Total	209	87.8	100.0	
Missing	System	29	12.2		
Total		238	100.0		

As the table shows, “none” slightly edged out “one” as the most popular response. Nearly 20 percent claimed that all of their facilities were served by public transportation. When looked at in the context of the entire respondent pool to this question, just over 70 percent reported some form of public transportation available to their patrons.

Table 4-20: Public Transportation * Org Cat Crosstabulation

			Org Cat			Total
			History Org	Arts Org	Both	
Public Transportation	None	Count	32	25	7	64
		% within Public Transportation	50.0%	39.1%	10.9%	100.0%
		% within Org Cat	45.1%	22.7%	25.0%	30.6%
		% of Total	15.3%	12.0%	3.3%	30.6%
	One	Count	24	33	6	63
		% within Public Transportation	38.1%	52.4%	9.5%	100.0%
		% within Org Cat	33.8%	30.0%	21.4%	30.1%
		% of Total	11.5%	15.8%	2.9%	30.1%
	Two	Count	4	14	6	24
		% within Public Transportation	16.7%	58.3%	25.0%	100.0%
		% within Org Cat	5.6%	12.7%	21.4%	11.5%
		% of Total	1.9%	6.7%	2.9%	11.5%
	Three or more	Count	1	8	2	11
		% within Public Transportation	9.1%	72.7%	18.2%	100.0%
		% within Org Cat	1.4%	7.3%	7.1%	5.3%
		% of Total	.5%	3.8%	1.0%	5.3%
	All	Count	10	30	7	47
		% within Public Transportation	21.3%	63.8%	14.9%	100.0%
		% within Org Cat	14.1%	27.3%	25.0%	22.5%
		% of Total	4.8%	14.4%	3.3%	22.5%
Total		Count	71	110	28	209
		% within Public Transportation	34.0%	52.6%	13.4%	100.0%
		% within Org Cat	100.0%	100.0%	100.0%	100.0%
		% of Total	34.0%	52.6%	13.4%	100.0%

When controlled for organization category, history organizations were more likely to have no public transportation to their facilities than arts and "both" organizations. This difference is most likely due to the fact that history organizations are likely to be in historically important places, while the arts are more likely to flourish at the heart of the action, in downtown settings. In addition, more than a quarter of both arts and "both" organizations reported that all their facilities were accessible by public transportation.

What type of public transportation serves your facilities? Select all that apply. (Question 16)

Table 4-21: Public Transportation Bus

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	134	56.3	100.0	100.0
Missing	System	104	43.7		
Total		238	100.0		

This table shows that 56.3 percent of respondents report that buses service their facilities. 38.2 percent indicate that their facilities are accessible by rail.

Table 4-22: Public Transportation Rail

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	91	38.2	100.0	100.0
Missing	System	147	61.8		
Total		238	100.0		

The only other forms of transportation mentioned by type under the "other" option are ferry and trolley, with one respondent each.

The following table compares the amenities provided in 2007 by history/both organizations to the History Task Force Report data from the previous decade.

Table 4-23: **A Comparison of Visitor Amenities for History and Combined History/Both Organizations: 2007 to 1997**

	History Orgs	"Both" Orgs	Combined History and "Both" Orgs	Combined History and "Both" Orgs
	2007	2007	2007	1997
Check all of the following				
that all of your facilities combined provide:				
	%	%	%	%
Public restrooms	59.5	78	64.65	87
A parking area for visitors	55.95	78	62.06	81
Visitor's center	22.6	21.8	22.41	34
Exhibit space(s)	66.6	56.2	63.79	85
Auditorium/presentation space(s)	29.7	59.3	37.93	21
Museum shop/book store/gift shop	35.7	34.3	35.34	67
Food services	10.7	18.8	14.65	19
Educational space on-site	58.3	62.5	59.48	90
Other recreational/tourist/cultural activities within 15 miles	47.6	36	49.13	90
Joint sponsorship of events, marketing, etc.	34.52	56.25	40.51	65
library archive / research collection open to the public	46.4	7.3	43.96	53

This table yields some interesting longitudinal data. The 2007 data are divided into three different categories – History 2007, Both Organizations 2007, and Combined History Organizations and Both Organizations 2007. It is most accurate to compare the data from "Combined History and Both 2007" to "Combined History and Both 1997." Although the 1997 study referred to all these organizations as history organizations, the survey respondents included organizations coded as "both arts and history" organizations for the purpose of the present study. From examining the table, it is evident that the 1997 percentages are higher in all but one category (auditorium/presentation spaces) than the combined History and Both Organizations of 2007. It is likely that this finding is the result of the previously mentioned fact that the 1997 survey had fewer respondents (64) from an intentionally smaller universe (197). As mentioned in Chapter III, the 1997 organizations consisted mainly of those who steward or operate sites as opposed to the larger universe of historical organizations, many without collections or sites. For example, fewer organizations in all three 2007 categories reported having public restrooms than in 1997. This result is most likely due to the universe surveyed, not a purposeful reduction in public restrooms. By researching larger, site-based organizations, the 1997 survey possibly underestimated the lack of the amenity, although of course some number of the 2007 population is not conventionally open to the public, as a later discussion of organizations' hours will show.

The one amenity that 2007 organizations report having in higher numbers is auditorium/presentation space. This result is most likely due to the wording of the question. In 1997, the question only asked if an organization had an auditorium, not about presentation space. "Presentation space" is a broader, less formal term than "auditorium."

Conclusion: Therefore, the data does not support the portion of Hypothesis 1 related to organizations being "better able to serve the public through better amenities." It is difficult to ascertain if amenities had actually declined in the intervening years between the surveys or if the lack of amenities was just underreported in the past.

Testing "Better Able to Serve the Public through Increased Programming"

The next section looks at the assertion in Hypothesis 1that history organizations as a group are better able to serve the public through increased programming than before operating grants were available to them. As Table 4-23 notes, auditorium or more accurately presentation space, which could be a proxy for programming, was reported to be about 16% higher in 2007 than ten years earlier. It is unlikely that this represents an increase in space at these organizations. As mentioned earlier, it is more likely that the wording of the question in 1997 caused the amount of space to be underreported.

Two indicators that could be a proxy for increased programming are an organization's business hours and hours open to the public. Less than regular business hours may indicate that an organization is not operating at full capacity. The second corollary is more self-evident: the fewer hours an organization is open to the public, the less it is serving the public.

Hours:

What are your organization's business hours?

Table 4-24: Final Business Hours Code * Org Cat Crosstabulation

			Org Cat			
			History Org	Arts Org	Both	Total
	No Set Hours	Count	13	7	0	20
		% of Total	6.7%	3.6%	.0%	10.3%
	By Appt	Count	2	0	0	2
		% of Total	1.0%	.0%	.0%	1.0%
	Once per Month	Count	6	0	0	6
		% of Total	3.1%	.0%	.0%	3.1%
	1 to 8 Hours per Wk	Count	10	8	0	18
		% of Total	5.1%	4.1%	.0%	9.2%
	9 to 19 Hours per Wk	Count	5	2	0	7
		% of Total	2.6%	1.0%	.0%	3.6%
	20 to 29 Hours Per Wk	Count	4	7	1	12
		% of Total	2.1%	3.6%	.5%	6.2%
	30 to 40 Hours per Wk	Count	14	37	13	64
		% of Total	7.2%	19.0%	6.7%	32.8%
	41 to 60+ Hours per Wk	Count	9	27	10	46
		% of Total	4.6%	13.8%	5.1%	23.6%
	Varies	Count	6	7	1	14
		% of Total	3.1%	3.6%	.5%	7.2%
	NA	Count	1	4	1	6
		% of Total	.5%	2.1%	.5%	3.1%
Total		Count	70	99	26	195
		% of Total	35.9%	50.8%	13.3%	100.0%

As the table above shows, 56.4 percent of all organizations reported working what could be considered an average or beyond average work week. 32.8 percent of the organizations responded that their business hours were 30 to 40 hours per week. Among the organization categories, however, arts organizations (19%) were more than twice as likely to report 30 to 40 hour business weeks than history (7.2%) and "both" (6.7%) organizations. Similarly, arts organizations (13.8%) were three times more likely to report business hours of 41 to 60+ hours per week than history organizations (4.6%). Conversely, history organizations were nearly twice as likely (6.7%) to have no set hours than arts organizations (3.6%). Similarly, only history organizations reported being open by appointment or just once per month.

History and "both" organizations were asked if they were open to the public year round or seasonally. Just under 18% reported that they are only open seasonally. The 1997 data reported that 19% of these organizations were only open seasonally. The difference does not appear particularly significant.

Table 4-25: Public Schedule for History and "Both" Organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Year round	79	33.2	82.3	82.3
	Seasonally	17	7.1	17.7	100.0
	Total	96	40.3	100.0	
Missing	System	142	59.7		
Total		238	100.0		

When extrapolated to the entire field, Table 4-26 shows the following data:

Table 4-26: Is your organization open to the public year round or seasonally?

Answer	Percentage*	Number
Year round	77.0%	537
Seasonally	23.0%	160
missing or NA	61.3%	1103
Total	100.0%	1800

Although 23% is indeed higher than 1997's 19%, data estimates for the whole field are less valid for statistical comparisons because the 1997 sample purposefully excluded all but organizations that steward or operate historic sites.

During the time your organization is open, how many hours per week are you open to the public? (If your organization is open year round, but has different hours during its peak season, please answer for the peak season.) Question 22hb [for History and "Both" organization only]

Table 4-27: Hours Open Per Week for History/Both Organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-9	29	12.2	33.0	33.0
	10-19	14	5.9	15.9	48.9
	20-29	8	3.4	9.1	58.0
	30-39	15	6.3	17.0	75.0
	40+	22	9.2	25.0	100.0
	Total	88	37.0	100.0	
Missing	System	150	63.0		
Total		238	100.0		

These data may help illuminate Hypothesis 1. The 1997 History Task Force Report respondents reported being open fewer hours per week. 37 percent in 1997 were open 1-9 hours per week, 11 percent reported 10-19, 17 percent reported 20-29, and 8 percent reported 30-39 hours per week. 27 percent (about the same as 2007) reported 40 or more hours per week, even though the groups in the 1997 data are by definition more likely to be large and shepherding an actual site.

Looked at by cumulative percentage, 65% of the organizations had hours of 20- to 29 hours per week or less in 1997 versus 58 percent of the 2007 respondents. 42 percent of the 2007 organization reported 30 hours per week or more versus 35 percent of the 1997 respondents.

Are you satisfied with these hours? Question 23h [for History and "Both" organization only]

Table 4-28: Satisfied with Hours?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	64	26.9	70.3	70.3
	No	27	11.3	29.7	100.0
	Total	91	38.2	100.0	
Missing	System	147	61.8		
Total		238	100.0		

As this table shows, more than70 percent of respondents to this question in 2007 reported being satisfied with their hours open to the public. The 1997 survey reports that only 41 percent were satisfied with their hours of operation. This change could indicate being better able to serve the public because of longer hours. Longer hours would likely require more staff as well. Again, staffing will be addressed later in this analysis.

Conclusion: On balance, the analysis of the hours seems to support Hypothesis 1. Although just a proxy, the additional hours per week open to the public and the higher satisfaction with hours open to the public could mean that history organizations are better able to serve the public through increased programming. The somewhat erratic business hours, however, tempers the enthusiasm for this conclusion.

Attendance:

Attendance could also be an indicator of programming on the theory that larger attendance means more activities and events attracting visitors. Question 25 was asked to determine how many in-person visits organizations had in the survey year.

How many persons physically attended all the programs and services offered by your organization in your most recently completed fiscal year? (Question 25)

Table 4-29: Annual In-Person Attendance All Organization Categories

N	Valid	187
	Missing	51
Mean		27,766
Median		2000
Mode		1000
Sum		5,192,250

Among the respondents, the mean annual in-person attendance was 27,766. The median was 2000, and the mode 1000. The range was 25 to 420,000 per year. The sum was nearly 5.2 million. This number represents unique visits, not 5.2 million different individuals. In other words, an individual with a six concert subscription to a symphony or a frequent museumgoer would be counted multiple times. Still, nearly 5.2 million unique uses of arts and history organizations represent a lot of entertainment, educational, and economic activity.

One caveat: it should be noted that organizations may have different ways of recording attendance. Some may use ticket sales or entrance fees, but others may have been unlikely to have as good or at least comparable data. Like all the data, the attendance figures are based on each organization's reported response.

Cross-tabulated by organization category, the results show that thirteen arts organizations and two "both" organizations had the largest in-person attendance, at least

100,000, while 9 history organizations and 3 arts organizations had the lowest annual in-person attendance at 100 or fewer. Table 4-30 shows the annual in-person attendance controlled for just history and "’’both" organizations.

Table 4-30: Annual In-Person Attendance for History and "Both" Organizations

N	Valid	89
	Missing	27
Mean		15,737
Median		1300
Mode		500
Sum		1,400,620

The reported annual attendance ranged from 25 to 326,665 for these organizations.

Compared to the 1997 data, the median of 15,737 was well below the 1997 reported 57,925, as was the median of 1300. The 1997 median was 5,766, and the sample total was more than 3.4 million versus 2007's 1.4 million. That represents just 41 percent of 1997's total, even though more organizations were included. The 1997 organizations were larger, however, and included a number of outdoor venues like state parks, which could imply the ability to handle larger crowds.

The extrapolated data for the field paints a rosier attendance picture. The estimated statewide total was 6.4 million in 1997, and the 2007 statewide estimate was closer than the sample data based on the much larger universe of organizations included. The statewide estimate for history and "both" organizations in 2007 was 4,839,003, 75% of the 1997 estimate.

Conclusion: It is difficult to know based on the differences in the samples if these data measure a true drop in attendance, but it is not hard to imagine that they do. In the decade between measurements, claims on people's leisure time increased dramatically with the advent of many technological advances that make "being there" unnecessary. (When consumers were asked to select their favorite leisure time activities, both men and women included TV, casual gaming, and surfing the web in their top 3.[93]) As Chapter II noted, the National Endowment for the Arts' 2008 Survey of Public Participation in the Arts noted a 5.4% drop in in-person attendance in our region between 2002 and 2008. In New Jersey's arts world, that has meant a decline in the ability to sell subscriptions. For example, at the Paper Mill Playhouse in Millburn, the state's largest non-profit theater, subscriptions hover at 16,500, down from 26,000 in 2000 and about one-third of their peak in the 1990s.[94] The *Star-Ledger* reported that ticket sales for the state's largest orchestra, the New Jersey Symphony, were "mediocre, with subscription concerts averaging about 63 percent of capacity."[95] If attendance has declined in real numbers, then Hypothesis 1 is not supported by these data.

In-person attendance, of course, is not the only way to interact with organizations, but other measures seem less likely to equate with active programming. Organizations have websites, but they do not seem equivalent to programming, unless specifically for distance learning. Just 17% of the 35 history and "both" organizations responding to a question about distance learning reported that they engaged in it. (This question listed "web site visits" as a separate category within the question to avoid confusion.) The mean for use of their programming was 14,550 and the median was 410. One institution,

[93] http://adage.com/article/digital-columns/tv-casual-gaming-web-top-spots-women/124919/ January 14, 2008. Retrieved March 10, 2011.
[94] http://www.nj.com/news/index.ssf/2010/05/largest_nj_nonprofit_theater_i.html, May 12, 2010. Retrieved March 11, 2011.
[95] http://www.nytimes.com/2009/03/22/nyregion/new-jersey/22wakinnj.html March 22, 2009. Retrieved March 11, 2011.

a stand-alone "both" organization that is not connected to higher education, served more than 71,000 people through distance learning, and that raised the mean dramatically. It would be flawed to count each use toward programming, though. It is much more logical to think of the 6 organizations as each having a distance learning program. Six additional programs are not enough to support Hypothesis 1.

Membership:

In history, the equivalent of subscriptions for many organizations is membership. More than 85 percent of responding history organizations report earning some income from membership compared to less than 53 percent of arts and about 69 percent of "both" organizations. Only 17 percent of history organizations and 6.3 percent of "both" organizations, however, reported that membership accounted for the lion's share of their budgets.

Conclusion: Because the 1997 survey asked about numbers of members (it characterized individual organizational membership as "modest"[96]) versus dollars brought in by membership, it is not possible to draw a direct comparison between the two surveys. These data do not support Hypothesis 1.

[96] History Task Force Report, Volume III, p. 87.

Education:

Providing programs to schoolchildren could indicate increased programming activity. In 1997, respondents indicated that 96% of them provided "programs to school groups." In 2007, the question was worded differently enough to make comparison difficult: *Do you provide programs specifically oriented to school-age children?* Table 3-33 shows that about 68% of history organizations and 87.5% of "both" organization responded that they did.

Table 4-31: School-aged Programming? * Org Cat Crosstabulation

			Org Cat			Total
			History Org	Arts Org	Both	
School-aged Programming?	Yes	Count	53	79	21	153
		% within School-aged Programming?	34.6%	51.6%	13.7%	100.0%
		% within Org Cat	67.9%	76.0%	87.5%	74.3%
		% of Total	25.7%	38.3%	10.2%	74.3%
	No	Count	25	25	3	53
		% within School-aged Programming?	47.2%	47.2%	5.7%	100.0%
		% within Org Cat	32.1%	24.0%	12.5%	25.7%
		% of Total	12.1%	12.1%	1.5%	25.7%
Total		Count	78	104	24	206
		% within School-aged Programming?	37.9%	50.5%	11.7%	100.0%
		% within Org Cat	100.0%	100.0%	100.0%	100.0%
		% of Total	37.9%	50.5%	11.7%	100.0%

Of course, a great deal of activity is generated by this programming, as the next question will show.

How many children annually (estimate)? (Question 32)

Among the respondents, the following numbers apply:

Table 4-32: Number of Students Served by All Organization Categories

N	Valid	101
	Missing	137
Mean		4410
Median		400
Mode		500
Sum		445,450

Across the entire field, the data estimate more than 2.5 million school-age children are being provided services annually. Since 1.38 million children were estimated to have been enrolled in the 2006-2007 school year[97] in public school and an additional 160,000 in non-public schools, the 2.5 million figure in Table 4-33 indicates that some children have multiple interactions with cultural organizations. These interactions could be through field trips, school assemblies, single-year or multi-year partnerships with community-based organizations, or an artist-in-residency program.[98]

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[97] http://www.nj.gov/education/data/enr/enr07/ Retrieved February 1, 2011.

[98] New Jersey State Council on the Arts/Department of State, New Jersey State Department of Education, The Geraldine R. Dodge Foundation, Music for All, Playwrights Theatre of New Jersey, "Within our Power:

Table 4-33: How many children annually (estimate)?

Mean	2831
Median	300
Min	0
Max	164000
Mode	500
Total	2,592,500

How many events/occurrences annually (estimate)?(Question 33)

How many school districst do you serve annually (estimate)? (Question 34)

Table 4-34: Events and School Districts

		Events/Occurrences Annually	School Districts Annually
N	Valid	130	120
	Missing	108	118
Mean		100	33
Median		12	5.5
Mode		4	1
Sum		12,938	3995

The respondent pool reported a mean of 100 events per year and 33 districts served. The medians are 12 and 5.5 respectively, indicating that some very large organizations raised the means. The modes are 4 and 1. Events numbered nearly 13,000, and districts 3995, indicating that many of New Jersey's more than 600 districts are served by multiple organizations. That sounds like a lot of events per district, but many districts have multiple schools. The total number of public schools in New Jersey is 2,485.[99] When extrapolated out to the broader field, the data estimate that there were 95,726

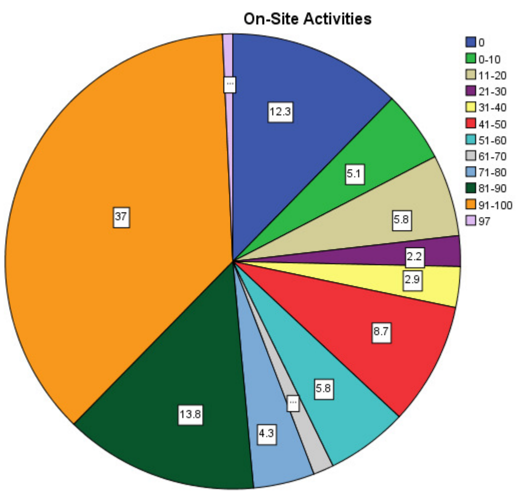
The Progress, Plight and Promise of Arts Education for Every Child." The New Jersey Arts Education Census Project: September 18, 2007. http://www/artsednj.org

[99] New Jersey Department of Education website: http://www.nj.gov/education/ Retrieved February 1, 2011.

events/occurrences annually. The vast majority of those students are estimated to be from the same county as the organization, some from other counties, and a very few from outside New Jersey. It is estimated that more than 80 percent of the organizations have no or nearly no students from other states visiting.

Note the percentage of on-site and off-site student activity below: (Question 36)

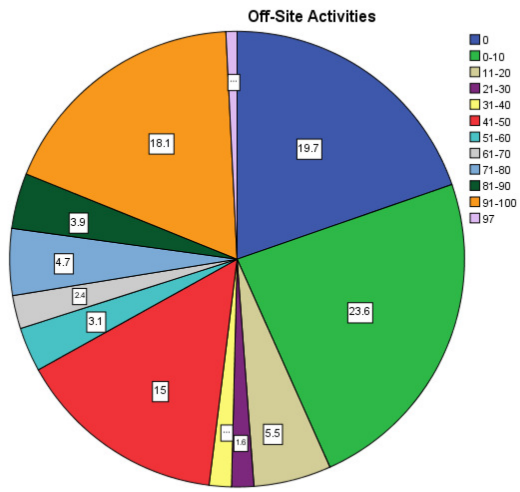
Figure 4-1: On-Site Activities[100]



As the pie chart above shows, the majority of organizations that offer student activities provide on-site student activities.

[100] "97" equals "Don't Know" in Chart 4-1 and Chart 4-2.

Figure 4-2: Off-Site Activities



Conversely, few organizations reported off-site student activities as a substantial percentage of their educational offerings, although a sizeable minority reported a high percentage, including 18 percent that reported that it is most of what they do. For the purposes of this question, off-site activities were defined as "trunk shows, residencies, school performances, distance learning, etc."

Conclusion: Because there is no equivalent data from the 1997 survey showing how much of their attendance and programming were related to students, comparisons to support the hypothesis would be difficult to make, and of course the field data above is aggregated to include the arts. It should be noted that one of the top three providers of education for schoolchildren in the state is a "both" organization, accounting for more than 11% of the survey respondent' sum total of students served. The aggregated field data, however, does allow for an interesting comparison with adult education.

Do you provide educational programs specifically oriented to adults? (Question 38a)

Approximately how many adults annually participate in these programs? (Question 38b)

Both the respondent pool and the extrapolated field numbers indicated that 70 percent provide educational programs specifically for adults and 30 percent do not. Based on the respondents' replies, the field-wide estimates are as follows:

Q38b. Table 4-35: Approximately how many adults annually participate in these programs?

Mean	1512
Median	250
Min	15
Max	50000
Mode	50
Total	1,767,076

It is interesting to note that approximately 800,000 more children than adults are estimated to be served by our cultural institutions' education programs. Of course, adults actively choose participation in cultural programs, while children in school may be willing but are not making the choice themselves. Choosing, however, may not matter in the long run, as a new analysis of the NEA's 2008 Survey of Public Participation in the Arts claims.

> Childhood arts education has a potentially stronger effect on arts attendance than age, race, or socioeconomic status. Long-term declines in childhood arts education have serious implications for the future of arts participation in America.[101]

[101] http://berkshirecreative.org/2011/02/24/nea%e2%80%99s-survey-of-public-participation-in-the-arts-data-reveals-that-3-out-of-4-americans-participate-in-the-arts/ , Retrieved March 10, 2011.

The data emphasize the important role that New Jersey's cultural organizations play in K-12 education in New Jersey. They do not, however, support or refute Hypothesis 1.

Volunteers:

Another proxy for programming could be who provides it. The 1997 organizations reported 2048 volunteers, with a mean of 32 and a median of 25. The range was 0 to 200. According the 1997 survey, volunteers provided 29% of all site interpretation, paid staff just 8%, and volunteers and paid staff together 63%.

On balance, the responding organizations in 2007 seem even more successful in recruiting volunteers and seem to rely on them more. The 108 history and "both" organizations responding reported that they had 5020 volunteers, with a mean of 47 and the same median as 1997 -- 25. The range had expanded to 0 to 400 volunteers.

On average, approximately how many hours per week of work does an unpaid volunteer do for your organization? (Question 20)

Table 4-36: Hours Per Week Unpaid Volunteers All Organization Categories

N	Valid	202
	Missing	36
Mean		5.31
Median		4
Mode		2
Sum		1072

For the answering respondents, unpaid volunteers contributed 1072 hours per week to their operations. More than half of the volunteers work 0 to 4 hours for their organizations, but nearly a quarter (23%) work 5 to 9 hours, and 14.6 percent work 10 to 14. Another 7.8 percent work more than 15 and up to 20 hours per week.

When looked at by organization category for just history and "both" organizations, the mean increases to 6, the mode is bimodal at 1 and 4, and the median remains 4.

Conclusion: Using the same calculations as the History Task Force Report, the number of volunteer hours per week across the responding history and both organizations can be calculated by taking the mean number of volunteers (47) and multiplying by the mean number of hours per week, 6. That equals 282 hours per week of volunteer time or 14,664 hours per year (282 x 52 weeks). For the 108 respondents, the volunteer contribution aggregates to about 1,583,712 (14,664 x 108) hours of time committed each year. Assigning the same $15 per hour "value" that the History Task Force used, the

1,583,712 hours of volunteer time have an imputed "worth" of $23,755,680. That appears to compare favorably to the 1997 report's calculation of 640,000 volunteer hours "worth" $9.6 million. It is necessary, however, to control for the increased number of respondents in 2007. Doing so means that 41% more organizations in 2007 received volunteer time "worth" 60% more than in 1997. If it were a wash, the increased percentages of organizations and "worth" would be equal.

Using the data obtained from the first part of examining this hypothesis, that $23.7 million in estimated "worth" makes up 59.5% of the total annual expenditures of $39,906,408. Put another way, if they had to pay for that volunteered time, organizations in the aggregate would have to increase their budgets by nearly 60%.

This analysis requires some comments about social capital. Robert Putnam argued in *Bowling Alone*[102] that there was a breakdown of social networks. He documented that there were more bowlers, but fewer leagues. In response, Nicholas Lemann argued in *Kicking in Groups*[103] that Putnam didn't take into account new social capital: more soccer moms and baseball dads replaced the traditional Elks and Women's Clubs. Perhaps volunteering, facilitated to some degree by the ease of seeking out organizations through technology, can also be included in Lehman's definition of social capital. Volunteering may not be new, but for history organizations it certainly has increased.

Use of Volunteers:

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[102] Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community*, (New York, NY: Simon & Schuster, 2000).
[103] Nicholas Lemann, "Kicking in Groups." *The Atlantic Monthly*, Volume 277, No. 4, (April, 1996).

For the 158 organizations that responded that they provided interpretive services, the following data apply. Note that the percentages do not add up to 100% because respondents could check all that apply.

If yes, who provides the interpretive and/or educational opportunities/services for your organization? Check all that apply. (Question 30)

68 percent of all responding history and "both" organizations (65 of 96 total respondents) replied that they used volunteer educational providers, 42.5 percent (43 of 101 total respondents) reported using paid staff educational providers, and 21 of the 32 respondents that selected "other" were history and "both" organizations. The "educational providers other" breakdown included "paid, non-staff" (43.8% of the respondents), "visiting historians, artists, lecturer, etc." (34.4%), "partner organizations" and "paid staff and volunteers" (both 6.3%), and "interns" (3.1%). Another 6.3 percent were still "other."

These data clearly show that unpaid volunteers still provide much of the interpretive and educational services at our history institutions. This conclusion is more firmly arrived at through Questions 30a1 and 30b1:

Approximately what percentage of the total opportunities/services are provided by volunteers? (30a1)

Approximately what percentage of the total opportunities/services are provided by paid staff? (30b1)

Looking at the respondents' data, about one-quarter (25.7%) who answered this question report that they have no volunteer-provided interpretive services, while one-quarter report (25.6%) report that volunteers provide 99 to 100 percent of the interpretation/education. Conversely, about a quarter (24.4%) report that none of their interpretation/education is provided by paid staff, while nearly another quarter (23.7%) report that volunteers provide 99 to 100 percent of these opportunities/services. Within the organizational categories of history, arts, and "both" organizations, dramatic differences appear. Only 3 history organizations, 4.9 of the history respondents on this question, report that 0% of their interpretive/educational opportunities/services are provided by volunteers, while 28 history organizations, 45.9% of the history respondents for this question, report that 100% of these opportunities/services are provided by volunteers. Conversely, 31 arts organizations, 44.3% on this question, report that 0% of their interpretive/educational opportunities/services are provided by volunteers, while just 6 arts organizations, 8.6% of the respondent pool on this question, report that all (100%) of their opportunities/services are. "Both" groups fall somewhere in the middle, with 23.8% reporting no volunteer interpretation, and 4.8% reporting 100% volunteer educational and interpretive services.

As expected, the numbers for interpretive/educational opportunities/services by paid staff reverse for the organizational categories, with nearly half of the history organizations (45.9%) reporting 0% provided by paid staff and only 12.2% of arts organizations reporting 0% by paid staff. Just 1 (4.8%) "both" group reported 0% paid staff. Conversely, just 5 (8.2%) history organizations reported that all of their interpretive/educational services were provided by paid staff, while 27 (36.5%) of arts groups did. 4 "both" organizations (19%) reported that 100% of these opportunities/services were provided by paid staff.

Testing "Better Able to Serve the Public through Increased Staff"

The amount of paid staff can be both an indicator of the financial health of an organization and its ability to carry out its mission through programming.

The first two questions ask about the number of full-time paid staff and the part-time paid staff. Full-time paid staff is defined as "30 hours per week or more" and part-time as "less than 30 hours per week."

Table 4-37: All Organization Categories

		Full-Time Paid Staff	Part Time Paid Staff
N	Valid	208	210
	Missing	30	28
Mean		7.5	9.6
Median		1.00	1.00
Mode		0	0

Among the respondents who answered this question, the mean number of full-time paid staff is more than 7. However, it is telling that the median is 1 and the mode is 0. The range is 0 to 200. Only 7 groups reported having 50 or more staff members, but those groups raise the mean number. More than 41 percent of respondents reported having no full-time paid staff.

The mean of part-time paid staff is more than 9, but again the median is 1 and the mode 0. The range is again 0 to 200. 12 of the organizations reported having 50 or more part-time paid staff, while 40.5 percent reported having 0.

When looked at by organization category – history, arts, or "both" – history organizations most often reported having no full-time paid staff, with more than 61 percent of history respondents answering this question reporting 0. For arts group, the percentage is 33%. For "both" organizations, it was just 17.9%, reflecting the larger organizational size of groups that work in both areas. Just one history organization reported having 50 or more full-time paid staff, while 5 arts groups and 1 "both" organization did. This result implies that even thought "both" organizations tend to be larger than average, there are not as many behemoths in the field.

When the history/both organizations are separated from the arts, the mean for each declines slightly, but the median and the mode remain unchanged. The range for both full-time and part-time staff is 0 to 200, reflecting the size differences among the organizations.

Table 4-38: Staff for History and "Both" Organizations

		Full-Time Paid Staff	Part Time Paid Staff
N	Valid	101	101
	Missing	15	15
Mean		6	7
Median		1	0
Mode		0	0

By comparison, the 1997 survey reported that the mean number of full-time paid staff was just 4, but again the median was 1. The range was 0 to 37. The 1997 survey also indicated lower part-time paid staff than in 2007, with the mean at 4 and the median slightly higher at 1. The range was also lower, 0 to 75.

Conclusion: These results are seen despite the fact that the respondent organizations in 1997 were larger overall than the 2007 history/both respondents. Both increased full-time and part-time staff support Hypothesis 1's assertion that history organizations as a group are in better financial condition and are better able to serve the public through increased programming and staffing than before operating grants were available to them.

Final Conclusion on Hypothesis 1: History organizations as a group are in better financial condition and are better able to serve the public through better amenities, increased programming and staffing than before operating grants were available to them.

On balance, it appears that Hypothesis 1 is supported for the most part. Conclusions, related to total expenditures, total income, assets and liabilities, hours, volunteers, and staffing, seem to support that history organizations are in better financial condition and better able to serve the public, particularly because of increased staffing. The theory that amenities have improved, however, is not supported, nor is improved programming fully supported. In-person attendance, education, and membership are unable to support the assertion of improved programming. Only increased staffing, which is supported on its own and supports better financial condition, also could be construed to support improved programming. Chapter VII will look at the broader implications for New Jersey and beyond of these findings. The next chapter will examine the remainder of this dissertation's hypotheses.

Chapter V: Five Hypotheses in Search of an Author[104]

The previous chapter examined Hypothesis 1 regarding the financial condition and health of history organizations. On balance, it showed a general improvement in the condition of history organizations as a group than before general operating support grants were available. It did not, however, try to demonstrate any causation. This chapter will explore hypotheses that attempt to examine more closely the relationship between the New Jersey Historical Commission's operating grants and the New Jersey Cultural Trust's program.

Hypothesis 2:

Hypothesis 2: Organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not.

As mentioned in an earlier chapter, these GOS grants, also known as Bagger grants, provided general operating support to history organizations for the first time in fiscal year 2000. The following table shows which state government agencies if any that the respondent pool had applied to and/or received grants from by the time of the 2007 survey.

Have you ever directly applied for or received a grant from the following government sources: a. New Jersey Cultural Trust, b. New Jersey Historical Commission, New Jersey

[104] My apologies to Luigi Pirandello.

Historic Trust, and/or New Jersey State Council on the Arts? (Check all that apply): (Question 52)

Table 5-1: State Government Sources of Grants

	Applied	Received
New Jersey Cultural Trust	65	40
New Jersey Historical Commission	57	46
New Jersey Historic Trust	32	28
New Jersey State Council on the Arts	74	70

Table 5-1 shows the number of respondent organizations that applied for and received each type of cultural grant. While these odds appear to be fairly favorable for receiving a grant, some self-selection has already taken place. Only groups with a statewide impact are encouraged to apply to the NJHC and the NJSCA for GOS, and many local organizations are directed to apply to their county cultural and heritage agency for support. In addition, within each funding cycle, competition is intense within the applicant pool for the finite number of dollars.

The odds may also reflect the complexion of this survey's pool of responding organizations, which as Chapter III pointed out requires weighting with more small organizations whenever the data is extrapolated to the entire field. To better explain the odds across the field, the NJCT can be used as an example. In its October 24, 2007 annual meeting, the Board approved the recommendations of the NJSCA that 21 organizations be awarded Institutional and Financial Stabilization grants. The 21 were from a pool of 58 applicants requesting more than $1.6 million dollars, more than three times the NJCT's allocation for the arts in that round.[105] (The other half of the $1 million funding was earmarked for history.)

While groups can apply to several of these agencies, they each have their own distinct mission. The NJCT grants are for non-operating expenses only, focusing on efforts like debt reduction, capital projects, and grants to help with financial stability for arts and history groups.[106] The NJHC provides general operating support, project grants, and grants for teaching and scholarly work. The NJHT provides capital grants for bricks and mortar historic preservation projects. Among the grants provided by the NJSCA are those for general operating support, general program support, arts education, and fellowships for individual artists. The applied and received categories cannot be added to come up with a total of respondent groups that have applied and/or received grants because one organization can apply to multiple agencies although, as a rule, history groups would apply to the first three agencies, and arts groups to the first and the fourth. The fourteen arts organizations that reported stewarding historic sites could conceivably apply for NJHT grants as well.

If you marked "received" for 52b, have you received general operating support from the New Jersey Historical Commission? (Question 53)

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[105] Transmittal Letter from David Miller, then-Executive Director of the NJSCA to Barbara Moran, then-Executive Director of the NJCT, presented at the New Jersey Cultural Trust Annual Board Meeting, October 24, 2007.

[106] Again, full disclosure: this author was involved in the creation of the NJCT, has been on the board since its inception, and is the current Vice Chairman.

Table 5-2 General Operating Support NJHC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	14.3	59.6	59.6
	No	23	9.7	40.4	100.0
	Total	57	23.9	100.0	
Missing	System	181	76.1		
Total		238	100.0		

Table 5-2 shows that of the 57 organizations that responded, 34 reported receiving general operating support, or 59.6%. That 57 number corresponds to the same number of organizations that reported applying to the NJHC in Question 52b. After examining the original respondent pool data, it bore out that they were the same organizations. 46 of those respondents said they received a grant, so it is logical to assume that 12 of those organizations received grants, but not for general operating support (GOS). When checked against the survey database, that assumption bore out as well.

The 34 organizations that reported receiving GOS from the NJHC is 29.3% of the total of 116 history and “both” organizations. However, when cross-tabulated by organizations category, only 33 of the 34 that received GOS were history or “both” organizations. (23 were history, and 10 were “both.”) One arts organization reported that it also received NJHT GOS funding so, although it self-identified as an arts organization and not “both,” it must steward an eligible historic property and perhaps also have enough history programming to have qualified it at least once under the NJHC GOS guidelines. Indeed, this organization was the rare duck that applied for and received grants from all four agencies.

Note that receiving a GOS grant once does not necessarily mean that an organization will receive one every time it applies, although usually a pattern of support does develop. Nor does it mean that the amount supplied by the NJHC will be consistent across the years. Amounts, and even the number of organizations funded, fluctuate with the annual appropriation to the agency each year. Again, for the fiscal year in question, the appropriation was $4,552,000, out of which $3,840,000 was for GOS.

The following analyses are based on the 34 organizations that reported that they received NJHC GOS at least once. As mentioned in Chapter III, the number of cases is not large enough for this data to be representative or generalizable, and too small for tests of statistical significance to be run on them.. However, only approximately 78 groups had ever received GOS from the NJHC by FY 2006[107], so as a percentage of total GOS recipients, the 34 groups represent 43.5%. Again, this dissertation is the first attempt at trying to gauge the effect of these operating grants.

If applicable, has any general operating support from the New Jersey Historical Commission affected your organization's ability to carry out its mission? (Question 54)

Not surprisingly, all 34 organizations reported that general operating support did have an impact. The next question tries to gauge that impact.

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[107] My thanks to Sara Cureton, Executive Director of the New Jersey Historical Commission, for this estimation. March 4, 2011.

If applicable, please describe the effect of general operating support from the Historical Commission on your mission. Check all that apply: (Question 55)

Table 5-3: Effect of General Operating Support from the NJHC

Effects:		Program Expansions	General Expansion	Increased Sustainability	Equipment Purchases	Expanded Operations	Other NJHC GOS Effects
N	Valid	(76.4%) 26	(47%) 16	(76.4%) 26	(35%) 12	(44%) 15	(23.5%) 8
	Missing	8	18	8	22	19	26
	Total	34	34	34	34	34	34

This table is based on the 34 respondents who received GOS from the NJHC. In their estimation, 76.4% of these respondents reported that GOS helped them expand their programs and increase their sustainability. Another 47% reported that GOS helped them with general expansion. 44% reported that they were able to expand their operations. 35% reported that GOS helped with equipment purchases, and 23.5% selected "other effects" but didn't describe them.

Table 5-3 shows a subjective review of the effects of GOS grants by the receiving organizations themselves – effects that also support Hypothesis 1's assertion regarding better financial condition and increased programming. If receiving GOS grants indeed led to history organizations being better off than organizations that did not receive GOS grants, then various objective indicators also would show that result. The following pages examine the effect of GOS on Total Income, Total Expenditures, Assets and Liabilities, Hours, and Staffing.

Total Income:

At first glance, it doesn't appear that receiving GOS grants from the NJHC leads to greater total income.

Table 5-4: $ Total Annual Income of GOS Applicants

		GOS NJHC YES	GOS NJHC NO
N	Valid	25	20
	Missing	9	3
Mean		700,514	1,520,494
Median		229,755	45,000
Minimum		1500	0
Maximum		4,000,000	23,137,034

The mean total income for organizations receiving GOS grants is less than half that reported by organizations that did not receive GOS. The median, however, for the GOS recipients is more than 5 times higher than for the non-recipients. The ranges also shed some light on the matter. None of the recipient groups reported $0 income, which of course is logical if they received grants. The non-recipient group reported $0 to more than $23 million in total income.

So what is going on here? Examining the data, it is clear that 4 of the non-recipient groups were "both" organizations that also were eligible for NJSCA grants, which they all reported having received in Question 52d. The governing board policies of the NJSCA and the NJHC affect how organizations decide to apply to which state agency for GOS.

> For the Arts Council, an organization has to have a clear primary mission in the arts to apply for GOS. For example while [some organizations] have some historical and science collections and programming, art is the predominant

> programming and so we consider them arts group eligible for GOS. [Another organization] does arts programming…but is predominantly doing history programming and so would not be eligible for GOS from the Council. These groups can apply for General Program Support to fund the arts program within the larger mission of the organization. The Council also has a policy that it will consider all other State funding an organization has access to in determining a funding decision, and so if we saw a group had GOS from another agency such as the Historical Commission we would likely not also offer GOS, since this funding underwrites the entire operation.[108]

As noted, "both" organizations that choose to apply for and receive GOS from the historical commission will most likely not get GOS from the NJSCA. This restriction would be a strong disincentive because the Arts Council has a much larger grant fund. However, those organizations can receive project-specific grants from the NJHC, and therefore be in the pool for Question 53, without ever having received GOS from the NJHC.

Because those 4 organizations all receive NJSCA GOS, it is necessary to control for their effect, which was substantial since one of those had the largest total income of the Question 53 respondents. On second look, the controlled data support that receiving GOS grants from the NJHC leads to greater total income.

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[108] Explanation by Steve Runk, Executive Director of the New Jersey State Council on the Arts, March 3, 2011. Brackets and ellipses added to protect the privacy of individual organizations.

Table 5-5: $ Total Annual Income of GOS Applicants Controlled for Organizations Receiving NJSCA GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	25	16
	Missing	9	3
Mean		700,514	145,392
Median		229,755	24,000
Minimum		1500	0
Maximum		4,000,000	1,320,000

The mean of the recipient group is now more than 4.5 times higher than the mean for the non-recipients, the median is 9.5 times higher, and the maximum dropped in the non-recipient group by nearly $22 million. Of course, the non-recipients in this analysis still have reported receiving some type of NJHC grant at least once. Therefore, it is necessary to put them back into the pool with all the history/both respondent organizations that did not received GOS from the NJHC.

Table 5-6 shows the total income of the total history and "both" organizations controlled for the GOS recipient organizations (and for the NJSCA GOS recipients).

Table 5-6: $ Total Annual Income
History and "Both" Organizations
Controlled

N	Valid	38
	Missing	42
Mean		84,464
Median		6400
Minimum		0
Maximum		1,320,000

As expected, when controlled for the GOS recipients and 4 NJSCA GOS grantees, the mean income of all the responding history and "both" organizations is lower than the mean for just the 19 organizations that reported that they had received at least one NJHC grant but never GOS. This result is logical because the larger group includes both the 19 that had received some NJHC support and 19 that reported never receiving any NJHC funding. The mean of their total income is just 12% of the mean for the GOS recipients. Adding the 19 non-grant recipients into the calculation brings the mean of the larger non-recipient GOS organizations down by 42%.

Conclusion: Based on the available data, total income data support the assertion in Hypothesis 2. Although it is impossible to prove causation, it does appear to be true that organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not. Not surprisingly, starting size of the organizations could play some role, but the minimum range of total income for each group was close, and the median for the GOS recipients only falls into the mid-sized group category mentioned in Chapter III, not the large organization category. Clearly, the GOS groups are larger, but they are not just the largest of the respondents. In a bit of a surprise, the GOS group includes a few small groups as well.

Total Expenditures:

Total expenditures are also an indicator of financial health, as mentioned in Chapter 4. To determine whether receiving GOS grants from the NJHC leads to greater total expenditures, the data were run controlling for the same 4 organizations.

Table 5-7: $ Total Annual Expenditures of GOS Applicants Controlled for Organizations Receiving NJSCA GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	26	17
	Missing	8	2
Mean		750,984	139,356
Median		253,352	28,000
Minimum		8000	0
Maximum		4,197,774	650,000

Not surprisingly, total expenditures are also significantly higher for the GOS recipient organizations than for the non-recipient organizations. Compared to total income, the mean and the median of GOS recipient organizations are both a little higher than their total income; however, there was one more respondent in the pool for this question, as discussed in the last chapter. It appears that both recipients and non-recipients as a group are not outspending their income.

Table 5-8 shows the total expenditures of GOS recipient organizations and responding history/both organizations that did not receive GOS.

Table 5-8: $ Total Annual Expenditures History and "Both" Organizations Controlled

N	Valid	38
	Missing	42
Mean		81,484
Median		9824
Minimum		0
Maximum		650,000

Again, as expected, when controlled for the GOS recipients and the 4 NJSCA GOS grantees, the mean of annual expenditures of all the responding history and "both" organizations is lower than the mean for just the 19 organizations that reported that they had received at least one NJHC grant but never GOS. This result is also logical. The mean of their total expenditures is less than 11% of the mean for the GOS recipients. Adding the 19 non-grant recipients into the calculation brings the mean of the larger non recipient GOS organizations down by 42% again.

The 1997 History Task Force Report's survey respondents reported a mean "annual budget" of $311,060 and a median of $60,000. The mean is less than half the 2007 mean for the organizations that reported receiving GOS, and the median is just 23.5% of the 2007 median. For groups that did not receive GOS, the mean and median are substantially lower than in 1997. Compared to the history/both controlled group, the 1997 mean is substantially higher, as is the median. Although direct comparisons to 1997 cannot be drawn, several of the 1997 organizations reported in 2007 receiving NJHC GOS.

Conclusion: Looking at the data in these different ways, it appears that total annual expenditures data also support Hypothesis 2's assertion that GOS recipient organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not, and in this case than those organizations reporting on expenditures in 1997.

Assets and Liabilities:

As in Chapter III, comparing organizations' total assets and liabilities could be used to gauge whether an organization is relatively financially sound. In Table 5-9 below, recipients of GOS grants had a higher mean of assets than non-recipients. The median for recipients was more than 5 times higher for than for GOS non-recipients. Higher assets, of course, could mean an organization is larger, and that larger size could also help the organization apply for and receive GOS. Receiving a GOS grant does not enlarge an organization's total assets substantially. The relationship is not causal, but may be linked.

Table 5-9: $ Total Assets of GOS Applicants Controlled for Organizations Receiving NJSCA GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	24	15
	Missing	10	4
Mean		5,735,866	4,303,440
Median		656,360	120,000
Minimum		6000	4500
Maximum		15,989,451	50,000,000

To get a sense of the financial health of the group of recipient and non-recipient organizations, it is necessary to compare the assets to the liabilities.

Table 5-10: $ Total Liabilities of GOS Applicants Controlled for Organizations Ineligible for NJHC GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	24	15
	Missing	10	4
Mean		628,277	15,973
Median		3400	0
Minimum		0	0
Maximum		10,819,343	114,496

The mean of the total liabilities for the GOS recipients is less than 11% of their assets, and the median is just half a percentage point of their total assets. For the non-recipients, the mean of liabilities is just about .4% of their total assets, and the median is 0. The non-recipient group seems to be in a better position regarding liabilities than the recipient group but, as mentioned above, it also has fewer assets. Perhaps the recipient organizations are able to take more financial risks (expand, build, etc.) by using their larger assets as collateral.

Tables 5-11 and 5-12 show the assets and liabilities of the controlled history/both respondents. Compared to the mean assets of the GOS recipient respondents, the mean of the assets of the respondent organizations that did not receive GOS is actually about 23% higher, but the median is more than 5 times lower. The assets range from $0 to $7 million for GOS non-recipients.

Table 5-11: $ Total Assets --
History and "Both" Organizations
Controlled

N	Valid	35
	Missing	45
Mean		7,414,320
Median		114,496
Minimum		0
Maximum		7,000,000

Table 5-12: $ Total Liabilities
History and "Both" Organizations
Controlled

N	Valid	31
	Missing	49
Mean		7690
Median		0
Minimum		0
Maximum		114,496

The mean of the liabilities for the controlled history/both organizations is $7690, much lower than the liabilities for the GOS recipients and about half the value of the liabilities of the GOS non-recipient applicants analyzed separately. Apparently not receiving a GOS grant or other type of grant from the NJHC does not lead to larger liabilities for an organization.

Conclusion: On balance, the assets and liabilities do not refute the hypothesis. The higher asset position benefits the recipient organizations, and the liabilities favor the non-recipient group.

Hours:

The table below shows organizations that received General Operating Support reported being open to the public more often than organizations that did not receive GOS. The median hours open for recipient organizations was 30-39, while for non-recipients it was 10-19 hours. The mode for recipient groups was 40+ hours, while the mode for non-recipients was 0-9 hours.

Table 5-13: Hours Open Per Week * GOS NJHC Crosstabulation

			GOS NJHC		Total
			Yes	No	
Hours Open Per Week	0-9	Count	4	8	12
		% within Hours Open Per Week	33.3%	66.7%	100.0%
		% within GOS NJHC	12.5%	47.1%	24.5%
		% of Total	8.2%	16.3%	24.5%
	10-19	Count	6	2	8
		% within Hours Open Per Week	75.0%	25.0%	100.0%
		% within GOS NJHC	18.8%	11.8%	16.3%
		% of Total	12.2%	4.1%	16.3%
	20-29	Count	3	2	5
		% within Hours Open Per Week	60.0%	40.0%	100.0%
		% within GOS NJHC	9.4%	11.8%	10.2%
		% of Total	6.1%	4.1%	10.2%
	30-39	Count	8	3	11
		% within Hours Open Per Week	72.7%	27.3%	100.0%
		% within GOS NJHC	25.0%	17.6%	22.4%
		% of Total	16.3%	6.1%	22.4%
	40+	Count	11	2	13
		% within Hours Open Per Week	84.6%	15.4%	100.0%
		% within GOS NJHC	34.4%	11.8%	26.5%
		% of Total	22.4%	4.1%	26.5%
Total		Count	32	17	49
		% within Hours Open Per Week	65.3%	34.7%	100.0%
		% within GOS NJHC	100.0%	100.0%	100.0%
		% of Total	65.3%	34.7%	100.0%

Table 5-14 shows the hours for the controlled history/both organizations (minus the GOS recipients). Like the GOS non-recipient group, more than 47 percent reported being open to the public only 0 to 9 hours per week, the median and the mode were also the same.

Table 5-14: Hours Open to the Public Per Week for Controlled History/Both Organizations[109]

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-9	25	12.5	47.2	47.2
	10-19	7	3.5	13.2	60.4
	20-29	4	2.0	7.5	67.9
	30-39	7	3.5	13.2	81.1
	40+	10	5.0	18.9	100.0
	Total	53	26.5	100.0	
Missing	System	147	73.5		
Total		200	100.0		

The 1997 survey respondents reported being open fewer hours per week than the 2007 GOS recipients. As mentioned in Chapter IV, 37 percent in 1997 were open 1-9 hours per week versus 12.5 percent of the GOS recipients, 11 percent reported 10-19 versus 18.8 percent, 17 percent reported 20-29 compared to 9.4 percent, and 8 percent reported 30-39 hours per week versus 25 percent. 27 percent versus 34.4 of GOS recipients reported 40 or more hours per week, even though the groups in the 1997 data were by definition more likely to be large and shepherding an actual site.

For recipient organizations, 65 percent of respondents were open 30-39 hours per week or less. The numbers were lower for 1997 groups. Cumulatively, 65 percent of 1997's respondents were open to the public just 20-29 hours per week or less. The 2007 organizations that applied but did not receive GOS fared worse still. In 2007, 71 percent of non-recipient organizations were open 20-29 hours or less. Likewise, the controlled history/both organizations fared worse than the GOS recipients, but 3% points behind the

[109] Ed. Note: This table is simpler looking since it did not have to be cross-tabulated because only history and "both" organizations were on this hours track.

1997 respondents. Like the GOS non-recipients, they had a larger percentage of organizations open only for 0-9 hours per week than the 1997 respondents.

Conclusion: The organizations that received GOS reported being open to the public more hours per week than the non-recipients, the controlled history/both responding organizations, and the 1997 survey respondents. If hours open to the public per week are an indicator of better organizational condition, then this result supports the assertion in Hypothesis 2 that organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not.

Staffing:

As mentioned in Chapter IV, the number of staff employed by an organization is another indicator of its condition. It can be a proxy both for financial health and greater programming ability.

Table 5-15: Paid Full-Time Staff of GOS Applicants Controlled for Organizations Receiving NJSCA GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	32	18
	Missing	2	1
Mean		12.13	1.44
Median		3	0
Minimum		0	0
Maximum		200	14

GOS recipient organizations appear to be far better off than their non-recipient colleagues when it comes to paid, full-time staffing. The mean staff size of recipient organizations is more than 12 persons, and the median is 3. The mean is under 1.5 staff members per organization for the non-recipients, and the median is 0. The ranges are dramatically different as well, with the largest GOS recipient organization reporting 200 paid full-time staff members. The largest staff for the non-recipients was 14.

Table 5-16 shows the same data for the controlled history/both organizations.

Table 5-16: Paid Full-Time Staff
History and "Both" Organizations

		Controlled
N	Valid	69
	Missing	11
Mean		2.2
Median		0
Minimum		0
Maximum		45

The mean reported was 2.2 staff members, and the median was 0. The range was 0 to 45. The mean is more than 5 times lower than the GOS recipients' mean, but slightly higher than the GOS non-recipients. This result could be because of the higher end range than the non-recipients.

By comparison, the 1997 survey reported that the mean number of full-time paid staff was just 4, and the median was 1. The range was 0 to 37. These numbers compare unfavorably to the 2007 GOS recipients, but are actually much better than the data for the non-recipients and the controlled history/both responding organizations. This data could support the fact that GOS grants have had a positive impact on staffing for recipients.

Table 5-17: Paid Part-Time Staff of GOS Applicants Controlled for Organizations Receiving NJSCA GOS

		GOS NJHC YES	GOS NJHC NO
N	Valid	32	18
	Missing	2	1
Mean		14.22	.83
Median		1.5	0
Minimum		0	0
Maximum		200	5

It appears that GOS recipient organizations are also far better off than their non-recipient colleagues when it comes to paid, part-time staffing. The mean part-time paid staff size of recipient organization is more than 14 persons, while the non-recipients as a group average less than 1 paid staff person per organization. The median is much lower for the recipient organizations at 1.5 paid staff members, showing the effect of some larger organizations in the group. The median, however, for the non-recipients is even lower at 0. The range for the recipients is 0 to 200, and 0 to 5 for the non-recipients.

Table 5-18: Paid Part-Time Staff
History and "Both" Organizations
Controlled

N	Valid	68
	Missing	12
Mean		1.14
Median		0
Minimum		0
Maximum		20

Table 5-18 shows the paid part-time staff for the controlled history/both responding organizations. The mean is much lower than the GOS recipients, but slightly higher than the non-recipients in Table 5-16. The median, 0, is the same for these two groups, both lower than the 1.5 for the GOS recipients.

The 1997 survey indicated that the respondent organizations reported the same mean and median of part-time paid staff as full-time paid staff. Again, the mean was 4, and the median 1. The range was higher than for 1997 full-time paid staff, going from 0 to 75. Again, the lower paid part-time staff numbers for both the 1997 respondents, the 2007 non-recipient applicant organizations, and the controlled history/both organizations, likely support the fact that organizations that received GOS are better off than those who didn't and also than before they were available.

Conclusion: These results support the assertions of Hypothesis 2.

Hypothesis 3:

Hypothesis 3: History organizations that did not receive general operating support grants from the NJHC are no worse off than a decade before and could conceivably be better off due to a number of factors, like greater attention to history statewide because of the new grant programs, greater organizational longevity since the first survey was taken, or efforts on an organization's part to qualify for an operating grant or a grant from the New Jersey Cultural Trust.

Hypothesis 3 is a converse of Hypothesis 2. By considering the comparisons made to organizations that responded to the 1997 survey, it is possible to see if the converse is correct. By looking at Total Income, Total Expenditures, Assets and Liabilities, Hours, and Staffing, it appears that Hypothesis 3 is not supported. The history/both responding organizations as a group without the GOS recipients showed lower total income, total annual expenditures, assets, hours, and staffing. Only in fewer liabilities did they have an advantage. Examining why this hypothesis is not supported might make a good topic for further study.

Hypothesis 4:

Hypothesis 4: Organizations that received General Operating Support grants from the New Jersey Historical Commission also received more funding in private sector grants.

Two ways to determine if organizations that received GOS grants also received more private sector grants are to compare the recipient group to the non-recipient group, and the recipient group to the controlled history/both pool, regarding contributed income, which could include corporate/business, foundation, individual, government, or other contributed income.

By way of background, the survey participants were asked to arrive at their total income by adding together their earned and contributed income for the fiscal year. Below are the responses for all organization categories showing how much of total income is derived from earned and contributed income.

Table 5-19: Earned, Contributed, and Total Income

		Earned Income in $	Contributed Income in $	Total Income in $
N	Valid	115	126	135
	Missing	123	112	103
Mean		697,861	672,455	1,220,786
Median		50,000	72,170	120,000
Mode		0	0	1500[a]
Sum		80,254,065	84,729,404	164,806,074

a. Multiple modes exist. The other mode is 6000.

The financial questions appear to have posed more difficulty for respondents, as fewer organizations in the entire pool responded. Interestingly, the response number increased for each category of this multi-part question. This data may imply that a majority of respondents (nearly 57%) knew their total income, but a lower percentage could distinguish their contributed (52.9%) and earned (48.3%) income, or it might imply that at this point in a long survey distinguishing between types of income was a step that some respondents were unwilling to take. It also could mean that some responding organizations do not keep track of their income in this binary form.

The mean earned income reported was $697,861, while the median earned income was $50,000 and the mode was $0. This data show that there is a great deal of variation among the organizations in their earnings. The sum earnings reported by the responding groups was $80,254,065.

The same pattern seems to hold for contributed income. The mean of $672,455 is much greater than the median of $72,170 and the mode of $0. The data also show that cultural organizations earn about half of their total income annually.

An interesting comparison can be made by examining the earned income and contributed income for GOS recipients versus non-recipients that responded to both of these questions. Again, the smaller number of cases means that this data is not generalizable, just informative. The tables below show how recipient organizations fared in comparison to non-recipient organizations. It was necessary to continue controlling for the 4 GOS organizations, as their operating support grants from the NJSCA would affect the analysis.

Table 5-20: $ Earned Income and Contributed Income

		Earned Income NJHC GOS YES	Contributed Income NJHC GOS YES	Earned Income NJHC GOS NO	Contributed Income NJHC GOS NO
N	Valid	22	22	12	12
	Missing	12	12	7	7
Mean		330,058	460,536	28,951	52,204
Median		21,862	126,228	6726	7426
Minimum		0	0	0	0
Maximum		3,000,000	2,707,816	145,000	311,999

Far from crowding out private arts spending or donations, as Chapter II noted was conjectured by Deskins et al., Table 5-20 shows that GOS recipient organizations both earn more and receive more contributions than non-recipient organizations. This data is in keeping with the total income data reported during the discussion of Hypothesis 2. It also may be attributable in part to the rules governing NJHC GOS grants listed below.

> ***Request***
> Organizations with annual budgets of $30,000 or less may apply for grants of up to $10,000. No funds from any state of New Jersey source may be counted in this budget figure. The minimum request permitted is $5,000. Requests under that amount will not be considered. **Bear in mind that the funding available to the Historical Commission is limited. Very few organizations receive grants for the amount requested.** SAGE [System for Administering Grants Electronically] will automatically calculate the request.
>
> Organizations with budgets exceeding $30,000 may apply for grants of **up to** 33 percent (1/3) of the average of the organization's total non-state operating income from the last completed fiscal year and current projected year. No funds from any state of New Jersey source may be counted as part of the operating income. For example, an organization with a budget of $300,000 exclusive of any New Jersey state funds may apply for up to $100,000.
>
> ***Matching Requirements***
> The matching requirement applies only to organizations with budgets exceeding $30,000. The match must be in cash. For every dollar awarded, the grantee must match

> it with three dollars. **Neither capital expenditures nor funds from any State of New Jersey source may be used as part of the match**.[110]

GOS applicants with budgets of $30,000 or less are limited to grants of $5000 to $10,000, although for a $10,000 budgeted organization a $10,000 GOS grant could conceivably double its budget. However, no match is required by NJHC for the grant, so the incentive is not there to raise additional non-state contributed income.

Larger GOS applicants can apply for up to one-third of their non-state operating income. The NJHC, however, requires that this money be matched 3:1. That is a powerful incentive for additional fundraising of non-state contributed income. The same $10,000 grant would ensure that an organization's total income would grow by $40,000.

It could also be attributable to the fact that organizations with smaller budgets may apply to their County Cultural and Heritage Commission instead of to the state agency. These commissions serve organizations with a more local mission, and recipients cannot receive operating grants from both the county and the state.[111] This assertion can be tested when the percentage of non-recipient organizations reporting some local government support (10 out of 15 responding or 66.6%) is compared to the GOS recipients reporting some local government support (18 out of 25 responding or 72%). Apparently, GOS recipients receive more local grants as well. If GOS recipients receive grants from the County Cultural and Heritage Commissions they cannot, however, be grants for general operating support in the same fiscal year. Of course, the

[110] http://www.state.nj.us/state/divisions/historical/PDF%20Documents/FY2012GOSGuidelines1_21_11.pdf p. 10. Retrieved March 3, 2011.
[111] Ibid, p. 9.

counties are not the only source of local grants, as municipalities can also provide local support.

When the means are compared, contributed income accounts for 58.25% of the combined earned and contributed income for the 22 responding GOS recipient organizations. Contributed income accounts for 64.32% when the combined mean earned and mean contributed income are compared for the 12 responding GOS non-recipient organizations. Although hard to draw conclusions from such a small number of cases, the data shows that contributed income makes up a larger budget share for GOS non-recipients than for GOS recipients.

This result could be attributable to the fact that smaller organizations have fewer avenues to earn income – like gift shops, restaurants, etc. -- so contributed income makes up a larger share. Indeed, when the data were cross-tabulated for GOS/non-GOS recipients by the revenue earnings of amenities, in real numbers the non-recipient organizations had fewer gift shops, restaurants, conference/meeting/banquet space that could be rented, and food services.

Table 5-21 shows the earned income and contributed income of the controlled history/both respondent organizations. The mean of the controlled history/both organizations is about 6% of the mean of earned income for the GOS recipient organizations, and the median is 20%. The mean of the contributed income is about 11% of the GOS recipients' contributed income, and the median for the controlled history/both organizations is just 2% of the GOS recipients.

Table 5-21:$ Earned and Contributed Income for History/Both Controlled

		Earned Income History/Both Controlled	Contributed Income History/Both Controlled
N	Valid	25	25
	Missing	55	55
Mean		19,637	48,790
Median		4500	2000
Minimum		0	0
Maximum		145,000	311,999

Contributed mean income for the controlled history/both organizations, however, as a percentage of mean combined earned and contributed income is 71% of the total, as compared to the 58.25% of contributed income's share for the GOS recipients and 64.32% for the GOS applicant non-recipients. Apparently, organizations that have never received a NJHC grant of any sort are smaller in size and more reliant on contributed income than earned income, most likely because of their smaller size.

Conclusion: In actual dollars, Hypothesis 4's assertion that organizations that received General Operating Support grants from the New Jersey Historical Commission also received more funding in private sector grants is supported.

Hypothesis 5:

Hypothesis 5: Arts and history organizations have thought more about their long-term financial future and stability since the creation of the New Jersey Cultural Trust.

In the beginning of this chapter, Table 5-1 showed the number of organizations that applied for and/or received a grant from the New Jersey Cultural Trust[112]. For the NJCT, 65 respondents are equal to 27.3% of the entire respondent pool, and all groups in the pool by definition are potentially eligible for NJCT grants. 40 (16.8%) organizations in the respondent pool have received a NJCT grant, a slightly larger number of cases than the NJHC GOS recipients.

As Figure 5-1 shows, more arts organizations than history and "both" organizations are included in the 65 respondents mentioned above. The numbers behind the percentages are 20, 35, and 10 for history, arts, and "both" organizations respectively.

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[112] P.L. 2000, c. 76's prime sponsors were then-Assemblymembers Leonard Lance and Rose Marie Heck and Senator Joseph M. Kyrillos, Jr. and then-Senator Bernard F. Kenny, Jr. http://www.njleg.state.nj.us/bills/BillView.asp Retrieved February 11, 2011.

Figure 5-1: Breakdown by Organization Category of NJCT Applicants

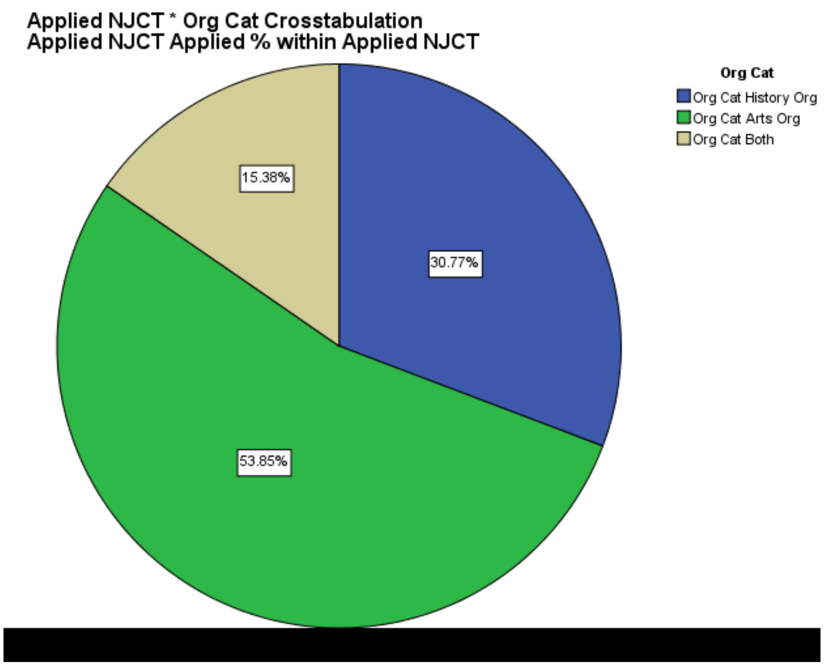
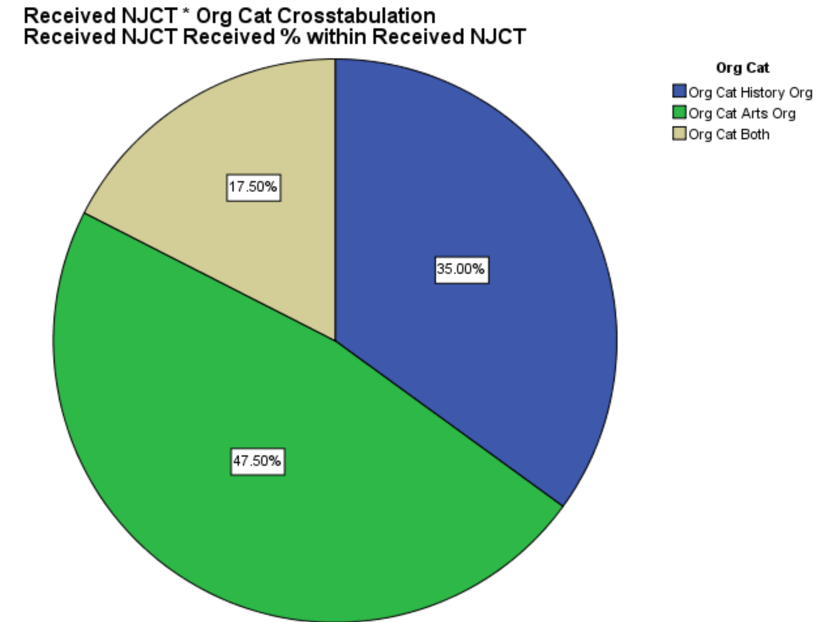


Figure 5-2 shows that among the 40 organizations in the respondent pool that have ever received a NJCT grant, a larger percentage were arts groups (19), followed by history (14) and then "both" organizations (7). Those 40 are 61.5% of the respondent organizations that reported applying for a NJCT grant. By the survey date, the total number of organizations that had received a grant from the NJCT was 86. The 40 respondents are nearly half (46.5%) of that group.[113]

[113] http://www.state.nj.us/state/culturaltrust/dos_ct_information.html Retrieved March 4, 2011.

Figure 5-2: Breakdown by Organization Category of NJCT Recipients



If applicable, regarding the New Jersey Cultural Trust, please check off any of the following to indicate how applying for and/or receiving qualification and/or a grant affected your organization. (Question 56)

Table 5-22: Effects of Applying For/Receiving NJCT Grant

Effects of Applying for and/or Receiving Qualification or a Grant from the New Jersey Cultural Trust	N	Total possible pool	Percentage
Greater Attn to Reporting Requirements and Charity Registration	19	65	29%
Greater Attn to Financial Needs, Capital Structure, Planning	35	65	54%
Increased Board Awareness of Financial Challenges	28	65	43%
Increased Attn to Debt Impact	10	65	15%
Greater Interest in Responsible/Sound Fiscal Management	26	65	40%
Increased Attn to Cash Flow Needs and Management	22	65	34%
Increased Interest in Working Capital or Cash Reserve Fund	15	65	23%
Training and Professional Development	22	65	34%
Strategic and Business Planning	30	65	46%
Improved Business Systems	18	65	28%
Development and Fundraising Capacity	32	65	49%
Technical Needs	14	65	22%
Membership Development	13	65	20%
Increased Audiences	20	65	31%
Increased Revenue	21	65	32%
Better Market Research	8	65	12%
Improved Marketing Strategies and Communication Plans	18	65	28%
Other NJCT Effects	5	65	8%

Greater Attention to Financial Needs, Capital Structure, and Planning, Development and Fundraising Capacity, Strategic and Business Planning, Increased Board Awareness of Financial Challenges, and Greater Interest in Responsible/Sound Fiscal Management, were the top five responses.

This question was phrased to include becoming a qualified organization under the NJCT as well as receiving a grant because the grant program was relatively new when this survey was offered. (The NJCT began qualifying organizations in December, 2001 and awarded the first grants in April 2004, three years before this survey was taken.)

In addition, the qualification process requires organizations to review their financial condition and in-house procedures. Below are some of the requirements for qualification under the NJCT:

> **The following attachments are required:**
> A copy of the board-adopted mission statement clearly identifying organization as one with a primary purpose of arts, history or humanities.
>
> Proof of current non-profit corporate status with the State of New Jersey—a copy of the last annual report form filed with the Division of Revenue, formerly the Division of Commercial Recording.
>
> Proof of tax-exempt status from Internal Revenue Service (copy of IRS tax determination letter).
>
> Organization's annual reports or summary of activities for the past two years describing major programs and services.
>
> Documentation, such as event calendars, brochures, educational outreach materials, and performance and exhibition calendars, that support the organization's mission and verifies its services to the public
>
> Financial records as follows:
>
> 1. Organizations with budgets or endowments in excess of $100,000 must submit independent certified audits of financial statement for the last two completed fiscal years.
>
> 2. Organizations with annual budgets under $100,000 and no endowment or no endowment holding in excess of $100,000 must submit copies of their tax returns for the past two fiscal years and their past two annual budgets as approved by the organization's board of directors.
>
> 3. Organizations with annual budgets under $25,000 and no endowments or no endowment holding in excess of $100,000 must submit copies of board approved annual budgets for the last 2 years. [114]

[114] http://www.state.nj.us/state/culturaltrust/pdf/qual3.pdf Retrieved February 27, 2011.

When the category is cross-tabulated to account for the organizations that received grants and those that applied but did not receive grants, the data show organizations reported benefits from the act of applying itself. This result supports Hypotheses 5 that asserts both arts and history organizations have thought more about their long-term financial future, as well as taken actions to ensure that it will be more stable, since the creation of the New Jersey Cultural Trust. Among the respondents reporting benefits, a sizable percentage in each category are organizations that applied for but did not receive a NJCT grant. The percentages to the right in the Applied column are the percentages of the N-Total that was made up of non-recipient applicants.

Table 5-23: Benefits from Applying to NJCT

	Received	Applied	N-Total
Greater Attn to Reporting Requirements and Charity Registration	12	7 (37%)	19
Greater Attn to Financial Needs, Capital Structure, Planning	22	13 (37%)	35
Increased Board Awareness of Financial Challenges	19	9 (32%)	28
Increased Attn to Debt Impact	5	5 (50%)	10
Greater Interest in Responsible/Sound Fiscal Management	19	7 (27%)	26
Increased Attn to Cash Flow Needs and Management	15	7 (32%)	22
Increased Interest in Working Capital or Cash Reserve Fund	10	5 (33%)	15
Training and Professional Development	14	8 (36%)	22
Strategic and Business Planning	21	9 (30%)	30
Improved Business Systems	14	4 (22%)	18
Development and Fundraising Capacity	21	11 (34%)	32
Technical Needs	10	4 (29%)	14
Membership Development	8	5 (38%)	13
Increased Audiences	13	7 (35%)	20
Increased Revenue	14	7 (33%)	21
Better Market Research	4	4 (50%)	8
Improved Marketing Strategies and Communication Plans	10	8 (44%)	18
Other NJCT Effects	3	2 (40%)	5

The top five responses of the organizations that reported that they applied but did not receive a NJCT grant were similar to the recipient organizations. The top four – 1. Greater Attention to Financial Needs, Capital Structure, and Planning, 2. Development and Fundraising Capacity, 3. Strategic and Business Planning and 4. Increased Board Awareness of Financial Challenges remained the same, but instead of Greater Interest in Responsible/Sound Fiscal Management, they ranked Training and Professional Development and Improved Marketing Strategies and Communication Plans as tied in fifth place

Hypothesis 6

Hypothesis 6: Arts and history organizations that received New Jersey Cultural Trust grants should respond more positively to questions about their financial and management capabilities.

Hypothesis 6 is related to Hypothesis 5. Arts and history organizations that received grants should respond more positively to questions about their financial and management capabilities than those that did not. As Table 5-22 shows, although non-receiving organizations reported benefits, a larger percentage of organizations reporting benefits were NJCT grant-receiving organizations. Only in Increased Attention to Debt Impact and Better Market Research were the positive responses split evenly.

Conclusions for Hypotheses 5 and 6: These data support Hypotheses 5 and 6. As hypothesized, organizations that received NJCT grants responded more positively about their impacts on their financial capabilities. In addition, some of the responding non-recipient organizations reported that the NJCT had an effect on their thinking as well.

Final Conclusions on Hypotheses: This chapter examined Hypotheses 2 through 6. Four out of five of these hypotheses were supported by the data. Only Hypothesis 3's assertion that "history organizations that did not receive general operating support grants from the NJHC are no worse off than a decade before and could conceivably be better off" was not supported.

Data on Total Income, Total Expenditures, Assets and Liabilities, Hours and Staffing supported Hypothesis 2's assertion that "organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not."

Data for contributed income helped support Hypothesis 4's assertion that "organizations that received General Operating Support grants from the New Jersey Historical Commission also received more funding in private sector grants." And Hypothesis 5 and 6 were also supported by the survey data, as just discussed.

Chapter VII will discuss the implications of these findings for New Jersey and beyond. The next chapter will use an Input/Output model to examine regional data for the arts and history. These data will be compared to the 1997 History Task Force Report data that was created using the same Input/Output model.

Chapter VI: Nude Models–Musings on Economic Impact Studies and the Data

This chapter examines the economic impact of the arts and history in New Jersey as it relates to the hypotheses discussed in the previous chapters, as well as differing views on its validity. As mentioned in Chapter III's discussion of methods, the survey data were extrapolated to the field and then placed into an Input-Output model, created by CUPR. This model was also used for the 1997 History Task Force Report, so the data are able to be compared at a basic level.

Of course, input-output modeling does have its limitations. The approach relies on several key assumptions:

> First, the input-output model approach assumes that there are no economies of scale to production in an industry;…A less-restrictive assumption of the input-output approach is that technology is not permitted to change over time. It is less restrictive because the technology matrix in the United State is updated frequently and, in general, production technology does not radically change over short periods. Finally, the technical coefficients used in most regional models are based on the assumption that production processes are spatially invariant and are well represented by the nation's average technology.[115]

For a full explanation of the Input-Output Analysis, see **Appendix 4**.[116]

As Chapter II noted, the economic argument for culture has its defenders and its detractors. The detractors argue that "…a very simple examination of Florida's (2004) index of cities with a higher 'creativity index' does not correlate well in a simple

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[115] Appendix 4, p. 251-252.

[116] My thanks to Michael L. Lahr, Associate Research Professor, Center for Urban Policy Research and David Listokin, Research Professor and Co-director, Center for Urban Policy Research**,** Edward J. Bloustein School of Planning and Public Policy, Rutgers, The State University of New Jersey, for their work on the I-O Analysis and Appendix 4, and their invaluable help with this whole undertaking. Thanks also to Garrett Hincken, Research Assistant at CUPR, for his patient guidance.

univariate comparison with employment growth rates."[117] They use regression analysis to describe a negative relationship between public arts funding and Gross State Product and private sector employment growth. They note other potential negatives:

> In particular, public spending for the arts could have the potential to reduce economic activity if accompanied by increases in taxes, which may reduce economic activity, or by reductions in other areas of government spending, which may positively affect economic activity. This potentially negative effect may be strengthened if crowding-out of private arts spending or donations accompany public spending for the arts.[118]

To take their arguments point by point, the researchers themselves recognize that there are exceptions to their analysis. As mentioned in Chapter II, the most relevant to New Jersey of these exceptions is a separate fee for cultural funding. Arts and history funding is not financed through the state's general fund but through the Hotel/Motel fee, a portion of which (40%) is specifically earmarked for that purpose. A share of this "increase in taxes" is paid by out-of-state visitors, bringing new tax revenue into the state. In addition, it could be argued that a Hotel/Motel fee is a relatively progressive tax as it is often paid by middle- to upper-income residents and visitors as well as business travelers. There are no reductions in other areas of government spending as this tax – even the 60% that the state's General Fund keeps – would not exist at all if not for the effort to create it specifically for the arts and history, as discussed in Chapter II. (In fact, that 60% helps prevent reductions in local government spending and control local tax increases since it is returned to the municipalities as state aid.) Indeed, the previously mentioned "poison pill" provision in the statute would ensure that the fee would stop being "paid or

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[117] John Deskins, Sally Deskins, and Brian Hill, "How Do State Arts Appropriations Affect State Economic Growth?" The Review of Regional Studies, 2009, Vol. 39, No. 3, (Morgantown, WV: Southern Regional Science Association, 2009), p. 4.
[118] Ibid, p. 1.

collected" if at some point the minimum FY 2004 amount were not appropriated to the cultural agencies**.** Of course, the Hotel/Motel fee was not voted on by the public in a referendum and therefore is not a constitutionally dedicated tax stream. It could be repealed (which is unlikely, since the revenue to the General Fund is needed) or diverted to some other possible use, but if the law were followed the poison pill provision would require the Legislature to pass and the Governor to sign a new piece of legislation to effect that change. Assembling the coalition to pass the legislation the first time was extremely difficult. In the current climate with opposing parties controlling the legislative and executive branches, and with a committed anti-tax governor wielding the pen, for all intents and purposes it would be impracticable. On another point, as Chapter V discussed, far from crowding out private arts spending or donations, state funding in the form of General Operating Support attracted additional funding. Since this survey was conducted before the most recent recession began in December of 2007[119], its effect on the cultural community would be an interesting question for future research.

Other arguments focus on whether support for culture is the best use of tax dollars for the creation of maximum economic impact.

> Most kinds of economic activity create new jobs, raise the tax base, and contribute to general prosperity and social order, all of which yield positive externalities. The relevant policy question is, not whether the arts involve some positive externality, but whether the "economic development externality" from the arts is greater than from alternative investments. In fact, if the arts require subsidy to flourish, they are unlikely to be an especially strong engine of economic growth, whatever their other virtues.[120]

[119] http://www.bls.gov/opub/mlr/2010/10/art1full.pdf Bureau of Labor Statistics. Retrieved March 14, 2011.

[120] Cowen, p. 15.

This viewpoint may be accurate, but what would be a better use of subsidy – a sports arena? This comparison is a bit unfair. Much literature suggests that sports facilities are not good economic stimulators. Charles C. Euchner writes in The Tourist City,

> As it turns out, the sports industry exerts a negligible effect on local economic activity less because of seasonality than because of physical isolation. Even when new sports facilities are adjacent to other tourist attractions…the complexes to which they belong are as separate from their surroundings as a suburban mall. Economic linkages therefore occur within a relatively small and sealed-off portion of the local economy.[121]

He goes on to write,

> Much of the economic activity associated with sports franchises and stadiums involves the provision of goods and services to fans – food, drinks, and souvenirs. Most of these are produced outside the city, meaning that the revenue generated is immediately exported.[122]

Unlike sports arenas, visitors to arts facilities patronize local establishments more frequently. If every single audience member in the 2,750-seat main theater wanted to eat on site at the New Jersey Performing Arts Center's restaurant, the Theater Square Grill, they couldn't possibly be accommodated. If every single patron wanted to eat at the Prudential Center, a Newark sports facility known as The Rock with multiple restaurants, dining-in suites, and a plethora of concession stands ringing wide hallways of the arena[123], they clearly could. Perhaps the nature of the events held at these two types of facilities, arts centers and arenas, partly dictates the consumption patterns. Classical and jazz concerts, plays, ballets and other performances in this category beget a pattern of eating before or after the event, not during. The only really appropriate time for an

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[121] Charles C. Euchner, "Tourism and Sports: The Serious Competition for Play," in Dennis R. Judd and Susan S. Fainstein, The Tourist City (New Haven: Yale University Press, 1999), p. 224-5.

[122] Ibid, p. 227.

[123] www.prucenter.com Retrieved March 14, 2011.

audience member to leave his or her seat is during intermission, which is relatively brief. Rock and pop concerts, hockey games, and other sporting events are far less formal, with spectators eating throughout the show or game.

Of course, stadiums are relatively easy targets, as is noted by Baade, Nikolova, and Matheson in "A Tale of Two Stadiums: Comparing the Economic Impact of Chicago's Wrigley Field and U.S Cellular Field."

> Most economists have been critical of public funding of sports facilities. Numerous academic studies of stadiums and arenas, professional franchises, and major sporting events such as the World cup, Olympics, and championship or All-Star games have uniformly found little of no gains in income, employment, or tax revenues as a result of professional sports.[124]

Yet the authors note that the bleak view of sports facilities comes from studies of the relatively newer ones on the scene. ("By 2006, 89 of the 120 major league teams in the "Big Four" North American sports, football, baseball, basketball, and hockey, played in facilities built or significantly refurbished since 1990."[125])Their piece makes the point that the Cubbies' 1914 Wrigley Field has a "synergistic commercial relationship with its neighborhood"[126] in contrast to the White Sox's new home, U.S. Cellular Field, which they describe as a "walled fortress."[127]

It is for this reason that I raise the analogy of sports facilities. Sports themselves are not inherently poor economic development risks, but rather their recent iterations as

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[124] Robert A. Baade, Mimi Nikolova, and Victor A. Matheson, "A Tale of Two Stadiums: Comparing the Economic Impact of Chicago's Wrigley Field and U.S. Cellular Field," International Association of Sports Economists, Working Paper Series, Paper No. 06-14, August 2006, p. 2.
[125] Ibid.
[126] Ibid, p. 5.
[127] Ibid.

oversized, walled-in monoliths ringed by parking lots that actively discourage "a synergistic commercial relationship" with their surroundings.

On the other hand, New Jersey's cultural organizations, smaller for the most part and part of their towns, are far more like Wrigley Field, which they call "a shining example of how a sports facility can integrate itself within a local neighborhood and provide positive economic spillovers to the nearby community."[128] The theater district on Livingston Avenue off George Street, embedded in New Brunswick's downtown, the South Orange Performing Arts Center, right in the heart of the village, come to mind. The business community, residents, and government of Millburn felt so strongly about the Paper Mill Playhouse's fundamental role in their community that they took an unusual step in 2008 to help resolve the theater's ongoing financial crisis.

> The decision by the Millburn Township Council last week to purchase the Paper Mill Playhouse and lease it back to the theater company was a smart and innovative way to deal with a nagging problem. Once a powerhouse of American musical theater, the Paper Mill has lurched from season to season in recent years, struggling to meet its financial obligations. This purchase-lease arrangement could bring stability to the well-regarded regional theater. Closing the theater would not only deprive theatergoers of a cultural gem but could have a ripple effect throughout the Essex County town of 19,000. With the theater, the town sustains 20 restaurants. Without the theater, that thriving restaurant business would likely suffer.[129]

Defenders of the economic impact of culture cite numerous additional benefits. Many organizations benefit financially from attendance at arts events besides restaurants,

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[128] Ibid.
[129] *Star-Ledger* Editorial Board, http://blog.nj.com/njv_editorial_page/2008/06/stagemanaging_a_good_deal.html . Retrieved March, 14, 2011.

like hotels, shops, printers, and most often urban downtowns. The arts are often used as a cornerstone for redevelopment in distressed urban areas.

> Most high cultural activities do not earn a profit, but they may leverage other investments that do. Cultural activities bring people into cities after dark, tying in synergistically with restaurants and shops; reports on urban projects often point to the new cafes, upscale restaurants, and nearby housing renovations as evidence of success (Blumenthal 1997; Weber 1997). Cultural projects have unusual potential to generate such activity because the audiences they attract – disproportionately affluent and well-educated (Blau, 1989; DiMaggio & Useem, 1983) – have money to spend. Attracting such attendees pays off for cities not only by generating high multiplier effects for cultural investments, but also by bringing people with economic, political, and social resources into the city. The favorable impressions people gain as they attend cultural events can benefit the city in a number of ways: changed public attitudes, greater political support for the city, and, perhaps, even further investment. Moreover, these possessors of "cultural capital" have additional standing as opinion leaders and trendsetters (Bourdieu, 1984). Even those who will never pay to hear opera may be drawn to a city that bears the imprimatur of the opera-going crowd.[130]

In The Tourist City, Briavel Holcomb echoed that sentiment. She described cultural tourists in these words, "Typically well educated, affluent, and broadly traveled, they generally represent a highly desirable type of upscale visitor."[131]

Greg Richards writes in *Cultural Tourism: Global and Local Perspectives*:

> The attractiveness of cultural tourists for most tourist destinations lies in their overall high spending. The image of cultural tourists as relatively rich tourists is partially confirmed by the research. The average total spending in the destination for cultural tourist groups in 2004 was over €1500 ($1920), which is higher than visitors on a rural holiday (€1030/$1320), at the beach (€1425/$1825), and on city trips (€1200/$1535).[132]

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[130] Elizabeth Strom, "Let's Put on a Show! Performing Arts and Urban Revitalization in Newark, New Jersey," *Journal of Urban Affairs*, Dec.99, Vol.21, Issue 4, p. 424.

[131] Bria Holcomb "Marketing Cities for Tourism," in Dennis R. Judd and Susan S. Fainstein, The Tourist City (New Haven: Yale University Press, 1999), p. 64.

[132] Greg Richards, ed., *Cultural Tourism: Global and Local Perspectives* (Binghamton, NY: The Haworth Press, Inc., 2007), p. 18.

A 2009 study noted the importance of cultural and heritage experiences in the tourism industry, and for the first time segmented cultural and or/heritage travelers "showing the diverse groups that exist within this broader category of traveler."[133]

> "We discovered that an impressive number of U.S. travelers seek out cultural and heritage experiences," said Helen Marano, director, Office of Travel and Tourism Industries, U.S. Department of Commerce. "With 78% of all domestic leisure travelers participating in cultural and heritage activities, their expenditures confirm that this is a strong market, and they are contributing significantly to our communities during these challenging economic times."
>
> The segmentation analysis uncovered five different types of cultural and heritage travelers: Passionate, Well-rounded, Aspirational, Self-guided, and Keeping it Light. Three segments – Passionate, Well-rounded, and Self-guided – were more serious about their travels and said that cultural and heritage activities had a greater impact on their destination choice. Together, these three segments represent 40% of all leisure travelers and contribute nearly $124 billion to the U.S. economy.[134]

For sites to be cultural tourist-ready, they need to be open and running, and direct subsidies in the form of General Operating Support grants, along with the tax policies that indirectly support nonprofits, enable that for many organizations.

In "The Artistic Dividend," Ann Markusen and David King take an occupational approach while still recognizing the role of economic impact studies:

> The arts' contribution to the economy is conventionally estimated by tallying up the total sales of establishments in this "arts industry" and estimating multiplier effects through localized expenditures on related activities. Such a method does provide us with a picture of an important segment of the arts, and one of its

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133 http://mandalaresearch.com/images/stories/pressreleases/CHT_release_Oct_20.pdf October 21, 2009, p. 2. Retrieved March 1, 2011.
134 Ibid.

> virtues is its inclusion of non-artistic jobs encompassed by these establishments. But it leaves out many important activities and economic impacts.[135]

In "The Artistic Dividend Revisited," Markesun, Greg Schrock, and Martina Cameron describe arts impact assessment as yielding a "first approximation, but dramatically undercounts the economic value produced by artists in an economy. Many artists are self-employed."[136] They go on to state:

> We find ample confirmation for our contention that artists are more important contributors to a regional economy than arts impact assessment, which restricts itself to the larger, established arts organizations, conveys.[137]

Interestingly, because the 2007 survey of New Jersey's cultural organizations reached out to the entire field of organizations, and based its weighting on the fact that the majority of organizations are smaller in size, it may – by Markusen et al.'s definition -- be a closer approximation of culture's contribution to the regional economy than most economic impact studies.

Finally, for defenders of culture's economic impacts, the benefits of cultural spending are a lot like Justice Potter Stewart's definition of pornography, "I know it when I see it . . . ."[138] The revitalization of cities like Newark with its plethora of arts and history organizations, New Brunswick with its cluster of three theaters, and Red Bank

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135 Ann Markusen and David King, "The Artistic Dividend: The Arts' Hidden Contributions to Regional Development," Project on Regional and Industrial Economics, Humphrey Institute of Public Affairs, (Minneapolis, MN: University of Minnesota, July, 2003), p. 7.

136 Ann Markusen, Greg Schrock, and Martina Cameron, "The Artistic Dividend Revisited," Project on Regional and Industrial Economics, Humphrey Institute of Public Affairs, (Minneapolis, MN: University of Minnesota, March, 2004), p. 2.

137 Ibid.

138 **Jacobellis v. Ohio, 378 U.S. 184, 197 (1964)** Retrieved March 9, 2011.

with the Count Basie and Two River Theater Company make it difficult for some to doubt the economic impacts of culture.

> The high-quality cultural resources in New Jersey shape our cities and towns into distinctive destinations, attracting people from all over the world. Here in New Brunswick we rely heavily on the theaters, for example, to not only enhance our promotional packages but drive them and with significant quantifiable success.[139]

The fact that some other industry, like health care in New Brunswick, could have produced a similar economic result or contributed to the result does not discount the fact that the cultural industry has had a result in these locales.

> The arts-based economic revitalization has brought about a virtual renaissance in Millville's historic downtown. Since the inception of the downtown Arts District, Millville, NJ has seen the arrival of 83 new businesses and over $22 million invested in real estate, new construction, rehabilitation and new public spaces. The business vacancy rate has dropped from 50% to 8% in the last six years and 95 new jobs were created in 2006 alone.[140]

Strom notes that other industries may not necessarily be lining up to participate in urban economies or even smaller, long-established, main street economies that have often been abandoned for shopping malls.

> [E]ntertainment is itself an industry, and as cities don't have many comparative advantages for widget manufacturers or even insurance agencies, they want to build on those industries where they still do have advantages.[141]

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[139] Michael Taylor, President, NJ Hotel & Lodging Association and General Manager of The Heldrich, in *Art Works*, ArtsPlan NJ, (June 18, 2010), p.1.
[140] http://www.artpridenj.com/prosperity.pdf Comments of Millville Mayor James F. Quinn on November 15, 2007. Retrieved March 10, 2011.
[141] Elizabeth Strom, "Cultural Policy as Development Policy: Evidence from the United States," for the Joseph C. Cornwall Center for Metropolitan Studies, Faculty of Arts and Sciences, Rutgers University, Newark Campus, June 2002.

Finally, Cowen concludes his work by nominating three interrelated values -- innovation, entrepreneurship, and charity and generosity -- as the hallmarks for decentralization that "produce a coherent cultural vision to bind a liberal polity together."[142] In discussing direct subsidies, he makes this observation:

> [D]irect subsidies stand the greatest chance of making a positive difference when they are insulated from many pressures of accountability. We should return to the stylized facts about artistic discovery, namely that there are many failures for every success. Too much direct accountability causes the funder to be excessively afraid of failure. This limits risk taking and in the longer run limits the number of successes.[143]

While he argues that too much accountability to funders makes direct subsidies inferior to decentralized policies, his argument also supports the role of General Operating Support. Since the grants are not project specific, they allow more room for risk taking and even failure. Certainly, funding that helps organizations pay for the unglamorous things that are hard to raise funds for – the rent, keeping the lights on, salaries – can also lead to organizations taking more chances and being more innovative, one of his three central American values for culture.

The question arises of whether the taxpayer should be subsidizing arts experimentation, knowing that there are "many failures" lurking – a blunter way of reiterating the "nobody knows" property discussed in Chapter II. Many other sectors – agriculture, auto manufacturing, and recently Wall Street, to name a few – have been or are propped up on a regular basis despite repeated failures. Of course, defining failure in the non-profit cultural industry is particularly subjective. Creative success is not an indicator of financial success, as the regional Tony award for Crossroads Theatre in New

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[142] Cowen, p. 150.
[143] Ibid, p. 136.

Brunswick, followed quickly by its declaration of bankruptcy, showed in 2001. Conversely, commercial success can be a weak indicator of quality, which can be a matter of opinion. Cowen, however, addresses the issue in his analysis:

> Arts policy is not just about matters of fact. Arts policy is also about the aesthetic. It is about what kind of state we find beautiful or appealing. Advocates of direct subsidies enjoy a state that is about sweetness and light, and makes a bold statement in favor of the elevating powers of art and the importance of the artist.[144]

The follower of the aesthetic approach would argue that government should make this investment, "suggesting that quality culture has intrinsic value."[145] If some taxpayer funding is spent less than efficiently to preserve and promote that intrinsic value, then so be it. It is no different than supporters of defense spending accepting inefficiencies in the forms of $100 hammers or too many F-16s, except of course for the tremendous difference in actual dollars (and by extension dollars per taxpayer) spent.

So where does that leave funding for culture? Economic impact studies have their detractors and their defenders. Some think there may be better uses for public funding and larger returns. But there are benefits – both societal and economic.

> While the arts *are* commerce, they revitalize cities not through their bottom-line but through their social role. The arts build ties that bind—neighbor-to-neighbor and community-to-community. It is these social networks that translate cultural vitality into economic dynamism.[146]

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[144] Cowen, p. 146.
[145] Cowen, p. 5.
[146] Mark J. Stern and Susan C. Seifert, "Cultivating 'Natural' Cultural Districts," *Creativity and Change,* (Philadelphia, PA: Social Impact of the Arts Project, University of Pennsylvania, September, 2007), p.1.

Perhaps an unquantifiable economic dynamism is the force behind the "know it when I see it" belief. In 2008's "From Creative Economy to Creative Society," the authors, Stern and Seifert, expand on their theory:

> SIAP's [Social Impact of the Arts Project] research on Philadelphia neighborhoods has documented links between cultural engagement, social diversity, and community capacity-building. Residents who participate in the arts and culture tend to engage as well in other types of community activities. Moreover, the presence of cultural organizations in a neighborhood stimulates local community participation overall. This kind of community cross-participation helps stabilize heterogeneous communities as well as enhance overall community capacity.
>
> SIAP has documented a connection between community culture and child welfare: low-income block groups with high cultural participation were more than twice as likely to have very low truancy and delinquency as other low-income neighborhoods. The child welfare indicators reflected not the number of kids in arts programs but rather the relationship of cultural engagement to *collective efficacy*—that is, according to public health researcher Felton Earls, "social cohesion among neighbors combined with their willingness to intervene on behalf of the common good."[147]

Stern and Seifert go on to say that the cultural cluster literature "reinforces the creative economy focus on production and cross-sector interactions[,]"[148] and they give examples:

> Community arts researchers have found direct connections between culture and revitalization. In a study of ten Chicago neighborhoods, Grams and Warr identified social networks as a key mechanism by which community arts contribute to neighborhood improvement. By developing social networks, low-budget arts programs leverage local and non-local assets that result in direct economic benefits for the neighborhood—new markets, new uses of existing facilities, new jobs for local artists—as well as broader community engagement.[149]

In this view, the benefits are societal, and the societal benefits lead to economic ones. Framed in that light, economic impact studies provide that "first approximation" to

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[147] Stern, Mark J. and Susan C. Seifert. "From Creative Economy to Creative Society," *Creativity and Change*, January 2008: http://www.trfund.com/resource/downloads/creativity/Economy.pdf p.4. Retrieved March 14, 2011.
[148] Ibid.
[149] Ibid.

begin to assess culture's role in the economic dynamism of an area. The next part of this chapter will attempt to examine this role.

Results of the Economic Input-Output Modeling for Cultural Organizations

Since this dissertation has focused on General Operating Support grants and their effects, the following data relate only to the economic and tax impacts of operating cultural organizations in New Jersey. The impact of Capital Expenditures can be found in **Appendix 5**, along with specific regional breakdowns.

Table 6-1 shows the direct effects, total effects, tax impacts, and effects per million dollars of initial expenditure of operating cultural organizations in New Jersey. This table includes data from the entire state for arts, history, and "both" organizations.[150]

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[150] By way of explanation, "income" means labor income, and GDP refers to what used to be called the Gross State Product. The US Bureau of Economic Analysis used to produce GSP data which showed the wealth accumulating to state residents. Since 2002, they instead have produced State GDP data. These data show the GDP created by state-based entities.

Table 6-1: Economic and Tax Impacts of Operating Cultural Organizations in NJ

Direct Effects	
Jobs	16,640
Income	$650,089,674.60
GDP	$1,147,406,948.90
Total Effects*	
Jobs	22,368
Income	$809,530,376.35
GDP	$1,458,584,546.82
Tax Impacts	
Total Taxes **	$461,121,250.99
Local Taxes	$160,725,327.60
State Taxes	$117,749,843.56
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	16.78
Income	$607,259.61
State Taxes	$88,328.65
Local Taxes	$120,566.20
GDP	$1,094,139.90
Initial Expenditure in Dollars	**$1,333,087,795.87**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security
Note: Detail may not sum to totals due to rounding.

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Using the respondents' reported figures to pyramid to an estimated state order-of-magnitude total (to include non-responding cultural organizations), the direct effects of an initial expenditure in dollars of more than $1.3 billion by cultural organizations are: the creation of 16,640 jobs, $650 million in additional income, and more than $1.1 billion in GDP.[151] The indirect and induced effects add 5,728 more jobs, more than $159 million in income, and $311 million in GDP.

The total taxes (which includes everything: local, state, federal, general and social security) and the local taxes generated are both substantial, but the interesting number is the state taxes generated. According to the data, the state taxes generated are nearly $118 million. The appropriation from the specially designated Hotel/Motel fee to the New Jersey State Council on the Arts and the New Jersey Historical Commission was about $26.7 million for the fiscal year in question. The General Fund reaped $118 million, with a total net for the overall state budget of 91,300,000. This figure represents a very healthy return on the state's investment when the initial $26.7 million is looked at as seed money that leveraged additional funding for culture. As a percentage of the initial expenditure in dollars for all nonprofit cultural organizations, the direct state funding equals just 2 percent. This analysis does not, of course, include indirect subsidies like tax deductions from which all nonprofits benefit, not just cultural organizations.

The Effects Per Million Dollars of Initial Expenditure show that nearly 17 jobs are created for every million dollars, and more than $600,000 in income. Gross State Product is slightly to the good.

Stepping back from the data for the entire cultural industry is necessary in order to to further investigate Hypothesis 1 that history organizations as a group are in better

[151] All dollar values are expressed in 2007 dollars.

financial condition and are better able to serve the public through better amenities, increased programming and staffing than before General Operating Support (GOS) grants from the New Jersey Historical Commission were available to them. Although these data do not speak to better amenities and programming, they should allow for a comparison to the 1997 survey's economic impact data. It is important to remember, though, that the 1997 data were based on a smaller respondent pool (64) pyramiding to a smaller assumed field (197) of more similar organizations (all stewarding sites). The 2007 data were based on 116 organizations based on a field of 819 weighted to assume more small organizations.

Table 6-2 shows the same information found in Table 6-1 but just for history and "both" organizations.[152]

[152] Please note that if the economic impact were to be calculated for the arts, the "both" organizations would have to be added into their number too since they are part of their portion of the industry as well. For this reason, the three categories were each added separately for Table 6-1, but if the arts and history impacts were each calculated (each with the "both" organizations included), they could not be added together to arrive at the total economic and tax impacts of operating cultural organizations. Doing so would double count the "both" organizations.

Table 6-2: Economic and Tax Impacts of Operating History/Both Organizations in New Jersey

Direct Effects	
Jobs	2592
Income	$68,547,142.80
GDP	$81,906,565.74
Total Effects*	
Jobs	3578
Income	$107,579,443.71
GDP	$140,187,258.97
Tax Impacts	
Total Taxes **	$43,466,112.07
Local Taxes	$10,265,039.59
State Taxes	$8,651,943.77
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	23.98
Income	$721,049.19
State Taxes	$57,989.49
Local Taxes	$68,801.23
GDP	$939,602.45
Initial Expenditure in Dollars	**$149,198,481.25**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Using the history/both respondents' reported figures to pyramid to an estimated state order-of-magnitude total (to include non-responding history/both organizations), the direct effects of an initial expenditure in dollars of more than $149 million by these organizations are the creation of 2592 jobs, $68.5 million in additional income, and nearly $82 million in GDP.[153] The indirect and induced effects add nearly 1,000 more jobs, more than $39 million in income, and nearly $60 million in GDP.

The total taxes and the local taxes generated are more than $43 million and $10 million respectively. Local taxes are important because they represent that much less the state may have to send back in municipal aid. In addition, $8.6 million in state taxes are generated. As mentioned in previous chapters, the appropriation from the Hotel/Motel fee to the New Jersey Historical Commission is substantially less than the amount that goes to the New Jersey State Council on the Arts. In the study year, it was more than five times less, at $3,840,000 for GOS grants – or just 44% of the state taxes generated. Still, although less of a return, the overall state budget more than doubled its investment. As a percentage of the initial expenditure in dollars for all nonprofit history/both organizations, the state's funding equals just less than 3 percent.

Perhaps the best way to make comparisons to the 1997 respondents is to compare the Effects Per Million Dollars in Initial Expenditures. Approaching the data in this way eliminates the issues of scale.

[153] All dollar values are expressed in 2007 dollars.

Table 6-3: Effects Per Million Dollars of Initial Expenditure in 1997 for Historic Sites/Organizations' Annual Spending

Employment (Jobs)	57.5
Income	$1,330,152
State Taxes	$111,341
Local Taxes	$93,779
GDP	$1,721,179
Initial Expenditure in Dollars	**$25,000,000**

Table 6-3 shows those effects in 1997. Many more jobs were created than in 2007, however, that most likely reflects lower wage rates. More income was generated, more state and local taxes, and greater GDP reported in 1997 than in 2007.

This data seem to indicate that the history dollar had more of an impact in 1997 than in 2007. This could be attributable to some degree to the value of the dollar for the studied years – 1996 and 2006 – in the 1997 and 2007 surveys. "$1.00 in 1996 had the same buying power as $1.28 in 2006. Annual inflation over this period was 2.52%."[154] However, the difference in the dollar only would account for some of the variance. The 2007 jobs number is about 60 percent lower, and the income and GDP numbers about 46% lower, than the 1997 numbers.

Many things could account for the rest of the economic leakage. Organizations could be using more imported goods, partially because of improved technology. The internet has increased the ability to pursue lower prices and more efficiency by ordering

[154] http://www.dollartimes.com/calculators/inflation.htm Retrieved March 9, 2011.

easily from anywhere. More efficiency often reduces local effects. Increased efficiency means less spent locally. Lost labor activity means less spent locally. According to Professor Michael Lahr, this phenomenon has held for "almost anything that he's been studying."[155]

A higher reliance on volunteers can also cause there to be reduced local effects. As determined in Chapter IV, the responding organizations in 2007 were even more dependent on volunteers. The 108 history and "both" responding organizations reported that they had 5020 volunteers, nearly 3000 more volunteers than the 64 1997 organizations reported (2048). The mean for 2007 was 47 versus 32 in 1997, and the median was the same for both, 25. The 1997 range was 0 to 200, while the 2007 survey range had expanded up to 400 volunteers. This higher reliance on volunteers might be a sign that the organizations are working below their optimal capacity, and that underutilization may be hindering their effect per million dollars.

It is difficult to draw definitive conclusions about comparative economic impact from these data. While earlier chapters showed that history/both organizations are spending more in the economy in general, the effect per million has definitely been reduced. In the vernacular, each million is getting less bang for its buck, but again that is true for many industries and less a function of the impact of cultural spending as of overall, global changes to the economy and how dollars move throughout it. In addition, as stated numerous times, the 1997 respondent organizations were larger by definition as they all were stewards or operators of sites. This distinction may also account for some of the difference in the effects per million dollars, especially since these data are for the whole field in each year, not just for the respondents. As mentioned in Chapter III, the

[155] Conversation with Michael L. Lahr, CUPR. March 10, 2011.

comparison between survey respondent was a much better fit than the comparison of the weighted, extrapolated data since a more complete picture of the field was purposely sought in 2007. The on-the ground impact, however, of stronger history organizations seems to emanate from the fact that there are more dollars out in the community since the advent of General Operating Support grants for history, as Chapter V described. The next chapter will discuss what this means and could mean for New Jersey and beyond.

Chapter VII: Whither culture? Or wither, culture?

This dissertation began with the premise that America has had a love/hate relationship with culture, an awkward embrace of our artistic and historic treasures, talents, and touchstones.

Actual evaluations of public policy decisions are rare. In a perfect world, policy makers would be able to discover if their decisions helped or harmed the problem they were trying to address.

In the case of the 1999 statute establishing GOS grants for historic sites and organizations, the problem being addressed was New Jersey history's "severe underfunding, especially in comparison with funding provided to other cultural interests in the State…."[156]

The data seem to support that the policy makers positively affected the problem they were trying to resolve. Severe underfunding, although not defined, has been ameliorated somewhat, as nothing could be more severe than $0. Although there is still a gap compared to the support for the arts, it has been closed somewhat.

The future of funding for history in New Jersey remains to be seen. The NJSCA has had operating grants for more than forty years. Thirty years ago, they were at $3 million and by fiscal year 2006, they were at $$22.68 million. As arts organizations grew stronger, support increased. This trajectory set the stage for how much would be accorded each organization in GOS from the 2003 Hotel/Motel fee, which was created after then-Governor McGreevey proposed zeroing out NJSCA and NJHC funding in his next

[156] L.1999, c. 131, §1, eff. June 25, 1999.

budget. Will history follow the same generally upwards trajectory? So far, it has not. Since FY 2006, the NJHC has gone back to the FY 2004 floor of $2.7 million. (Of course, the Arts Council has also fallen back to its floor of $16 million.) Did history GOS grants just begin at a bad time marked by particularly rocky budgets? As things turn around, will the program gain in strength? After all, the NJSCA went through its ups and downs as well, plunging to less than half its budget in the early 1990s after nearly $23 million in the heady last years of Governor Kean's administration,[157] building slowly back up through the 1990s, and then being threatened again – and ultimately reduced – in 2003. Its budget rose again, only to fall back in the past few years with the recession. Still, it is higher than its starting point. The same cannot be said for the NJHC's budget.

Although during this time of ever-shrinking state budgets and austerity measures the idea that history organizations would receive more funding seems far-fetched, the Hotel/Motel fee actually provides for an increase to cultural organizations as the receipts from the fee increase. In Fiscal Year 2010, the Hotel/Motel Fee collected $72.8 million. The FY 2011 estimate dropped to $65 million because of the effects of the recession, but the FY 2012 estimate is $75 million, reflecting a recovering economy.[158] In better times, following the provisions of the law could pay dividends for cultural organizations' budgets and, in turn, the reach of culture in the state. Those dividends, however, are in no way ensured.

Direct support of culture has been called into question, but such research does not address cultural subsidies financed through a tax or fee that is specifically earmarked for that purpose, as is the case in New Jersey with the Hotel/Motel fee. Some criticism also

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[157] Thomas H. Kean, *The Star-Ledger,* May 28, 2007 edition.
[158] http://www.state.nj.us/treasury/omb/publications/12budget/pdf/revexp.pdf Retrieved March 31, 2011.

assumes that any increase in funding diverts public funding from other public policy uses. That reasoning implies that all public money is being used for some desired or intended public policy outcome.

That supposition is clearly not always correct. Examples abound of unintended uses of public dollars through plain carelessness, without needing to go into issues of outright fraud or abuse of the system or arguments about the relative worthiness of various government spending.

For example, in a July 2, 2010 report, the Office of the State Comptroller, headed by A. Matthew Boxer, issued these findings in a report:

> Our audit identified millions of State dollars being wasted annually on land-based telephone lines, wireless telephone lines, and directory assistance services that are not needed and not being used. Eliminating these lines and services would save the State nearly $3.5 million annually.[159]

More information was given in a *Star-Ledger* article:

> The audit found that no outgoing calls were made from 38,478 landlines during the last three months of 2009. In response to the findings, state government departments have begun to disconnect 18,265 of those landlines. Another 1,394 mobile phones have also been disconnected. One of those phones had been funded for six years after a state employee resigned, the report said.[160]

As it happens, the $3.5 million wasted on unused phone services was uncovered during a time when the NJHC's Hotel/Motel fee appropriation was dropped back to the Fiscal Year 2004 floor of $2.7 million, where it stays today. More was spent by accident on

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[159] http://media.nj.com/ledgerupdates_impact/other/nj-comptroller-audit.pdf , p. 4. Retrieved March 10, 2011.

[160] http://www.nj.com/news/index.ssf/2009/04/corzine_budgetscrubbing_uneart.html Retrieved March 10, 2011.

nothing of value whatsoever than all of the organizations in need of funds to help preserve and steward New Jersey's historic resources.

Of course, just because more money is wasted annually in one instance than is allocated to the entire history grant program for one year does not automatically argue against the critics that presume the primacy of public policy priorities. The "found" telephone money could go to any number of worthy – or unworthy -- causes currently or not currently funded in the state budget. It does, however, point to a certain amount of naïveté regarding the on-the-ground workings of government. The relatively small amounts of funding for culture often amount to rounding errors in the budgets of the much larger departments of state government and in the state budget as a whole, what I would call more the "loose change" than "pocket change" nature of government spending. Like loose change, no one accounts for this money. It metaphorically winds up between the sofa cushions, rattling around your washing machine, lying on the sidewalk, or in the bottom of your gym bag. In a budget of $30 billion, one percent wasted would be $300 million. 0.1 percent wasted would equal $30 million, or several million more than all the cultural agencies received from the Hotel/Motel fee in FY 2006, a relatively good year for their funding.

Tyler Cowen called this the "'Free Lunch' Argument: Small sums vs. Large Sums,"[161] noting that the impact is different when these relatively negligible sums (especially when considered per capita) are bundled. He argues that one could pit funding for culture (or anything for that matter) against funding for children in the underdeveloped world, what he calls the "What about the Haitians?" critique. That may be true in theory, but I would argue that in practice it misses the point. There is always

[161] Cowen, p. 25.

some leakage in government spending. Budgets are large and unwieldy things, not easily taken in at one glance, and government departments responsible for managing appropriations in practice are often set up more as vertical silos than horizontally integrated layers.

An example from Fiscal Year 2011's budget illustrates this point. When Governor Christie proposed a budget without line items for three non-profit cultural organizations that traditionally received them, legislators – elected to represent their districts' interests – insisted that these organizations be funded somehow in the budget that was adopted. To take the dollars for these organizations from the NJSCA's or NJHC's funding would have put a tremendous strain on their resources. Compared to the available funding, the grants in question would have taken a disproportionately large share of the agencies' budgets. The $4 million that was needed was siphoned from another pot of cultural funding – the New Jersey Cultural Trust's principle – rather than from some other department or even some other use within the same department. It should be noted that the Cultural Trust fund is not part of the state's annual operating budget, but a permanent investment fund created through a public/private partnership with corporate and foundation donors as well as public dollars. There are no budgeted operating costs as the NJSCA and NJHC provide the staff for the management of the Cultural Trust fund and its programs. "Call it creative accounting or a Robin Hood scheme, but the result is the same: Lawmakers took $4 million from one cultural fund and used it to preserve the budgets of two other cultural agencies."[162]

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[162] http://www.nj.com/news/index.ssf/2010/06/nj_lawmakers_allocates_4m_from.html Retrieved March 11, 2011.

This type of scenario is often the how of cultural budgeting, which takes us back to the why of cultural funding – and why it matters. As Chapter VI discussed, there are supporters of funding culture for its economic impact. Cowen's work discusses the reasoning behind those who prioritize the aesthetic approach to cultural funding over the economic one:

> The aesthetic approach opens the door for a case for government subsidies to art. Few critics believe that market-driven culture will maximize its potential aesthetic value, or admit of no aesthetic improvements. The perspective of the critic therefore finds an obvious, and potentially remediable, flaw in market outcomes.[163]

As mentioned in Chapter VI, culture may provide positive externalities of a social nature, like neighborhood capital and economic dynamism, that may encourage more general forms of economic development. Investing in culture also provides other public benefits. In a ten-year longitudinal study of community youth programs that center on the arts in low-income neighborhoods, Stanford University and the Carnegie Foundation for the Advancement of Teaching's Americans for the Arts Monograph reported that:

> Compared to the national sample, youth in nonschool arts-based programs are:
>
> - Attending schools where the potential for violence is more than twice as high.
> - More than twice as likely to have parents who divorced or lost their jobs in the past two years.
> - Over five times as likely to live in a family involved with the welfare system in the last two years.
>
> And yet, young people working in the arts during their out-of-school hours are:
>
> - Four times more likely to have won school-wide attention for their academic achievement.

[163] Cowen, pp. 10-11.

- ❖Being elected to class office within their schools more than three times as often.
- ❖Four times more likely to participate in a math and science fair.
- ❖Three times more likely to win an award for school attendance.
- ❖Over four times more likely to win an award for writing an essay or poem.[164]

The same in-depth study pointed out other benefits of arts participation.

> The volunteerism level of these young people, as well as their "jump in and get it done" attitude, is perhaps best indicated by the fact that they are eight times more likely to receive a community service award than their counterparts in the national sample. Moreover, these youth have strong pro-social values toward working within their communities and striving toward correcting economic inequalities. These qualities bode well for their future roles as community members.[165]

Even without other benefits, Cowen touts innovation as being central to our conception of culture in the United States:

> As a culture we should value and reward the ability of individuals, including artists, to strike out on new paths. Openness to innovation is commonly perceived as an American value, relative to the attitudes of other countries.[166]

Although he made this argument in support of the decentralization of cultural policy through indirect funding, I would argue in keeping with my hypotheses that one certain type of direct subsidy -- General Operating Support -- plays an important role in innovation. By supporting an organization in its general operations, it allows for more creative and financial flexibility. When organizations don't have to worry about the ordinary, they are free to contemplate the extraordinary. In the same way, the New

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[164] Shirley Brice Heath, with Elisabeth Soep and Adelma Roach, "Living the Arts through Language + Learning: A Report on Community-based Youth Organizations," (Stanford University and Carnegie Foundation for the Advancement of Teaching: Americans for the Arts Monograph, Volume 2, Number 7, November, 1998) p. 3.
[165] Ibid, p. 10.
[166] Cowen, p. 150.

Jersey Cultural Trust frees up organizations' creativity by directing funding toward their financial health – the ledger side, not the programming side.

Implications for New Jersey and Beyond:

It is necessary to consider what these findings mean for New Jersey and beyond. At the most basic level, it means that policy makers made progress in addressing the problems they were trying to solve – the underfunding of history and the need for better financial literacy and management for the arts and history. According to the findings, both the creation of GOS grants and the New Jersey Cultural Trust helped to ameliorate these problems.

As Chapter IV discussed, history organizations as a group are in better financial condition and are better able to serve the public through increased programming and staffing than before General Operating Support grants were available to them. Conclusions related to Total Expenditures, Total Income, Assets and Liabilities, Hours, Volunteers, and Staffing seem to support that history organizations are in better financial condition and better able to serve the public, particularly because of increased staffing. Increased staffing, which is supported on its own and supports better financial condition, also could be construed to support improved programming.

In addition, data on Total Income, Total Expenditures, Assets and Liabilities, Hours and Staffing supported Hypothesis 2's assertion that "organizations that received General Operating Support grants from the New Jersey Historical Commission are better off than those that did not."

Data for contributed income helped support Hypothesis 4's assertion that "organizations that received General Operating Support grants from the New Jersey Historical Commission also received more funding in private sector grants." Far from public funding crowding out private spending or donations as Deskins et al. hypothesized, public funding attracted greater private spending and donations. This finding addresses a gap in the literature on that point.

The results from Chapters IV and V indicate that history organizations are better off in many ways than before General Operating Support grants were available to them. The long-range implications seem fairly direct -- greater subsidies lead to greater success. In addition, the research shows that arts and history organizations have thought more about their long-term financial future and stability since the creation of the New Jersey Cultural Trust. This finding holds for some organizations even if they only applied for but did not receive grants from the Cultural Trust.

As Chapter VI showed, more dollars are out in the economy as a result of a more financially hearty history community, but the effect per million dollars in expenditures does not seem to have as large an economic impact as it did ten years earlier, as Chapter VI also discussed.

Does the latter imply that GOS support for history organizations has reached a point of diminishing returns? I would strenuously argue against this interpretation. Reduced regional economic impact compared to the 1990s holds true for many industries for a number of reasons, chief among them improved technology and the increasing globalization of the economy.

Many reasons argue in favor of rejecting the diminishing returns theory. First and foremost, the examination of the hypotheses shows that history organizations are working below their optimal capacity. Their vast number of volunteers, which if paid would increase their annual budgets by 60 percent, represent real need within these organizations and lost opportunities for additional employment in the state. These 5020 volunteers (for just the responding history/both organizations) represent lost labor activity, which means less is spent locally.

In addition, the somewhat erratic business hours and 30 percent dissatisfaction with hours open to the public also show that these organizations could be providing more services to the state and their communities. Many are not fully tourist ready, as the lower staffing and reduced hours show. They also seem more lacking in amenities than the previous survey estimated. Since tourism is a leading industry in New Jersey, and an industry that cannot be outsourced, it would behoove policy makers in the state to consider ways to address these issues in the history community.

One example that underlines these matters involves the largest GOS recipient from the NJHC.[167] Before GOS grants were available, the organization's budget was about $3 million. Its peak grant year was early in the program, when the NJHC was operating under the funding guidelines of the 1999 legislation, receiving $4 million to give as GOS support. This large organization, which is located in a tourist-friendly destination, received more than $600,000. With a grant requirement of a 3 to 1 match, its budget rose more than 35%, to a peak of $4.6 million. The subsequent declining annual NJHC funding (at $2.7 million for the past few fiscal years) has necessitated a reduction in the organization's grant by more than half, and its budget has fallen by a million

[167] I have asked, and received, permission from this organization to use it as an example.

dollars. That reduction has resulted in fewer jobs in the local economy, and fewer programs and services provided by this combined arts and history organization.

Working within the framework of the current funding legislation, I would recommend that the appropriation to the arts and history industry should be brought back up to at least the FY 2005 parameters spelled out in Section 2. a. (2) of the Hotel/Motel Occupancy Fee legislation:

> (2) of the fees collected for occupancies during State Fiscal Year 2005 and thereafter: 22.68 percent shall be annually allocated for appropriation to the New Jersey State Council on the Arts for cultural projects, provided that the amount allocated shall not be less than $22,680,000; 3.84 percent shall be allocated for appropriation to the New Jersey Historical Commission for the purposes of subsection a. of section 3 of P.L.1999, c.131 (C.18A:73-22.3), provided that the amount allocated shall not be less than $3,840,000; 12.76 percent shall be allocated for appropriation to the New Jersey Commerce and Economic Growth Commission for tourism advertising and promotion, provided that the amount allocated shall not be less than $12,760,000; and.72 percent shall be allocated for appropriation to the New Jersey Cultural Trust, provided that the amount allocated shall not be less than $720,000.

This increase over the FY 2004 floor would return the NJHC to the level ($3.84 million) studied in this dissertation, although it would still be below the original $4 million intent of the Bagger bill.

I contend that if $4 million in GOS funding is good, more would be better. If you look closely at the effects per million, it is evident that there is a positive effect when the arts, history, and "both" organizations are aggregated. The initial expenditure of $1.33 billion had a positive effect per million dollars on GDP. But stripped of the arts, that effect per million declined, as discussed earlier. Only 11% ($149 million) of that $1.33 billion initial expenditure was contributed by history and "both" organizations. Looked at alone, the arts organizations' effect per million on GDP was even greater without the history/both organizations, as were their contributions to state and local taxes. (See Table 5I in Appendix 5.) The data, taken at the relatively high FY 06 level of $22,680,000, show that the arts organizations, working at greater capacity than the history organizations, were able to make a more robust contribution to the economy of the state.

Separating the history organizations from the larger "both" organizations as well shows that their initial expenditure in dollars was just $35 million, less than 24% of the history/both total of $149 million. (See Tables 5J and 5K in Appendix 5.) Without the better funded "both" organizations, the history organizations' effect per million on GDP and state and local taxes dropped even lower.

These results imply that the underfunding of history continues. History organizations are still not living up to their potential. The gap between the arts and history has shrunk, but mainly because the funding for arts organizations has also declined. A logical conclusion to be drawn from the experience in the arts is that a critical mass of GOS funding is important. With enough funding, grants can be large enough to have an impact.

Although some might argue that the cultural agencies are supporting organizations that would be viable without direct subsidies, I would argue that the public policy objectives of greater economic impact and an enhanced ability to serve the state should be considered. Scattering much smaller sums around to more organizations, many of which could be less self-sustaining, would not accomplish these objectives. The state cultural agencies perform the twin tasks of ensuring both quality experiences and greater access for the most people. They provide for the smaller organizations through their block grants to the county cultural agencies. A critical mass of funding is necessary both for the state agencies and for their grantees. I believe the data show that we have not reached that critical mass yet.

The next goal of the state should be to increase tourism, including cultural tourism, so that the Hotel/Motel fee collections reach the $100 million mark, at which time the percentage formulas of FY 2005 should increase funding dedicated to New Jersey's cultural agencies. In addition, the positive results of the effect of the New Jersey Cultural Trust warrant finding ways to support the work of the agency.[168] Financially stronger organizations will be better able to make use of additional GOS funding and better able to serve the state.

Further Research:

Several topics arose throughout this study that would be interesting avenues for further research. In Chapter IV, the analysis implied that attendance was down at New Jersey history organizations from the previous decade. The National Endowment for the Art's data stated that the same was true for attendance at certain art performances and venues. It would be interesting to obtain the actual visitation data from organizations that responded to both the 1997 and 2007 survey. Was attendance really down from a decade earlier, and if so, what was the effect caused by the recent dramatic recession?

Regarding amenities, have they really declined in the past decade or were the problems worse than imagined in the history community? Was the magnitude of the problems underreported because of the nature of the 1997 organizations studied? A study

[168] Again, full disclosure: this author is the Vice Chairman of the New Jersey Cultural Trust.

that involved inventorying history organizations that claimed to be open to the public could be enlightening.

Now that the Cultural Trust has been giving grants for seven fiscal years, it would be interesting to do a case study to see how the organizations that have received grants have fared. This research would be a qualitative case study.

A qualitative case study of the organizations that responded to both the 1997 survey and the 2007 survey looking at their overall financial condition would be an interesting follow-up to this research. Organizations that received GOS could be paired with organizations that did not receive GOS. They could be paired by size and type as well (for example, small-sized house museums, archival collections, etc.), perhaps with similar budget starting points.

Hypothesis 3, that history organizations that did not receive general operating support grants from the NJHC would be no worse off than a decade earlier, was not supported. The history/both responding organizations as a group without the GOS recipients showed lower Total Income, Total Annual Expenditures, Assets, Hours, and Staffing than the 1997 survey organizations. Examining why this hypothesis was not supported might make a good topic for further study. Why aren't these groups better off or at least the same? Are the GOS groups cornering the market on the non-government funding because leveraging the match appeals to donors? Was there something else about the groups that did not apply for or receive GOS support that made them different from the recipients? These questions would be interesting to explore.

Conclusion:

In the end, the question comes down to whether New Jersey as a state values its culture and heritage at least as much as its loose change. The National Trust for Historic Preservation has this sentiment on its website:

> Can a country lose its memory? Yes, it can. It happens every day. When historic buildings and neighborhoods, along with cultural and historic resources, are torn down or allowed to deteriorate, a part of our past disappears forever. When that happens, we lose opportunities to live and work in the interesting, attractive, and supportive surroundings that older buildings and neighborhoods can provide. More importantly, we lose the connections with history that help us know who we are.[169]

A state can lose its memory as well. When our cultural and historic resources disappear, we lose a part of what contributes to our sense of place and our pride of place. We lose a part of our past and of our hopes for a stronger economic future for the state, a better education for our children, and a finer quality of life for ourselves.

Like Odysseus, defenders of the arts and history in New Jersey have fought many battles and been much tossed about over the years. They yearn for safe harbors after a long and winding journey. Whether the cultural community in New Jersey will someday arrive on welcoming shores is an open question.

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[169] http://www.preservationnation.org/about-us/press-center/fact-sheets-and-reports/NTHP-One-Pager.pdf Retrieved March 10, 2011.

Appendix 1: Printed Survey

SECTION A - ORGANIZATIONAL PROFILE

1. Please check one

- ☐ History Organization
- ☐ Arts Organization
- ☐ Both

2. Name of organization

3a. Contact person completing survey

3b. Relationship to organization (title)

3c. Telephone number of contact person

3d. Fax number of contact person

3e. E-mail address of contact person

3f. Organization's URL (web page) address, if applicable

3g. Organization's County. If serving more than one county, please select the primary county.

4. Of the following categories, which best describes your organization?

- [ ] Private Non-Profit, tax-exempt
- [ ] Public (Federal)
- [ ] Public (State)
- [ ] Public (County)
- [ ] Public (Municipal)
- [ ] Public (Other)
- [ ] Other, describe: ______

5. Please indicate your organization's year of incorporation or start of operations, if not incorporated

6. Is your organization part of a larger entity (such as a college or university, community center, library, or other type of organization)?

- [ ] Yes -- Please Describe: ______
- [ ] No

If your organization or program is part of a larger organization, please answer all questions as they pertain to your portion of the entity, not to the entire entity.

7. Please check the box(es) below which primarily describes your organization's overall primary area of work (please check no more than 2):

- [ ] Crafts
- [ ] Dance
- [ ] Design Arts

- ☐ Folklife/Traditional Arts
- ☐ History
- ☐ Literature
- ☐ Media Arts
- ☐ Multi-Disciplinary
- ☐ Music
- ☐ Opera/Music Theater
- ☐ Theater
- ☐ Visual Arts
- ☐ Other, Please describe: ______

8. Please check the box(es) below which primarily describes your organization (please check no more than 2):

- ☐ Advocacy
- ☐ Archeological site
- ☐ Archival collection
- ☐ Artifact collection
- ☐ Arts camp/institute
- ☐ Arts center
- ☐ Arts council/agency/service organization
- ☐ Battlefield
- ☐ Cinema
- ☐ Electronic media
- ☐ Fair/festival
- ☐ Gallery/Exhibition space
- ☐ History council/agency/service organization
- ☐ Historic Preservation
- ☐ Historical society
- ☐ Historic site
- ☐ Museum - Art
- ☐ Museum – History
- ☐ Museum – other
- ☐ Performing facility
- ☐ Performing group
- ☐ Presenter
- ☐ Print media
- ☐ School of the Arts
- ☐ Union/Professional association
- ☐ Other, Please describe: ____________

SECTION B - FACILITY PROFILE

9. How many sites do you own/lease/rent/utilize?

10. Do you own, lease, or rent your primary facility?

- Own
- Lease or Rent
- Other, describe:

11. Do you own, lease or rent your secondary facility?

- Own
- Lease or Rent
- Other, describe:

12. What type of space do you own/ lease/rent/utilize (check all that apply)?

	Facility 1	Facility 2	Facility 3	Facility 4
a. Office space	☐	☐	☐	☐
b. Technical support space (rehearsals, props, collections, costumes, storage, etc.)	☐	☐	☐	☐
c. Exhibit/Museum space	☐	☐	☐	☐
d. Programming/Performance space	☐	☐	☐	☐
e. Educational space	☐	☐	☐	☐
f. Retail space	☐	☐	☐	☐
g. Food service space	☐	☐	☐	☐
h. Other, please describe:	☐	☐	☐	☐

13. Have any of your facilities been listed or been determined eligible to be listed for the state or national register of historic places?

- ☐ Yes, listed
- ☐ Yes, eligible for listing
- ☐ No, neither listed nor eligible
- ☐ Don't Know

14. Check <u>all</u> of the following that <u>all</u> of your facilities combined provide:

- [ ] Public restrooms
- [ ] A parking area for visitors
- [ ] Visitor's center
- [ ] Exhibit space(s)
- [ ] Auditorium/presentation space(s)
- [ ] Conference/meeting/banquet space
- [ ] Museum shop/book store/gift shop
- [ ] Rehearsal space
- [ ] Food services
- [ ] Educational space
- [ ] Other recreational, tourist, and/or cultural activities within approximately 15 miles
- [ ] A library archive or a research collection open to the public

These questions refer to your having stated that your facilities provide "a parking area for visitors" in Question 14.

14b1. For how many cars?

14b2. Is it large enough for buses?

- [ ] Yes
- [ ] No

These questions refer to your having stated that your facilities provide "exhibit space(s)" in Question 14.

14d1. How many square feet of display space?

These questions refer to your having stated that your facilities provide "auditorium/presentation space(s)" in Question 14.

14e1. How many spaces?

14e2. What is the organization's seating capacity?

	People
e2a. Space 1:	
e2b. Space 2:	
e2c. Space 3:	

These questions refer to your having stated that your facilities provide "educational space(s)" in Question 14.

14j1. What is its capacity? (In students able to be served per session)

These questions refer to your having stated that there are "other recreational, tourist, and/or cultural activities within approximately 15 miles" of your facilities in Question 14.

14k1. Approximately how many?

14k2. Do you have any joint sponsorship of events, marketing, etc. with any other recreational, cultural, and/or tourist sites (or other type of organization)?

- Yes
- No

This question refers to your having stated that your facilities provide a parking area "large enough for buses" in Question 14b2.

14b2a. How many buses?

This question refers to your having stated that your organization has "joint sponsorship(s) of events, marketing, etc. with. . . other recreational, cultural, and/or tourist sites (or other type of organization)" in Question 14b2.

14k2a. Approximately how many?

15. How many of your facilities are served by public transportation?

- None
- One
- Two

- Three or more
- All

16. What type of public transportation serves your facilities? Select all that apply.

- Bus
- Rail
- Other, please describe:

SECTION C - OPERATIONS

What is the total number of persons responsible for the management and operations of your organization?

17a. Number of full-time paid staff (30 hours per week or more)

17b. Number of part-time paid staff (less than 30 hours per week)

18. To the best of your knowledge, approximately what percentage of your paid staff live in

a. New Jersey—same county as your location

b. New Jersey—other counties

c. Outside New Jersey

19. What is the total number of unpaid volunteers (including interns, board members, docents, guides, fundraisers, etc.) whose work supported the work of your organization in the past year?

20. On average, approximately how many hours per week of work does an unpaid volunteer do for your organization?

21. What are your organization's business hours?

Section C – Operations – If you checked "HISTORY ORGANIZATION" in Question 1, please respond to 22ha through 24h and skip 22a through 24a. If you checked"ARTS ORGANIZATION," please proceed to Question 22a. If you checked "BOTH," please respond to 22ha through 24h and 22a through 24a.

22ha. Is your organization open to the public year round or seasonally?

- ☐ Year round
- ☐ Seasonally

22hb. During the time your organization is open, how many hours per week are you open to the public? (If your organization is open year round, but has different hours during its peak season, please answer for the peak season.)

[▾]

23h. Are you satisfied with these hours?

- ☐ Yes
- ☐ No

24h. If applicable, how many more hours per week, funds permitting, would you want your organization to be open to the public?

[▾]

Section C – Operations – ("ARTS" ORGANIZATIONS OR "BOTH" ONLY QUESTIONS 22A THROUGH 24a)

22a. How many days/nights per year are the facilities/programs that your organization operates open to the public for public events/activities? (Please write how many days/how many nights in box. Ex: 100 days/52 nights)

23a. Is your organization satisfied with the number of days/nights open to the public?

- Yes
- No

24a. What are your organization's goals regarding days/nights per year open? (Please write how many days/how many nights in box. Ex: 100 days/52 nights)

25. How many persons physically attended all the programs and services offered by your organization in your most recently completed fiscal year?

26. How many additional persons utilized your programs and services in your most recently completed fiscal year in the following forms? (Approximate number is sufficient.)

	People
a. Radio	
b. Television	
c. Distance learning	
d. Readership	
e. Web site visits	

27. To the best of your knowledge, approximately what percentage of the attendants/participants that you indicated in question 25 above were (age):

a. Preschool children	
b. School-age children (K-12)	
c. Adults (19-64 years)	
d. Seniors (65 years +)	

28. To the best of your knowledge, of the total in-person visitors/participants indicated in question 25, approximately what percentage came from:

a. New Jersey—same county as your location	

b. New Jersey—other counties	
c. Outside New Jersey	

29. Do you provide interpretive and/or educational opportunities/services?

- Yes
- No

30. If yes, who provides the interpretative and/or educational opportunities/services for your organization? (Check all that apply)

- Volunteers
- Paid Staff
- Other, describe:

30a1. Approximately what percentage of the total opportunities/services are provided by volunteers?

30b1. Approximately what percentage of the total opportunities/services are provided by paid staff?

31. Do you provide programs specifically oriented to school-age children?

- Yes

No

32. How many children annually (estimate)?

33. How many events/occurrences annually (estimate)?

34. How many school districts do you serve annually (estimate)?

35. What percentage of students are from:

a. New Jersey—same county as your location	
b. New Jersey—other counties	
c. Outside New Jersey	

36. Note the percentage of on-site and off-site student activity below:

a. On-site at your facility/facilities:	
b. Off-site (trunk shows, residencies, school performances, distance learning, etc.)	

37. Are your educational activities for schoolchildren indexed to the New Jersey Department of Education core content curriculum standards?

- [ ] Yes
- [ ] No

38a. Do you provide educational programs specifically oriented to adults?

- [ ] Yes
- [ ] No

38b. Approximately how many adults annually participate in these programs?

[ ]

Collections

39. Do you have artifacts (artifacts refer to objects of art, culture, and history—such as paintings, photographs, manuscripts, documents, papers, furnishings, and machinery.)

- [ ] Yes
- [ ] No

If you responded "No," please proceed to Question 45.

Have your organization's artifacts been:

40a. Accessioned?

- [ ] Yes, ____ %
- [ ] No

40b. Cataloged?

- [ ] Yes, ____ %
- [ ] No

40c. Insured?

- [ ] Yes, ____ % insured for ____ dollars
- [ ] No

41. When were your collections last professionally surveyed for conservation needs?

- within the past year
- 1 to 5 years ago
- 5 to 10 years ago
- More than 10 years ago
- Never

42. Are conservation measures routinely performed?

- Yes
- No

43. By whom? Please check all that apply

- Paid Professionals
- Unpaid Volunteers
- Other, please describe:

44. How many of your artifacts are kept in appropriate climate-controlled surroundings?

(Please write in one of these choices: “none,” all,” don’t know,” or a percentage number.)

SECTION D – FINANCES

REVENUE/INCOME (Please answer all questions for the most recently completed fiscal year.)

45. What was your organization's total annual operating income for the most recently completed fiscal year?

a. $ ____ of earned income

\+ **b.** $ ____ of contributed income

= **c.** $ ____ of total income

Of the total annual income indicated in question 45, approximately what percentage was funded by: (If zero, indicate 0%. Your best estimation will suffice.)

46a. Earned Income, including:

a. Admissions	
b. Membership	
c. Contracted services	
d. Investment	
e. Sales	
f. Tuition	
g. All other sources, please describe:	

46b. Contributed Income, including:

h. Corporate/Business	
i. Foundation	
j. Individual	
k. Government	
l. All other sources, please describe:	

47. Regarding earned income, if you checked a percentage range in 46.g. ("All other sources"), please briefly describe that source or those sources:

Expenditures (Please answer all questions for the most recently completed fiscal year)

48. What was your organization's <u>annual budget expenditures</u> for the most recently completed fiscal year?

a. $ annual operating expenditures (including all programmatic outlays)

\+ **b.** $ annual capital expenditures (e.g., major repairs, rehabilitation, restoration, additions, and other capital outlays for major furnishings, equipment, acquisitions, HVAC, ADA access, major conservation, etc.)

= **c.** $ total annual expenditures (100%)

49.	Of the annual operating expenditures indicated in question 48, approximately what percentage was spent on:

a. Labor/Personnel compensation (e.g., salaries, wages, contract employment, and benefits)	
b. Nonlabor operating costs (e.g., utilities, routine building maintenance, small repairs, exhibition costs, internal/external program services, insurance outlays, rent, mortgage, etc.)	
c. Outside fees and services	

49c1. Check all types of outside fees and services that apply below:

- ☐ Artistic
- ☐ Technical
- ☐ Professional services (legal, financial, marketing, history, consultants, etc)
- ☐ Other, please describe:

50. What was your estimated total annual capital spending over the past 5 years?

$

Government Support

51. Of government support, what percentage comes from:

a. Federal government	
b. State government	
c. Local government (municipal/county)	
d. Other government (CRDA, Port Authority, etc.)	

52. **Have you ever directly applied for or received a grant from the following government sources? (Check all that apply):**

	Applied	Received
a. New Jersey Cultural Trust	☐	☐
b. New Jersey Historical Commission	☐	☐
c. New Jersey Historic Trust	☐	☐
d. New Jersey State Council on the Arts	☐	☐

53. **If you marked "received" for 52b, have you received general operating support from the New Jersey Historical Commission?**

☐ Yes

☐ No

54. If applicable, has any general operating support from the New Jersey Historical Commission affected your organization's ability to carry out its mission?

- ☐ Yes
- ☐ No

55. If applicable, please describe the effect of general operating support from the Historical Commission on your mission. Check all that apply:

- ☐ Program expansions
- ☐ General expansion (including additional paid staff)
- ☐ Increased sustainability
- ☐ Equipment purchases
- ☐ Expanded operations
- ☐ Other, please describe: ______

56. If applicable, regarding the New Jersey Cultural Trust, please check off any of the following to indicate how applying for and/or receiving qualification and/or a grant affected your organization.

- ☐ Greater attention to annual state and federal reporting requirements and charities registration
- ☐ Greater attention to financial needs, capital structure, and planning
- ☐ Increased board awareness of financial challenges
- ☐ Increased attention to impact of debt on organization
- ☐ Greater interest in responsible/sound fiscal management
- ☐ Increased board and staff attention to cash flow needs and management
- ☐ Increased interest in developing a working capital or cash reserve fund
- ☐ Greater attention to board and staff training/professional development to ensure organizational stability
- ☐ Increased focus on strategic and/or business planning
- ☐ Improved business systems
- ☐ Increased focus on development/fundraising capacity
- ☐ Increased attention to technology needs of organization
- ☐ Increased focus on membership development
- ☐ Increased audiences
- ☐ Increased revenue/income
- ☐ Better market research
- ☐ Improved marketing strategies/communication plans
- ☐ Not applicable
- ☐ Other, please describe: ____________

ASSETS AND LIABILITIES (Please answer for the most recently completed fiscal year. Please use audited figures or 990s where possible. If not possible, estimate.)

57. What is the value of your total assets (building, campus, endowment, cash reserve, collections, other):

$ ____

58. What is the value of your total liabilities? (mortgage, loans, other)

$ ____

59. Do you have an endowment?

- ☐ Yes
- ☐ No

If "No," please proceed to Question 63.

60. What is the current value of the endowment?

$ ____

61. Is the endowment or any part of the endowment permanently restricted?

- ☐ Yes
- ☐ No

62. What percentage of your endowment is being used to invest back into your organization in the most recently completed fiscal year?

____ ▾

63. Do you have one or more cash reserves?

- ☐ Yes
- ☐ No

If "No," please proceed to Question 65.

64a. What is the total value of your cash reserves?

$ ____

64b. For what purpose are they used?

____

65. Please provide the total amount of outstanding liability (debt) as of the date of your response (that is, the total liability your organization has at the present time)

$ ________

66. Does your organization currently have any of the following? (Check all that apply):

- ☐ Line of credit
- ☐ Mortgage or other term loan
- ☐ Working capital loan

67. Please provide the operating surplus (or deficit) amount for your last two fiscal years. (For example, if the fiscal year of your organization ends on December 31, then you will need to provide the operating surplus (or deficit) for the year ended December 31, 2005 and for the year ended December 31, 2004.)

	Dollars
a. as of the end of your last fiscal year	
b. as of the end of the year before your last fiscal year	

SECTION E - NEEDS AND GOALS

Complete the following sections to describe the areas of need, the magnitude and nature of resources required, and the estimated outcomes the investment of those resources would produce to achieve your organization's fullest desired capacity and public benefit.

Facility/Capital Needs and Goals

68a1. Facility/Capital Needs and Goals

	Dollars
a1a. To maintain existing physical facility (e.g., undertake deferred maintenance and minor repairs) (Annually):	
a1b. to improve/rehabilitate/restore existing physical facility (e.g., make extensive repairs, add space, restrooms, parking, etc.):	
a1c. To provide full accessibility to people with disabilities (entry, restrooms, elevators, wheelchair seating, etc.):	
a1d. To construct new facilities or expand facilities:	
a1e. To acquire facilities/property:	
a1f. For equipment (to purchase new or maintain existing equipment):	

Labor/Personnel Needs and Goals:

68b1h1. **In the future, my organization will need $____ annually to employ approximately ____ staff for any of the following operating purposes: programming, education, expanded hours, outreach, marketing, conservation, acquisitions, publications, artistic, staff salary and wage, fringe benefits, administration, fundraising, technology, ADA compliance, cultural heritage tourism readiness, etc.**

Other Non-Personnel Needs and Goals

68c1i. **In the future, my organization will need $____ annually to stabilize the financial standing of the organization in the current context of current goals for growth and development (e.g., establish cash reserves, create an endowment, deficit reduction).**

68c1j1. **In the future, my organization will need $____ annually for other purposes not mentioned above, (please describe:)**

____

69. Were these Facility/Capital, Labor/Personnel, and Other Non-Personnel needs and goals identified through a strategic planning process?

- ☐ Yes
- ☐ No

70. If these Facility/Capital, Labor/Personnel, and Other Non-Personnel needs and goals were not identified through a strategic planning process, then what is the basis for estimation of costs?

____

71. If all the needs were met and goals achieved indicated in question 68, what is your best estimate of the benefits that would accrue? Please check all that apply:

- ☐ Increased annual attendance
- ☐ Increased number of programs offered annually
- ☐ Improved programming
- ☐ Increased recognition
- ☐ New audiences reached
- ☐ Preserved historic structures
- ☐ Attracted/retained qualified staff
- ☐ Improved organizational infrastructure

71a1. Approximately by what percentage would attendance increase annually?

[▾]

71b1. Approximately how many new programs offered annually?

[▾]

71e1. Please indicate the new audiences reached:

- ☐ Culturally diverse population
- ☐ Senior citizens
- ☐ Special needs audiences
- ☐ Child/school participation increased
- ☐ Increased geographic reach
- ☐ Younger demographic
- ☐ Other, please describe: ____________

72. **If all the needs/goals indicated in question 68 above were met, describe any other effects not covered above:**

73. **Additional comments on economic impacts, needs, goals, or other topics in or pertaining to the survey:**

Appendix 2: Advisory Committee for the Survey of Cultural Organizations (All titles/affiliations are from Spring 2006.)

Nancy Burd – Nonprofit Finance Fund

Susan Coen – Executive Director, Union County Cultural and Heritage Commission

Sara Cureton – New Jersey Historical Commission

Mary Eileen Fouratt, Executive Director, Monmouth County Cultural and Heritage Commission

Dorothy Guzzo – New Jersey Department of Environmental Protection

Barbara Irvine – Executive Director, New Jersey Historic Trust

Sally Lane – Director, Trenton Convention and Visitors Bureau

Marc Mappen – Executive Director, New Jersey Historical Commission

John McEwen – Executive Director, New Jersey Theatre Group

Ann Marie Miller – Executive Director, ArtPride New Jersey (the statewide arts advocacy group)

David Miller -- Executive Director, New Jersey State Council on the Arts

Barbara Moran – Executive Director, New Jersey Cultural Trust

Mary Murrin – New Jersey Historical Commission

Mark Packer – Executive Director, Appel Farm and President of ArtPride New Jersey

Gail F. Stern – Executive Director, Historical Society of Princeton (recently deceased)

Michael Zuckerman – Executive Director, Mid-Atlantic Center for the Arts

Appendix 3: Constructing the Weights for Statistics[170]

To create weights for the statistics presented in the study, we used primarily information from the excel file “diss alphagraphics” list with counties, org typ and size4.xls”. This file lists all organizations – in total 1,800 - and includes information on their type (Arts, History, Both Arts and History), location (county), and, for some of those supplied by NJHC and NJSCA, also size (small, medium, large). In addition, we used information indicating that NJHC and NJSCA originally supplied 800 organizations to the respondent list (200 and 600 respectively), with 53 organizations (those with type=”Both Arts and History” and non-missing size information) being supplied by both NJHC and NJSCA; thus, NJHC and NJSCA supplied together 747 (i.e., 800-53) unique organizations, out of which 147 are History, 547 are Arts, and 53 are both Arts and History. The remaining 1,053 (i.e., 1,800-747) organizations are assumed to come from the counties, and all organizations coming from the counties are assumed to be small size.

We constructed weights that vary by NJ region (South_Jersey, Central_Jersey, North_Jersey)[171], organization type, and size. For this purpose we followed the following steps:

1) Compute the total number of organizations for each region-type cell.

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[170] My thanks to Ioan Voicu, Ph.D., Financial Economist, Office of the Comptroller of the Currency, Washington, DC, and formerly with CUPR at Rutgers University for his authorship of this explanation of how we constructed the weights for the statistics.

[171] South Jersey includes the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem. Central Jersey includes the following counties: Mercer, Middlesex, Monmouth, Hunterdon, Somerset. North Jersey includes the following counties: Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union, Warren.

2) Compute the distribution of organizations with available size information by region-type.

3) Assume that the distribution from (2) applies to all organizations supplied by NJHC and NJSCA, and use it to determine the number of state-level organizations for each region-type cell; then compute the number of county-level organizations for each region-type cell by subtracting the number of state-level organizations from the total number computed at (1).

4) Compute the distribution of organizations with available size information by size -- i.e., % small, % medium, % large -- for each region-type cell.

5) Assume that the distribution by size from (4) applies to all state-level organizations, and use it to determine the number of all organizations for each region-type-size cell, using the following formulas:

$$N_{rts} = (N_{rt}^{state} \times Sh_{rts}) + N_{rt}^{county}$$

$$N_{rtm(l)} = N_{rt}^{state} \times Sh_{rtm(l)},$$

where: subscripts *r, t, s, m, l* denote region, type, small, medium, large, respectively; superscript *state (county)* indicate that the number refers to state (county)-level organizations, N indicates the number of organizations is a specific cell, and *Sh* denotes the share of organizations of a given size in a specific region-type cell.

6) Compute region-type-size-specific weights by dividing the population of organizations in a given region-type-size cell, computed at (5), by the number of surveyed organizations in that cell.

The weights computed above were assigned to each organization in the survey sample based on its region, type, and size. 67 out of the 238 surveyed organizations did not have size information and thus had to be excluded from the weighted statistics.

Appendix 4: Input-Output Analysis

APPENDIX 4

Input-Output Analysis:

Technical Description and Application

This appendix discusses the history and application of input-output analysis and details the input-output model, called the R/ECON™ I-O model, developed by Rutgers University. This model offers significant advantages in detailing the total economic effects of an activity (such as historic rehabilitation and heritage tourism), including multiplier effects.

ESTIMATING MULTIPLIERS

The fundamental issue determining the size of the multiplier effect is the "openness" of regional economies. Regions that are more "open" are those that import their required inputs from other regions. Imports can be thought of as substitutes for local production. Thus, the more a region depends on imported goods and services instead of its own production, the more economic activity leaks away from the local economy. Businessmen noted this phenomenon and formed local chambers of commerce with the explicit goal of stopping such leakage by instituting a "buy local" policy among their membership. In addition, during the 1970s, as an import invasion was under way, businessmen and union leaders announced a "buy American" policy in the hope of regaining ground lost to international economic competition. Therefore, one of the main goals of regional economic multiplier research has been to discover better ways to estimate the leakage of purchases out of a region or, relatedly, to determine the region's level of self-sufficiency.

The earliest attempts to systematize the procedure for estimating multiplier effects used the economic base model, still in use in many econometric models today. This approach assumes that all economic activities in a region can be divided into two categories: “basic” activities that produce exclusively for export, and region-serving or “local” activities that produce strictly for internal regional consumption. Since this approach is simpler but similar to the approach used by regional input-output analysis, let us explain briefly how multiplier effects are estimated using the economic base approach. If we let $\mathbf{x}$ be export employment, $\mathbf{l}$ be local employment, and $\mathbf{t}$ be total employment, then

$$\mathbf{t} = \mathbf{x} + \mathbf{l}$$

For simplification, we create the ratio $\mathbf{a}$ as

$$\mathbf{a} = \mathbf{l}/\mathbf{t}$$

so that $\mathbf{l} = \mathbf{at}$

then substituting into the first equation, we obtain

$$\mathbf{t} = \mathbf{x} + \mathbf{at}$$

By bringing all of the terms with t to one side of the equation, we get

$$\mathbf{t} - \mathbf{at} = \mathbf{x} \text{ or } \mathbf{t}\,(1\text{-}\mathbf{a}) = \mathbf{x}$$

Solving for **t,** we get $\mathbf{t} = \mathbf{x}/(1-\mathbf{a})$

Thus, if we know the amount of export-oriented employment, **x,** and the ratio of local to total employment, **a**, we can readily calculate total employment by applying the economic base multiplier, 1/(1-**a**), which is embedded in the above formula. Thus, if 40 percent of all regional employment is used to produce exports, the regional multiplier would be 2.5. The assumption behind this multiplier is that all remaining regional employment is required to support the export employment. Thus, the 2.5 can be decomposed into two parts the direct effect of the exports, which is always 1.0, and the indirect and induced effects, which is the remainder—in this case 1.5. Hence, the multiplier can be read as telling us that for each export-oriented job another 1.5 jobs are needed to support it.

This notion of the multiplier has been extended so that **x** is understood to represent an economic change demanded by an organization or institution outside of an economy—so-called final demand. Such changes can be those effected by government, households, or even by an outside firm. Changes in the economy can therefore be calculated by a minor alteration in the multiplier formula:

$$\mathbf{\Delta t} = \mathbf{\Delta x}/(1-\mathbf{a})$$

The high level of industry aggregation and the rigidity of the economic assumptions that permit the application of the economic base multiplier have caused this approach to be subject to extensive criticism. Most of the discussion has focused on the estimation of the parameter **a**. Estimating this parameter requires that one be able to distinguish those parts of the economy that produce for local consumption from those that do not. Indeed, virtually all industries, even services, sell to customers both inside and outside the region. As a result, regional economists devised an approach by which to measure the *degree* to which each industry is involved in the nonbase activities of the region, better known as the industry's *regional purchase coefficient*. Thus, they expanded the above formulations by calculating for each $\boldsymbol{i}$ industry

$$\mathbf{l}_i = \mathbf{r}_i\mathbf{d}_i$$

and

$$\mathbf{x}_i = t_i - \mathbf{r}_i\mathbf{d}_i$$

given that $\mathbf{d}_i$ is the total regional demand for industry $\boldsymbol{i}$'s product. Given the above formulae and data on regional demands by industry, one can calculate an accurate traditional aggregate economic base parameter by the following:

$$\mathbf{a} = \mathbf{l}/\mathbf{t} = \Sigma\mathbf{l}_{ii}/\Sigma\mathbf{t}_i$$

Although accurate, this approach only facilitates the calculation of an aggregate multiplier for the entire region. That is, we cannot determine from this approach what the effects are on the various sectors of an economy. This is despite the fact that one must painstakingly calculate the regional demand as well as the degree to which they each industry is involved in nonbase activity in the region.

As a result, a different approach to multiplier estimation that takes advantage of the detailed demand and trade data was developed. This approach is called input-output analysis.

REGIONAL INPUT-OUTPUT ANALYSIS: A BRIEF HISTORY

The basic framework for input-output analysis originated nearly 250 years ago when François Quesenay published *Tableau Economique* in 1758. Quesenay's "tableau" graphically and numerically portrayed the relationships between sales and purchases of the various industries of an economy. More than a century later, his description was adapted by Leon Walras, who advanced input-output modeling by providing a concise theoretical formulation of an economic system (including consumer purchases and the economic representation of "technology").

It was not until the twentieth century, however, that economists advanced and tested Walras's work. Wassily Leontief greatly simplified Walras's theoretical formulation by applying the Nobel prize–winning assumptions that both technology and trading patterns were fixed over time. These two assumptions meant that the pattern of flows among industries in an area could be considered stable. These assumptions permitted Walras's formulation to use data from a single time period, which generated a great reduction in data requirements.

Although Leontief won the Nobel Prize in 1973, he first used his approach in 1936 when he developed a model of the 1919 and 1929 U.S. economies to estimate the effects of the end of World War I on national employment. Recognition of his work in terms of its wider acceptance and use meant development of a standardized procedure for compiling the requisite data (today's national economic census of industries) and enhanced capability for calculations (i.e., the computer).

The federal government immediately recognized the importance of Leontief's development and has been publishing input-output tables of the U.S. economy since 1939. The most recently published tables are those for 1987. Other nations followed suit. Indeed, the United Nations maintains a bank of tables from most member nations with a uniform accounting scheme.

Framework

Input-output modeling focuses on the interrelationships of sales and purchases among sectors of the economy. Input-output is best understood through its most basic form, the *interindustry transactions table* or matrix. In this table (see figure 1 for an example), the column industries are consuming sectors (or markets) and the row industries are producing sectors. The content of a matrix cell is the value of shipments that the row industry delivers to the column industry. Conversely, it is the value of shipments that the column industry receives from the row industry. Hence, the interindustry transactions table is a detailed accounting of the disposition of the value of shipments in an economy. Indeed, the detailed accounting of the interindustry transactions at the national level is performed not so much to facilitate calculation of national economic impacts as it is to back out an estimate of the nation's gross domestic product.

FIGURE 1

Interindustry Transactions Matrix (Values)

	Agriculture	Manufacturing	Services	Other	Final Demand	Total Output
Agriculture	10	65	10	5	10	$100
Manufacturing	40	25	35	75	25	$200
Services	15	5	5	5	90	$120
Other	15	10	50	50	100	$225
Value Added	20	95	20	90		
Total Input	100	200	120	225		

For example, in figure 1, agriculture, as a producing industry sector, is depicted as selling $65 million of goods to manufacturing. Conversely, the table depicts that the manufacturing industry purchased $65 million of agricultural production. The sum across columns of the interindustry transaction matrix is called the *intermediate outputs vector*. The sum across rows is called the *intermediate inputs vector*.

A single *final demand* column is also included in Figure 1. Final demand, which is outside the square interindustry matrix, includes imports, exports, government purchases, changes in inventory, private investment, and sometimes household purchases.

The *value added* row, which is also outside the square interindustry matrix, includes wages and salaries, profit-type income, interest, dividends, rents, royalties, capital consumption allowances, and taxes. It is called value added because it is the difference between the total value of the industry's production and the value of the goods and nonlabor services that it requires to produce. Thus, it is the *value* that an industry *adds* to the goods and services it uses as inputs in order to produce output.

The value added row measures each industry's contribution to wealth accumulation. In a national model, therefore, its sum is better known as the gross domestic product (GDP). At the state level, this is known as the gross state product—a series produced by the U.S. Bureau of Economic Analysis and published in the Regional Economic Information System. Below the state level, it is known simply as the regional equivalent of the GDP—the gross regional product.

Input-output economic impact modelers now tend to include the household industry within the square interindustry matrix. In this case, the "consuming industry" is the household itself. Its spending is extracted from the final demand column and is appended as a separate column in the interindustry matrix. To maintain a balance, the income of households must be appended as a row. The main income of households is labor income, which is extracted from the value-added row. Modelers tend not to include other sources of household income in the household industry's row. This is not because such income is not attributed to households but rather because much of this other income derives from sources outside of the economy that is being modeled.

The next step in producing input-output multipliers is to calculate the *direct requirements matrix*, which is also called the technology matrix. The calculations are based entirely on data from figure 1. As shown in figure 2, the values of the cells in the direct requirements matrix are derived by dividing each cell in a column of figure 1, the interindustry transactions matrix, by its column total. For example, the cell for manufacturing's purchases from agriculture is 65/200 = .33. Each cell in a column of the direct requirements matrix shows how many cents of each producing industry's goods and/or services are required to produce one dollar of the consuming industry's production and are called *technical coefficients*. The use of the terms "technology" and "technical" derive from the fact that a column of this matrix represents a recipe for a unit of an industry's production. It, therefore, shows the needs of each industry's production process or "technology."

FIGURE 2

Direct Requirements Matrix

	Agriculture	Manufacturing	Services	Other
Agriculture	.10	.33	.08	.02
Manufacturing	.40	.13	.29	.33
Services	.15	.03	.04	.02
Other	.15	.05	.42	.22

Next in the process of producing input-output multipliers, the *Leontief Inverse* is calculated. To explain what the Leontief Inverse is, let us temporarily turn to equations. Now, from figure 1 we know that the sum across both the rows of the square interindustry transactions matrix (**Z**) and the final demand vector (**y**) is equal to vector of production by industry (**x**). That is,

$$\mathbf{x} = \mathbf{Zi} + \mathbf{y}$$

where **i** is a summation vector of ones. Now, we calculate the direct requirements matrix (**A**) by dividing the interindustry transactions matrix by the production vector or

$$\mathbf{A} = \mathbf{ZX}^{-1}$$

where $\mathbf{X}^{-1}$ is a square matrix with inverse of each element in the vector **x** on the diagonal and the rest of the elements equal to zero. Rearranging the above equation yields

$$\mathbf{Z} = \mathbf{AX}$$

where **X** is a square matrix with the elements of the vector **x** on the diagonal and zeros elsewhere. Thus,

$$\mathbf{x} = (\mathbf{AX})\mathbf{i} + \mathbf{y}$$

or, alternatively,

$$\mathbf{x} = \mathbf{A}\mathbf{x} + \mathbf{y}$$

solving this equation for **x** yields

$$\mathbf{x} = (\mathbf{I}\text{-}\mathbf{A})^{-1} \mathbf{y}$$

Total =	Total	*	Final
Output	Requirements		Demand

The Leontief Inverse is the matrix $(\mathbf{I}\text{-}\mathbf{A})^{-1}$. It portrays the relationships between final demand and production. This set of relationships is exactly what is needed to identify the economic impacts of an event external to an economy.

Because it does translate the direct economic effects of an event into the total economic effects on the modeled economy, the Leontief Inverse is also called the *total requirements matrix.* The total requirements matrix resulting from the direct requirements matrix in the example is shown in figure 3.

FIGURE 3

Total Requirements Matrix

	Agriculture	Manufacturing	Services	Other
Agriculture	1.5	.6	.4	.3
Manufacturing	1.0	1.6	.9	.7
Services	.3	.1	1.2	.1
Other	.5	.3	.8	1.4
Industry Multipliers	.33	2.6	3.3	2.5

In the direct or technical requirements matrix in Figure 2, the technical coefficient for the manufacturing sector's purchase from the agricultural sector was .33, indicating the 33 cents of agricultural products must be directly purchased to produce a dollar's worth of manufacturing products. The same "cell" in Figure 3 has a value of .6. This indicates that for every dollar's worth of product that manufacturing ships out of the economy (i.e., to the government or for export), agriculture will end up increasing its production by 60 cents. The sum of each column in the total requirements matrix is the *output multiplier* for that industry.

Multipliers

A *multiplier* is defined as the system of economic transactions that follow a disturbance in an economy. Any economic disturbance affects an economy in the same way as does a drop of water in a still pond. It creates a large primary "ripple" by causing a *direct* change in the purchasing patterns of affected firms and institutions. The suppliers of the affected firms and institutions must change their purchasing patterns to meet the demands placed upon them by the firms originally affected by the economic disturbance, thereby creating a smaller secondary "ripple." In turn, those who meet the needs of the suppliers must change their purchasing patterns to meet the demands placed upon them by the suppliers of the original firms, and so on; thus, a number of subsequent "ripples" are created in the economy.

The multiplier effect has three components—direct, indirect, and induced effects. Because of the pond analogy, it is also sometimes referred to as the *ripple effect*.

- A *direct effect* (the initial drop causing the ripple effects) is the change in purchases due to a change in economic activity.

- An *indirect effect* is the change in the purchases of suppliers to those economic activities directly experiencing change.

- An *induced effect* is the change in consumer spending that is generated by changes in labor income within the region as a result of the direct and indirect effects of the economic activity. Including households as a column and row in the interindustry matrix allows this effect to be captured.

Extending the Leontief Inverse to pertain not only to relationships between *total* production and final demand of the economy but also to *change*s in each permits its multipliers to be applied to many types of economic impacts. Indeed, in impact analysis the Leontief Inverse lends itself to the drop-in-a-pond analogy discussed earlier. This is because the Leontief Inverse multiplied by a change in final demand can be estimated by a power series. That is,

$$(\mathbf{I}\text{-}\mathbf{A})^{-1}\,\Delta\mathbf{y} = \Delta\mathbf{y} + \mathbf{A}\,\Delta\mathbf{y} + \mathbf{A}(\mathbf{A}\,\Delta\mathbf{y}) + \mathbf{A}(\mathbf{A}(\mathbf{A}\,\Delta\mathbf{y})) + \mathbf{A}(\mathbf{A}(\mathbf{A}(\mathbf{A}\,\Delta\mathbf{y}))) + \ldots$$

Assuming that $\Delta\mathbf{y}$—the change in final demand—is the "drop in the pond," then succeeding terms are the ripples. Each "ripple" term is calculated as the previous "pond disturbance" multiplied by the direct requirements matrix. Thus, since each element in the direct requirements matrix is less than one, each ripple term is smaller than its predecessor. Indeed, it has been shown that after calculating about seven of these ripple terms that the power series approximation of impacts very closely estimates those produced by the Leontief Inverse directly.

In impacts analysis practice, $\Delta\mathbf{y}$ is a single column of expenditures with the same number of elements as there are rows or columns in the direct or technical requirements matrix. This set of elements is called an *impact vector*. This term is used because it is the *vector* of numbers that is used to estimate the *economic impacts* of the investment.

There are two types of changes in investments, and consequently economic impacts, generally associated with projects—*one-time impacts* and *recurring impacts*. One-time impacts are impacts that are attributable to an expenditure that occurs once over a limited period of time. For example, the impacts resulting from the construction of a project are one-time impacts. Recurring impacts are impacts that continue permanently as a result of new or expanded ongoing expenditures. The ongoing operation of a new train station, for example, generates recurring impacts to the economy. Examples of changes in economic activity are investments in the preservation of old homes, tourist expenditures, or the expenditures required to run a historical site. Such activities are considered changes in final demand and can be either positive or negative. When the activity is not made in an industry, it is generally not well represented by the input-output model. Nonetheless, the activity can be represented by a special set of elements that are similar to a column of the transactions matrix. This set of elements is called an economic disturbance or impact vector. The latter term is used because it is the vector of numbers that is used to estimate the impacts. In this study, the impact vector is estimated by multiplying one or more economic *translators* by a dollar figure that represents an investment in one or more projects. The term translator is derived from the fact that such a vector *translates* a dollar amount of an activity into its constituent purchases by industry.

One example of an industry multiplier is shown in figure 4. In this example, the activity is the preservation of a historic home. The *direct impact* component consists of purchases made specifically for the construction project from the producing industries. The *indirect impact* component consists of expenditures made by producing industries to support the purchases made for this project. Finally, the *induced impact* component focuses on the expenditures made by workers involved in the activity on-site and in the supplying industries.

FIGURE 4

Components of the Multiplier for the

Historic Rehabilitation of a Single-Family Residence

DIRECT IMPACT	INDIRECT IMPACT	INDUCED IMPACT
Excavation/Construction Labor Concrete Wood Bricks Equipment Finance and Insurance	Production Labor Steel Fabrication Concrete Mixing Factory and Office Expenses Equipment Components	Expenditures by wage earners on-site and in the supplying industries for food, clothing, durable goods, entertainment

REGIONAL INPUT-OUTPUT ANALYSIS

Because of data limitations, regional input-output analysis has some considerations beyond those for the nation. The main considerations concern the depiction of regional technology and the adjustment of the technology to account for interregional trade by industry.

In the regional setting, local technology matrices are not readily available. An accurate region-specific technology matrix requires a survey of a representative sample of organizations for each industry to be depicted in the model. Such surveys are extremely expensive.[172] Because of the expense, regional analysts have tended to use national technology as a surrogate for regional technology. This substitution does not affect the accuracy of the model as long as local industry technology does not vary widely from the nation's average.[173]

Even when local technology varies widely from the nation's average for one or more industries, model accuracy may not be affected much. This is because interregional trade may mitigate the error that would be induced by the technology. That is, in estimating

[172]The most recent statewide survey-based model was developed for the State of Kansas in 1986 and cost on the order of $60,000 (in 1990 dollars). The development of this model, however, leaned heavily on work done in 1965 for the same state. In addition the model was aggregated to the 35-sector level, making it inappropriate for many possible applications since the industries in the model do not represent the very detailed sectors that are generally analyzed.

[173]Only recently have researchers studied the validity of this assumption. They have found that large urban areas may have technology in some manufacturing industries that differs in a statistically significant way from the national average. As will be discussed in a subsequent paragraph, such differences may be unimportant after accounting for trade patterns.

economic impacts via a regional input-output model, national technology must be regionalized by a vector of regional purchase coefficients,[174] **r**, in the following manner:

$$(\mathbf{I}-\mathbf{rA})^{-1}\,\mathbf{r}\cdot\Delta\mathbf{y}$$

or

$$\mathbf{r}\cdot\Delta\mathbf{y} + \mathbf{rA}\,(\mathbf{r}\cdot\Delta\mathbf{y}) + \mathbf{rA}(\mathbf{rA}\,(\mathbf{r}\cdot\Delta\mathbf{y})) + \mathbf{rA}(\mathbf{rA}(\mathbf{rA}\,(\mathbf{r}\cdot\Delta\mathbf{y}))) + \ldots$$

where the vector-matrix product **rA** is an estimate of the region's direct requirements matrix. Thus, if national technology coefficients—which vary widely from their local equivalents—are multiplied by small RPCs, the error transferred to the direct requirements matrices will be relatively small. Indeed, since most manufacturing industries have small RPCs and since technology differences tend to arise due to substitution in the use of manufactured goods, technology differences have generally been found to be minor source error in economic impact measurement. Instead, RPCs and their measurement error due to industry aggregation have been the focus of research on regional input-output model accuracy.

[174] A regional purchase coefficient (RPC) for an industry is the proportion of the region's demand for a good or service that is fulfilled by local production. Thus, each industry's RPC varies between zero (0) and one (1), with one implying that all local demand is fulfilled by local suppliers. As a general rule, agriculture, mining, and manufacturing industries tend to have low RPCs, and both service and construction industries tend to have high RPCs.

A COMPARISON OF THREE MAJOR REGIONAL ECONOMIC IMPACT MODELS

In the United States there are three major vendors of regional input-output models. They are U.S. Bureau of Economic Analysis's (BEA) RIMS II multipliers, Minnesota IMPLAN Group Inc.'s (MIG) IMPLAN Pro model, and CUPR's own R/ECON™ I–O model. CUPR has had the privilege of using them all. (R/Econ™ I–O builds from the PC I–O model produced by the Regional Science Research Corporation's (RSRC).)

Although the three systems have important similarities, there are also significant differences that should be considered before deciding which system to use in a particular study. This document compares the features of the three systems. Further discussion can be found in Brucker, Hastings, and Latham's article in the Summer 1987 issue of *The Review of Regional Studies* entitled "Regional Input-Output Analysis: A Comparison of Five Ready-Made Model Systems." Since that date, CUPR and MIG have added a significant number of new features to PC I–O (now, R/ECON™ I–O) and IMPLAN, respectively.

Model Accuracy

RIMS II, IMPLAN, and R/ECON™ I–O all employ input-output (I–O) models for estimating impacts. All three regionalized the U.S. national I–O technology coefficients table at the highest levels of disaggregation (more than 500 industries). Since aggregation of sectors has been shown to be an important source of error in the calculation of impact multipliers, the retention of maximum industrial detail in these regional systems is a positive feature that they share. The systems diverge in their regionalization approaches, however. The difference is in the manner that they estimate regional purchase coefficients (RPCs), which are used to regionalize the technology matrix. An RPC is the proportion of the region's demand for a good or service that is fulfilled by the region's own producers rather than by imports from producers in other areas. Thus, it expresses the proportion of the purchases of the good or service that do not leak out of the region, but rather feed back to its economy, with corresponding multiplier effects. Thus, the accuracy of the RPC is crucial to the accuracy of a regional I–O model, since the regional multiplier effects of a sector vary directly with its RPC.

The techniques for estimating the RPCs used by CUPR and MIG in their models are theoretically more appealing than the location quotient (LQ) approach used in RIMS II. This is because the former two allow for crosshauling of a good or service among regions and the latter does not. Since crosshauling of the same general class of goods or services among regions is quite common, the CUPR-MIG approach should provide better estimates of regional imports and exports. Statistical results reported in Stevens, Treyz, and Lahr (1989) confirm that LQ methods tend to overestimate RPCs. By extension, inaccurate RPCs may lead to inaccurately estimated impact estimates.

Further, the estimating equation used by CUPR to produce RPCs should be more accurate than that used by MIG. The difference between the two approaches is that MIG estimates RPCs at a more aggregated level (two-digit SICs, or about 86 industries) and applies them at a desegregate level (over 500 industries). CUPR both estimates and applies the RPCs at the most detailed industry level. The application of aggregate RPCs can induce as much as 50 percent error in impact estimates (Lahr and Stevens, 2002).

Although both R/ECON™ I–O and IMPLAN use an RPC-estimating technique that is theoretically sound and update it using the most recent economic data, some practitioners question their accuracy. The reasons for doing so are three-fold. First, the observations currently used to estimate their implemented RPCs are based on 30-year old trade relationships—the Commodity Transportation Survey (CTS) from the 1977 Census of Transportation. Second, the CTS observations are at the state level. Therefore, RPC's estimated for substate areas are extrapolated. Hence, there is the potential that RPCs for counties and metropolitan areas are not as accurate as might be expected. Third, the observed CTS RPCs are only for shipments of goods. The interstate provision of services is unmeasured by the CTS. IMPLAN replies on relationships from the 1977 U.S. Multiregional Input-Output Model that are not clearly documented. R/ECON™ I–O relies on the same econometric relationships that it does for manufacturing industries but employs expert judgment to construct weight/value ratios (a critical variable in the RPC-estimating equation) for the nonmanufacturing industries.

The fact that BEA creates the RIMS II multipliers gives it the advantage of being constructed from the full set of the most recent regional earnings data available. BEA is the main federal government purveyor of employment and earnings data by detailed industry. It therefore has access to the fully disclosed and disaggregated versions of these data. The other two model systems rely on older data from *County Business Patterns* and Bureau of Labor Statistic's Quarterly Covered Employment and Wage data, which have been "improved" by filling-in for any industries that have disclosure problems (this occurs when three or fewer firms exist in an industry or a region).

Model Flexibility

For the typical user, the most apparent differences among the three modeling systems are the level of flexibility they enable and the type of results that they yield. R/Econ™ I–O allows the user to make changes in individual cells of the 515-by-515 technology matrix as well as in the 11 515-sector vectors of region-specific data that are used to produce the regionalized model. The 11 sectors are: output, demand, employment per unit output, labor income per unit output, total value added per unit of output, taxes per unit of output (state and local), nontax value added per unit output, administrative and auxiliary output per unit output, household consumption per unit of labor income, and the RPCs. Te PC I–O model tends to be simple to use. Its User's Guide is straightforward and concise, providing instruction about the proper implementation of the model as well as the interpretation of the model's results.

The software for IMPLAN Pro is Windows-based, and its User's Guide is more formalized. Of the three modeling systems, it is the most user-friendly. The Windows orientation has enabled MIG to provide many more options in IMPLAN without increasing the complexity of use. Like R/ ECON ™ I–O, IMPLAN's regional data on RPCs, output, labor compensation, industry average margins, and employment can be revised. It does not have complete information on tax revenues other than those from indirect business taxes (excise and sales taxes), and those cannot be altered. Also like R/ECON™, IMPLAN allows users to modify the cells of the 538-by-538 technology matrix. It also permits the user to change and apply price deflators so that dollar figures can be updated from the default year, which may be as many as four years prior to the current year. The plethora of options, which are advantageous to the advanced user, can be extremely confusing to the novice. Although default values are provided for most of the options, the accompanying documentation does not clearly point out which items should get the most attention. Further, the calculations needed to make any requisite changes can be more complex than those needed for the R/ ECON ™ I–O model. Much of the documentation for the model dwells on technical issues regarding the guts of the model. For example, while one can aggregate the 538-sector impacts to the one- and two-digit SIC level, the current documentation does not discuss that possibility. Instead, the user is advised by the Users Guide to produce an aggregate model to achieve this end. Such a model, as was discussed earlier, is likely to be error ridden.

For a region, RIMS II typically delivers a set of 38-by-471 tables of multipliers for output, earnings, and employment; supplementary multipliers for taxes are available at additional cost. Although the model's documentation is generally excellent, use of RIMS II alone will not provide proper estimates of a region's economic impacts from a change in regional demand. This is because no RPC estimates are supplied with the model. For example, in order to estimate the impacts of rehabilitation, one not only needs to be able to convert the engineering cost estimates into demands for labor as well as for materials and services by industry, but must also be able to estimate the percentage of the labor income, materials, and services which will be provided by the region's households and industries (the RPCs for the demanded goods and services). In most cases, such percentages are difficult to ascertain; however, they are provided in the R/Econ™ I–O and IMPLAN models with simple triggering of an option. Further, it is impossible to change any of the model's parameters if superior data are known. This model ought not to be used for evaluating any project or event where superior data are available or where the evaluation is for a change in regional demand (a construction project or an event) as opposed to a change in regional supply (the operation of a new establishment).

Model Results

Detailed total economic impacts for about 500 industries can be calculated for jobs, labor income, and output from R/ECON™ I–O and IMPLAN only. These two modeling systems can also provide total impacts as well as impacts at the one- and two-digit industry levels. RIMS II provides total impacts and impacts on only 38 industries for these same three measures. Only the manual for R/Econ™ I–O warns about the problems of interpreting and comparing multipliers and any measures of output, also known as the value of shipments.

As an alternative to the conventional measures and their multipliers, R/ECON™ I–O and IMPLAN provide results on a measure known as “value added.” It is the region’s contribution to the nation’s gross domestic product (GDP) and consists of labor income, nonmonetary labor compensation, proprietors’ income, profit-type income, dividends, interest, rents, capital consumption allowances, and taxes paid. It is, thus, the region’s production of wealth and is the single best economic measure of the total economic impacts of an economic disturbance.

In addition to impacts in terms of jobs, employee compensation, output, and value added, IMPLAN provides information on impacts in terms of personal income, proprietor income, other property-type income, and indirect business taxes. R/ECON™ I–O breaks out impacts into taxes collected by the local, state, and federal governments. It also provides the jobs impacts in terms of either about 90 or 400 occupations at the users request. It goes a step further by also providing a return-on-investment-type multiplier measure, which compares the total impacts on all of the main measures to the total original expenditure that caused the impacts. Although these latter can be readily calculated by the user using results of the other two modeling systems, they are rarely used in impact analysis despite their obvious value.

In terms of the format of the results, both R/ECON™ I–O and IMPLAN are flexible. On request, they print the results directly or into a file (Excel® 4.0, Lotus 123®, Word® 6.0, tab delimited, or ASCII text). It can also permit previewing of the results on the computer's monitor. Both now offer the option of printing out the job impacts in either or both levels of occupational detail.

RSRC Equation

The equation currently used in the R/ECON™ I–O model for estimating RPCs is reported in Treyz and Stevens (1985). In this paper, the authors show that they estimated the RPC from the 1977 CTS data by estimating the demands for an industry's production of goods or services that are fulfilled by local suppliers (*LS*) as

$$\boldsymbol{LS = D^{e(-1/x)}}$$

and where for a given industry

$\boldsymbol{x = k\, Z_1^{a1} Z_2^{a2}\, P_j\, Z_j^{aj}}$ and D is its total local demand.

Since for a given industry RPC = LS/D then

$$\boldsymbol{\ln\{-1/[\ln(\ln LS/\ln D)]\} = \ln k + a_1 \ln Z_1 + a_2 \ln Z_2 + S_j\, a_j \ln Z_j}$$

which was the equation that was estimated for each industry.

This odd nonlinear form not only yielded high correlations between the estimated and actual values of the RPCs, it also assured that the RPC value ranges strictly between 0 and 1. The results of the empirical implementation of this equation are shown in Treyz and Stevens (1985, table 1). The table shows that total local industry demand (Z_1), the supply/demand ratio (Z_2), the weight/value ratio of the good (Z_3), the region's size in square miles (Z_4), and the region's average establishment size in terms of employees for the industry compared to the nation's (Z_5) are the variables that influence the value of the

RPC across all regions and industries. The latter of these maintain the least leverage on RPC values.

Because the CTS data are at the state level only, it is important for the purposes of this study that the local industry demand, the supply/demand ratio, and the region's size in square miles are included in the equation. They allow the equation to extrapolate the estimation of RPCs for areas smaller than states. It should also be noted here that the CTS data only cover manufactured goods. Thus, although calculated effectively making them equal to unity via the above equation, RPC estimates for services drop on the weight/value ratios. A very high weight/value ratio like this forces the industry to meet this demand through local production. Hence, it is no surprise that a region's RPC for this sector is often very high (0.89). Similarly, hotels and motels tend to be used by visitors from outside the area. Thus, a weight/value ratio on the order of that for industry production would be expected. Hence, an RPC for this sector is often about 0.25.

The accuracy of CUPR's estimating approach is exemplified best by this last example. Ordinary location quotient approaches would show hotel and motel services serving local residents. Similarly, IMPLAN RPCs are built from data that combine this industry with eating and drinking establishments (among others). The result of such aggregation process is an RPC that represents neither industry (a value of about 0.50) but which is applied to both. In the end, not only is the CUPR's RPC-estimating approach the most sound, but it is also widely acknowledged by researchers in the field as being state of the art.

But in the case of the U.S. Virgin Islands, CUPR had direct access to data on both domestic and international trade being moved on to and off of the Islands. To estimate RPCs in this case, CUPR simply estimated demand from techniques described in Treyz and Stevens (1985), and then estimated the amount of that demand supplied by local USVI industries (the *LS* above) by subtracting imports from the demand total. As mentioned previously, the RPC is the share of demand that is met by local supplies or $RPC = LS / D$. This then was estimated for each USVI industry in the input-output model with RPC of zeros where the industry does not exist in the USVI.

Advantages and Limitations of Input-Output Analysis

Input-output modeling is one of the most accepted means for estimating economic impacts. This is because it provides a concise and accurate means for articulating the interrelationships among industries. The models can be quite detailed. For example, the current U.S. model currently has about 500 industries representing many six-digit North American Industrial Classification System (NAICS) codes. CUPR's model used in this study has the same number. Further, the industry detail of input-output models provides not only a consistent and systematic approach but also more accurately assesses multiplier effects of changes in economic activity. Research has shown that results from more aggregated economic models can have as much as 50 percent error inherent in them. Such large errors are generally attributed to poor estimation of regional trade flows resulting from the aggregation process.

Input-output models also can be set up to capture the flows among economic regions. For example, the model used in this study could have estimated impacts for each major island as well as the total territory economy, if the data on employment and imports had been made available.

The limitations of input-output modeling should also be recognized. The approach makes several key assumptions. First, the input-output model approach assumes that there are no economies of scale to production in an industry; that is, the proportion of inputs used in an industry's production process does not change regardless of the level of production. This assumption will not work if the technology matrix depicts an economy of a recessional economy (e.g., 1982) and the analyst is attempting to model activity in a peak economic year (e.g., 1989). In a recession year, the labor-to-output ratio tends to be excessive because firms are generally reluctant to lay off workers when they believe an economic turnaround is about to occur.

A less-restrictive assumption of the input-output approach is that technology is not permitted to change over time. It is less restrictive because the technology matrix in the United States is updated frequently and, in general, production technology does not radically change over short periods.

Finally, the technical coefficients used in most regional models are based on the assumption that production processes are spatially invariant and are well represented by the nation's average technology.

Appendix 5: Cultural Economic Data

The following tables were produced by mining the Input-Output Model data created from the extrapolated data based on the SPSS data from the survey and the steps taken to weight the cultural field. These tables will show the economic and tax impacts of operating cultural organizations, both by organization category and regionally, in New Jersey. The economic impact of cultural organizations' capital spending is also included for the state and by region. Table 1 was also in Chapter VI, but it was repeated in order to show the aggregate arts, history, and "both" data. Again, the arts and history data each need to include the "'both" data to measure their economic impact (Tables 12 and 13), but cannot be added together to create the aggregate (Table 1). The "both" is only counted once for an accurate picture of the entire non-profit cultural field.

Below is a list of the tables included in this appendix.

Table 1: Economic and Tax Impacts of Operating Cultural Organizations in NJ
Table 2: Economic and Tax Impacts of Operating Cultural Organizations in North Jersey
Table 3: Economic and Tax Impacts-Operating Cultural Organizations in Central Jersey
Table 4: Economic and Tax Impacts of Operating Cultural Organizations in South Jersey
Table 5: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in NJ
Table 6: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in North Jersey
Table 7: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in Central Jersey
Table 8: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in South Jersey
Table 9: Economic and Tax Impacts of Operating Arts Only Organizations in NJ
Table 10: Economic and Tax Impacts of Operating History Only Organizations in NJ
Table 11: Economic and Tax Impacts of Operating "Both" Organizations in NJ
Table 12: Economic and Tax Impacts of Operating Arts/Both Organizations in NJ
Table 13: Economic and Tax Impacts of Operating History/Both Organizations in NJ

Table 5A: Economic and Tax Impacts of Operating Cultural Organizations in NJ

Direct Effects	
Jobs	16,640
Income	$650,089,674.60
GDP	$1,147,406,948.90
Total Effects*	
Jobs	22,368
Income	$809,530,376.35
GDP	$1,458,584,546.82
Tax Impacts	
Total Taxes **	$461,121,250.99
Local Taxes	$160,725,327.60
State Taxes	$117,749,843.56
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	16.78
Income	$607,259.61
State Taxes	$88,328.65
Local Taxes	$120,566.20
GDP	$1,094,139.90
Initial Expenditure in Dollars	**$1,333,087,795.87**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5B: Economic and Tax Impacts of Operating Cultural Organizations in North Jersey

Direct Effects	
Jobs	8905
Income	$456,389,667.40
GDP	$730,108,501.86
Total Effects*	
Jobs	12,497
Income	$553,934,686.96
GDP	$929,554,371.73
Tax Impacts	
Total Taxes **	$293,704,077.82
Local Taxes	$102,281,046.02
State Taxes	$75,066,548.22
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	14.76
Income	$654,275.38
State Taxes	$88,664.23
Local Taxes	$120,808.41
GDP	$1,097,935.47
Initial Expenditure in Dollars	**$846,638,440.48**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5C: Economic and Tax Impacts-Operating Cultural Organizations in Central Jersey

Direct Effects	
Jobs	5147
Income	$126,385,782.20
GDP	$311,390,094.97
Total Effects*	
Jobs	6764
Income	$176,547,379.40
GDP	$394,546,558.35
Tax Impacts	
Total Taxes **	$124,742,797.82
Local Taxes	$43,686,544.71
State Taxes	$31,986,148.88
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	18.86
Income	$492,206.43
State Taxes	$89,176.00
Local Taxes	$121,796.19
GDP	$1,099,978.69
Initial Expenditure in Dollars	**$358,685,639.43**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5D: Economic and Tax Impacts of Operating Cultural Organizations in South Jersey

Direct Effects	
Jobs	2588
Income	$67,314,225.00
GDP	$105,908,352.07
Total Effects*	
Jobs	3108
Income	$79,048,310.00
GDP	$134,483,616.74
Tax Impacts	
Total Taxes **	$42,674,375.35
Local Taxes	$14,757,736.86
State Taxes	$10,697,146.47
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	24.32
Income	$618,707.04
State Taxes	$83,726.01
Local Taxes	$115,508.04
GDP	$1,052,596.32
Initial Expenditure in Dollars	**$127,763,715.96**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5E: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in NJ

Direct Effects	
Jobs	614
Income	$32,317,129.92
GDP	$39,600,633.37
Total Effects*	
Jobs	961
Income	$47,874,123.61
GDP	$62,588,736.27
Tax Impacts	
Total Taxes **	$18,142,084.80
Local Taxes	$2,573,707.77
State Taxes	$2,324,789.98
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	14.20
Income	$707,865.46
State Taxes	$34,374.28
Local Taxes	$38,054.77
GDP	$925,435.31
Initial Expenditure in Dollars	**$67,631,671.00**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5F: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in North Jersey

Direct Effects	
Jobs	272
Income	$14,216,840.55
GDP	$17,427,865.25
Total Effects*	
Jobs	426
Income	$21,123,048.04
GDP	$27,659,866.83
Tax Impacts	
Total Taxes **	$8,013,361.38
Local Taxes	$1,138,028.80
State Taxes	$1,028,767.67
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	14.32
Income	$710,621.05
State Taxes	$34,609.78
Local Taxes	$38,285.54
GDP	$930,532.55
Initial Expenditure in Dollars	**$29,724,771.00**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.
*Terms:
Direct Effects --the proportion of direct spending on goods and services produced in the specified region.
Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5G: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in Central Jersey

Direct Effects	
Jobs	230
Income	$12,589,748.40
GDP	$15,422,886.04
Total Effects*	
Jobs	370
Income	$18,764,597.93
GDP	$24,520,308.74
Tax Impacts	
Total Taxes **	$7,113,403.20
Local Taxes	$1,009,182.69
State Taxes	$912,806.03
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	14.01
Income	$711,437.50
State Taxes	$34,607.96
Local Taxes	$38,261.97
GDP	$929,658.45
Initial Expenditure in Dollars	**$26,375,610.00**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5H: Economic and Tax Impacts of Cultural Organizations' Capital Expenditures in South Jersey

Direct Effects	
Jobs	111
Income	$5,510,540.97
GDP	$6,749,882.08
Total Effects*	
Jobs	165
Income	$7,986,477.64
GDP	$10,408,560.71
Tax Impacts	
Total Taxes **	$3,015,320.21
Local Taxes	$426,496.27
State Taxes	$383,216.28
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	14.34
Income	$692,591.86
State Taxes	$33,232.73
Local Taxes	$36,986.00
GDP	$902,636.28
Initial Expenditure in Dollars	**$11,531,290.00**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5I: Economic and Tax Impacts of Operating Arts Only Organizations in NJ

Direct Effects	
Jobs	14048
Income	$536,231,145.00
GDP	$1,065,500,383.16
Total Effects*	
Jobs	18791
Income	$701,950,932.64
GDP	$1,318,397,287.85
Tax Impacts	
Total Taxes **	$417,655,138.92
Local Taxes	$150,460,288.00
State Taxes	$109,097,899.79
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	15.87
Income	$592,919.39
State Taxes	$92,152.11
Local Taxes	$127,089.83
GDP	$1,113,615.33
Initial Expenditure in Dollars	**$ 1,183,889,314.62**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5J: Economic and Tax Impacts of Operating History Only Organizations in NJ

Direct Effects	
Jobs	506
Income	$11,617,878.00
GDP	$11,642,690.82
Total Effects*	
Jobs	810
Income	$23,586,475.19
GDP	$29,405,894.65
Tax Impacts	
Total Taxes **	$8,893,927.50
Local Taxes	$1,097,602.94
State Taxes	$1,298,892.68
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	23.06
Income	$671,917.88
State Taxes	$37,002.10
Local Taxes	$31,267.88
GDP	$837,698.14
Initial Expenditure in Dollars	**$35,103,211.16**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5K: Economic and Tax Impacts of Operating "Both" Organizations in NJ

Direct Effects	
Jobs	2086
Income	$56,929,264.80
GDP	$70,263,874.92
Total Effects*	
Jobs	2768
Income	$83,992,968.53
GDP	$110,781,364.32
Tax Impacts	
Total Taxes **	$34,572,184.57
Local Taxes	$9,167,436.65
State Taxes	$7,353,051.09
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	24.26
Income	$736,165.21
State Taxes	$64,446.59
Local Taxes	$80,348.96
GDP	$970,954.92
Initial Expenditure in Dollars	**$114,095,270.09**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5L: Economic and Tax Impacts of Operating Arts/Both Organizations in NJ

Direct Effects	
Jobs	16134
Income	$593,160,409.80
GDP	$1,135,764,258.08
Total Effects*	
Jobs	21559
Income	$785,943,901.16
GDP	$1,429,178,652.17
Tax Impacts	
Total Taxes **	$452,227,323.49
Local Taxes	$159,627,724.65
State Taxes	$116,450,950.88
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	16.61
Income	$605,510.97
State Taxes	$89,716.74
Local Taxes	$122,981.22
GDP	$1,101,075.21
Initial Expenditure in Dollars	**$1,297,984,584.71**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security

Note: Detail may not sum to totals due to rounding.
Direct Effects --the proportion of direct spending on goods and services produced in the specified region.
Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Table 5M: Economic and Tax Impacts of Operating History/Both Organizations in NJ

Direct Effects	
Jobs	2592
Income	$68,547,142.80
GDP	$81,906,565.74
Total Effects*	
Jobs	3578
Income	$107,579,443.71
GDP	$140,187,258.97
Tax Impacts	
Total Taxes **	$43,466,112.07
Local Taxes	$10,265,039.59
State Taxes	$8,651,943.77
Effects Per Million Dollars of Initial Expenditure	
Employment (Jobs)	23.98
Income	$721,049.19
State Taxes	$57,989.49
Local Taxes	$68,801.23
GDP	$939,602.45
Initial Expenditure in Dollars	**$149,198,481.25**

*Total Effects include Direct, Indirect, and Induced Effects
**Total Taxes include Local, State, Federal, General and Social Security
Note: Detail may not sum to totals due to rounding.

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

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