

An Analysis of Equity in Nonprofit Arts Funding in California

Executive Summary

Prepared by the National Assembly of State Arts Agencies

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Contents

- Introduction 3**
- High-Level Takeaways 4**
- Key Methodological Decisions 6**
 - How does this report identify arts organizations? 6
 - How does this report define urban and rural areas? 7
 - How does this report identify BIPOC-centered organizations?..... 7
- Key Findings 8**
 - How can we describe the arts ecosystem in California with available data sources in terms of demography and types of organizations? 8
 - Demographic Analysis 11
 - How equitable or inequitable is the arts ecosystem in California in terms of the types and locations of organizations that receive funding? 12
 - Many small organizations do not receive grants and that have no reported financial information to analyze. What are these organizations?..... 15
- Implications for California 16**

Introduction

Equity work is the long-term, iterative process of multiple policy actors and the public to create a more just society. This work takes political will and fortitude to make decisions—sometimes controversial—to allocate resources to those that need them the most. The work is ongoing and iterative, largely due to the weight of long-standing inequities that are functions of power structures, racism, White supremacy and generational wealth advantages. The seemingly immobile nature of these societal problems begs the question, what can a state arts agency do to work toward social justice?

This report provides a detailed analysis of California's nonprofit arts infrastructure and funding through the lens of equity. Following PolicyLink, we think of "equity" as the just and fair inclusion in an arts ecosystem in which all can prosper and reach their full potential.¹

Building on the [Racial Equity Statement in the California Arts Council's Strategic Framework](#),² we intentionally prioritize race in our analysis with the awareness that racial identities intersect with many other identities that are systemically disadvantaged (e.g., gender, sexuality, disability, language, veteran status). We recognize the importance of allowing individuals and communities to self-identify and acknowledge that many distinct racial histories and experiences are conflated when diverse populations are combined under the term *people of color*. While certainly not perfect, we follow Grantmakers in the Arts and The BIPOC Project in using *Black, Indigenous and People of Color (BIPOC)* to "highlight the unique relationship to whiteness that Indigenous and Black ... people have, which shapes the experiences of and relationship to white supremacy for all people of color within a U.S. context."³

In addition to race, our analysis examines inequities based on geography as a second lens through which to view equity. We compare the distribution of arts nonprofits and financial resources among regions based on the regions' degree of urbanicity and the demographic composition of their populations.

While progress toward equity goals and outcomes may be better measured in decades, the decisions that can be made by a public agency now—some large and some small—lay the foundation for a more just future for both the communities the agency serves and the public at large. The California Arts Council and agency leadership made an important decision to study the nature of racial and geographic inequities in the arts ecosystem of California. This understanding is crucial to designing programs and policies that address

¹ <https://www.policylink.org/about-us/equity-manifesto>

² <https://view.publitas.com/ca-arts-council/california-arts-council-strategic-framework/page/36-37>

³ <https://www.thebipocproject.org/>

current inequities in the arts in California and to achieving more equitable outcomes and impacts.

This report provides an evidence base for theorized and known inequities in the arts ecosystem in California and reveals a number of findings with important implications for future equity work. The purpose of this analysis is to better understand prevailing equity challenges in the nonprofit arts sector in California to inform goals, outcomes and metrics for the California Arts Council to consider when evaluating its policies and programs.

We attempt to answer several overarching questions about the arts ecosystem in California:

- **How can we describe the scope of the nonprofit arts ecosystem in California with available data sources in terms of demography and types of organizations?**
- **How equitable or inequitable is the nonprofit arts ecosystem in California in terms of the organizations that receive funding?**
- **There are many small organizations that do not participate in the arts-funding ecosystem. What are these organizations and what are their challenges?**
- **Given these findings, what are the implications for the California Arts Council?**

High-Level Takeaways

Within this analysis and the technical report, there are many findings and relevant data points. The following attempts to lift up those findings and questions that may be most pertinent to the California Arts Council.

- **The arts ecosystem in California is massive, with nearly 17,000 unique nonprofit entities and more than \$13 billion in annual revenues.** This includes only arts-centric nonprofits and other nonprofits that have received arts grants to support their programs and does not cover for-profit cultural industries and the broader cultural sector. The [U.S. Bureau of Economic Analysis reports](#) that arts and cultural production accounts for \$225 billion and 7.5% of the California economy, contributing 681,221 jobs—which is the largest creative economy of any state.
- **BIPOC-centered organizations⁴ and rural organizations account for an inequitable share of total revenues and total assets.** Nearly 17% of all organizations studied were identified as BIPOC-centered, yet these organizations account for only 5% of all revenues and 7% of all assets. Around 9% of all

⁴ Find our definition of *BIPOC-centered organizations* and our process for identifying such organizations on p. 7.

organizations were identified as being located in rural places. Proportionally, however, rural organizations account for only 4% of all revenues and 3% of all assets as defined by the IRS⁵ in terms of capital, land, savings, inventories and equipment.

- **A small number of large organizations account for the lion's share of wealth in the cultural sector.** Total assets and organizational revenues as accounted for in this analysis are highly concentrated within a small proportion of larger organizations. For example, 2% of all organizations included in this study own 90% of all reported assets.
- **Arts organizations tend to exist more frequently in places with more highly educated populations and with lower percentages of populations of color.** Thirty-three percent of the population in the average California census tract has a bachelor's degree or higher level of educational attainment and 61% of that population is non-White. Forty-six percent of the population in the average census tract with an arts organization has a bachelor's degree or above and 52% of that population is non-White.
- **A large number of small organizations operate outside of the known arts-funding ecosystem.** More than 40% of all organizations (approximately 6,000) are not participating in the arts-funding ecosystem in a way that can be counted or measured. However, it is likely that many of these organizations are active and contributing to communities in meaningful ways. Seventeen percent of these organizations were identified as BIPOC-centered, consistent with the data set as a whole.
- **State arts funding is more equitably distributed when compared to other sources of funding.** State government funds are the only contributed revenue source with higher median awards to rural based organizations when compared to urban based organizations. A much higher percentage of California Arts Council awards and dollars go to BIPOC-centered organizations than what is present in the larger data set. Roughly 30% of California Arts Council grantees and applicants are BIPOC-centered organizations and 30% of Arts Council grant dollars go to these organizations.
- **Individual giving was shown to be a minimal source of funding for BIPOC-centered and rural organizations.** Individual giving is a disproportionately small source of income for both rural based organizations and BIPOC-centered

⁵ <https://www.irs.gov/instructions/i990#idm139918045427744>

organizations. Only 2.6% and 5.6% of all individual giving to the organizations in the data set goes to rural organizations and BIPOC organizations, respectively.

Key Methodological Decisions

In order to gain a full understanding of the nonprofit arts ecosystem in California and its prevailing inequities, a single, detailed data set for all arts and cultural organizations is needed that includes mission statements, financial information, staff and board compositions, communities served, and programs and strategies. Unfortunately, no such data set exists. In order to compile such a data set, this research draws on multiple, large-scale data sources to get the most comprehensive picture possible.

Drawing from six unique data sources, NASAA created a unified database of nonprofit arts and culture organizations in California using these data sources:

- IRS Business Master File, pulled in August 2020
- National Center for Charitable Statistics Core Files, 2017
- DataArts Cultural Data Profiles, 2020
- Candid data files describing all reported foundation grants, 2018
- California Arts Council application and final report data, fiscal years 2019-2021
- National Endowment for the Arts (NEA) direct grantees, FY2018-2020

How does this report identify arts organizations?

A challenge of this work is to identify a cohort of organizations that are primarily focused on the arts without excluding the many organizations that conduct arts activities within a cultural context. The National Taxonomy of Exempt Entities (NTEE) was used to select organizations with missions in the arts rather than the humanities. However, included in this analysis are organizations that may not have an arts focused NTEE code, but receive arts related funding from public or private sources. This report describes an arts-centric ecosystem but makes room for "other arts grant recipients" that produce arts activities. NASAA analyzed differences between the entire data set, "arts organizations" and "other arts grants recipients." Further explanations of included codes are detailed within the technical report.

How does this report define urban and rural areas?

The U.S. Department of Agriculture Economic Research Service has developed the Rural-Urban Commuting Area Codes (RUCA)⁶ as a detailed and flexible measure for sub-county urban classification. The RUCA system uses U.S. Office of Management and Budget concepts to classify census tract rurality through population, urbanization and daily commuting rates. The RUCA code system offers a detailed and disaggregate classification at the census tract level from most urban (code 1) to most rural (code 10). For this analysis, urban was classified as RUCA code 1; rural is designated as codes 2 through 10 and comprises 10% of California's population.

How does this report identify BIPOC-centered organizations?

Given our objective of examining racial inequities in California's arts ecosystem, identifying organizations that serve and and/or represent communities of color is of vital importance, but it also raises many definitional and methodological questions. Prior research indicates that arts organizations serving or representing communities of color face barriers in accessing philanthropic support,⁷ but there are no national or statewide lists of such organizations. While self-identification would be preferable, we developed a methodology to identify organizations that have the *primary* mission of serving or representing BIPOC communities. Of course, many other organizations also serve communities of color, present artists of color and feature diverse forms of cultural expression; but in exploring racial inequities in access to resources, it makes sense to focus on organizations that are most likely to face discrimination and systemic oppression.

Through a systematic review, NASAA built a list of more than 300 unique search terms describing cultural identities, ethnicities and culturally relevant terms to tag organization name and mission data as serving BIPOC communities. This initial tagging then went through several validity checks and refinements. First, lists of organizations tagged by name were reviewed for accuracy and to refine the search over time. When mission data existed (within DataArts and California Arts Council data), NASAA reviewed all coding discrepancies where there were differences between those coded by name and those coded by mission. Additionally, foundation data from Candid and association data from

⁶ <https://www.ers.usda.gov/data-products/rural-urban-commuting-area-codes/documentation/>

⁷ Helicon Collaborative, Not Just Money: Equity Issues in Cultural Philanthropy, 2017; SMU/DataArts, The Alchemy of High-Performing Arts Organizations: A Spotlight on Organizations of Color, 2020, p.10: <https://culturaldata.org/pages/the-alchemy-of-high-performing-arts-organizations-a-spotlight-on-organizations-of-color/>; Latino Arts Network, California Cultura: Trends, Funding Challenges, and Opportunities for Latino Arts Organizations in California, 2013, p.2. <http://www.latinoarts.net/wp-content/uploads/LAN-CaliCultura-Rpt-2013.pdf>.

service organizations helped code and verify organizations serving or representing communities of color. Demographic overlays reveal that BIPOC-centered organizations are more prevalent in census tracts with higher percentages of populations of color.

Validation processes also entailed analyzing random samples of 50 organizations coded as BIPOC-centered and 50 that were not, and 60 additional sample organizations drawn from a subset of small organizations. These 160 organizations were analyzed in detail through Internet research and 12 coding errors were discovered (either false positives or false negatives). An additional 9 organizations in the sample could not be verified. **This suggests a coding accuracy of between 87% and 92%.** While the accuracy rate of the sample is encouraging, there are several limitations to this method:

- **This method does not capture the racial or ethnic identities of the organizations' staff or board or the communities they serve.**
- **This method, while useful for research purposes to describe a large number of organizations with reasonable accuracy, should not be used to identify individual organizations for any purpose, including funding allocation decisions.** Information about individual organizations should be gathered on a case-by-case basis in greater detail.

With these caveats in mind, the database is very useful for describing larger structural inequities that exist across the state. A full explanation of the extensive data cleaning steps, search terms and processes is provided in the technical report.

Key Findings

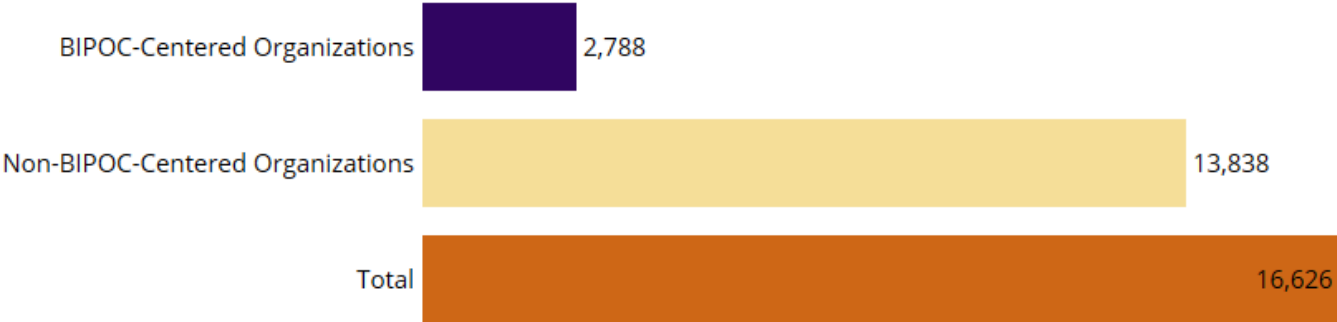
How can we describe the arts ecosystem in California with available data sources in terms of demography and types of organizations?

Using all data sources, this analysis identifies **16,626 organizations as arts nonprofits or "other arts grant recipients" in the cultural ecosystem of California.** Most organizations (82%) are present in the IRS Business Master File. Twenty-six percent of all organizations in the data set are foundation grantees and are present in the Candid data set. DataArts profiles provided information on 14% of organizations, and the California Arts Council's grantee and applicant data provided information for 9% of the organizations in the data set. NEA data held information for 3% of the total organizations. Twenty percent of the records (organizations) in the data set have information from two or more data sources.

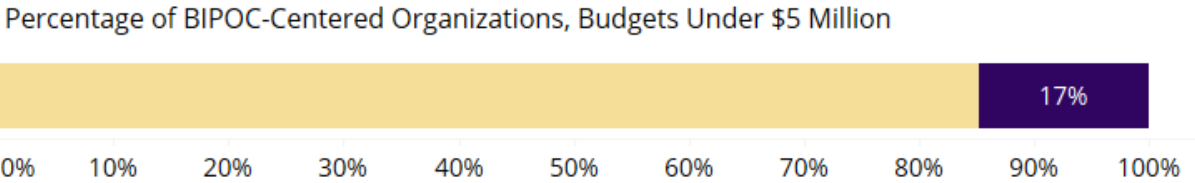
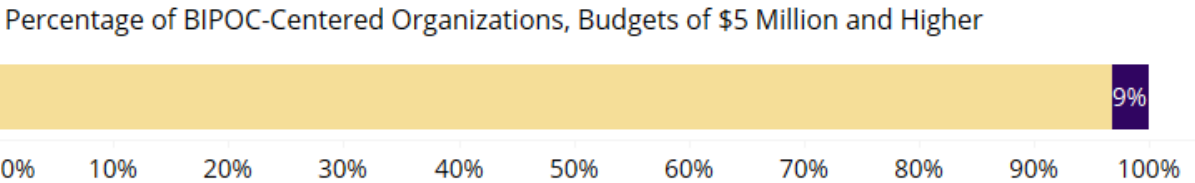
Through our data coding process, **nearly 17% (2,788) of all organizations were identified as BIPOC-centered.** Looking across data sets, the proportion of BIPOC-centered

organizations by data source ranged from nearly 14% (foundation grantees) to 30% (California Arts Council grantees). Overall, a smaller percentage of organizations with large budgets (more than \$5 million) were coded as BIPOC-centered (9%). Organizations with budgets of less than \$5 million were coded as BIPOC-centered at a rate consistent with the complete data set.

Total Organizations and BIPOC-Centered Organizations

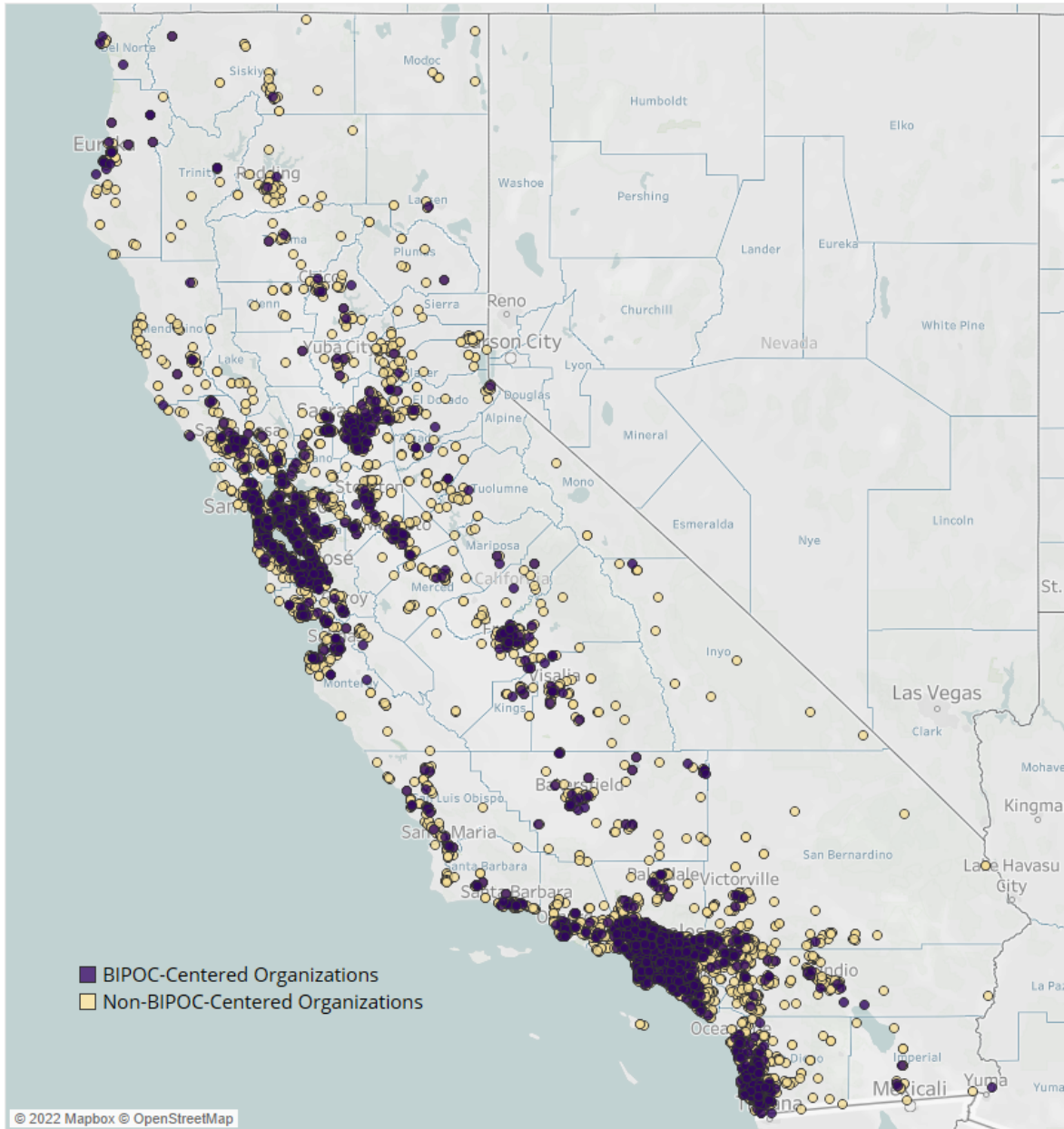


Percentage of BIPOC-Centered Organizations with Budgets Over and Under \$5 Million



■ BIPOC-Centered Organizations
■ Non-BIPOC-Centered Organizations

All Organizations Mapped by BIPOC-Centered Status



Demographic Analysis

Fourteen percent of the population in the average census tract in California is at the poverty rate. The average census tract poverty rate for all organizations within the data set is similar, at 13%, yet the median income is around \$10,000 higher (\$90,431 vs. \$80,597). Census tracts with BIPOC-centered organizations have incomes around \$4,000 lower on average than census tracts with arts organizations that aren't BIPOC-centered.

Arts organizations tend to exist more frequently in places with more highly educated populations and with lower percentages of populations of color. Thirty-three percent of the population in the average California census tract has a bachelor's degree or above and 61% of that population is non-White. Forty-six percent of the population in the average census tract with an arts organization has a bachelor's degree or above and 52% of that population is non-White.

BIPOC-centered and non-BIPOC-centered arts organizations are located in similarly educated census tracts on average (43% vs. 46%), yet BIPOC-centered organizations are located in census tracts with larger percentages of populations of color than other tracts (62% vs. 50%).

Examining organizations by city shows that some cities contain a disproportionately large share of arts organizations relative to their population. Los Angeles has the largest share of arts organizations, but its share of the state's population is exactly the same (10%). San Francisco, on the other hand, has 8% of all arts organizations, but its share of population is 2%.

Overall, a large majority of BIPOC-centered arts organizations in California are located in urban areas. The proportion of BIPOC-centered organizations varies. Eighteen percent of all arts organizations in urban areas are BIPOC-centered. In non-urban areas, the percentage of BIPOC-centered arts organizations ranges from 4% to 10%.

Arts Organizations by City

	Count	Percent of Arts Organizations	Percent of Population
California Total	16,626	100%	100%
Los Angeles	1,618	10%	10%
San Francisco	1,371	8%	2%
San Diego	745	4%	4%
Oakland	495	3%	1%
Sacramento	393	2%	1%
San Jose	373	2%	3%
Berkeley	291	2%	0%
Santa Barbara	220	1%	0%
Pasadena	219	1%	0%
Long Beach	164	1%	0%
Fresno	158	1%	1%
Irvine	148	1%	1%
Santa Monica	138	1%	0%
Santa Rosa	121	1%	0%
Glendale	119	1%	1%
Fremont	110	1%	1%
Santa Cruz	106	1%	0%
Burbank	104	1%	0%
Beverly Hills	101	1%	0%
San Rafael	99	1%	0%
Riverside	95	1%	1%
Santa Ana	94	1%	1%
Palo Alto	92	1%	0%
Torrance	90	1%	0%
Sherman Oaks	86	1%	0%

Note: Percentages are rounded to the nearest integer.

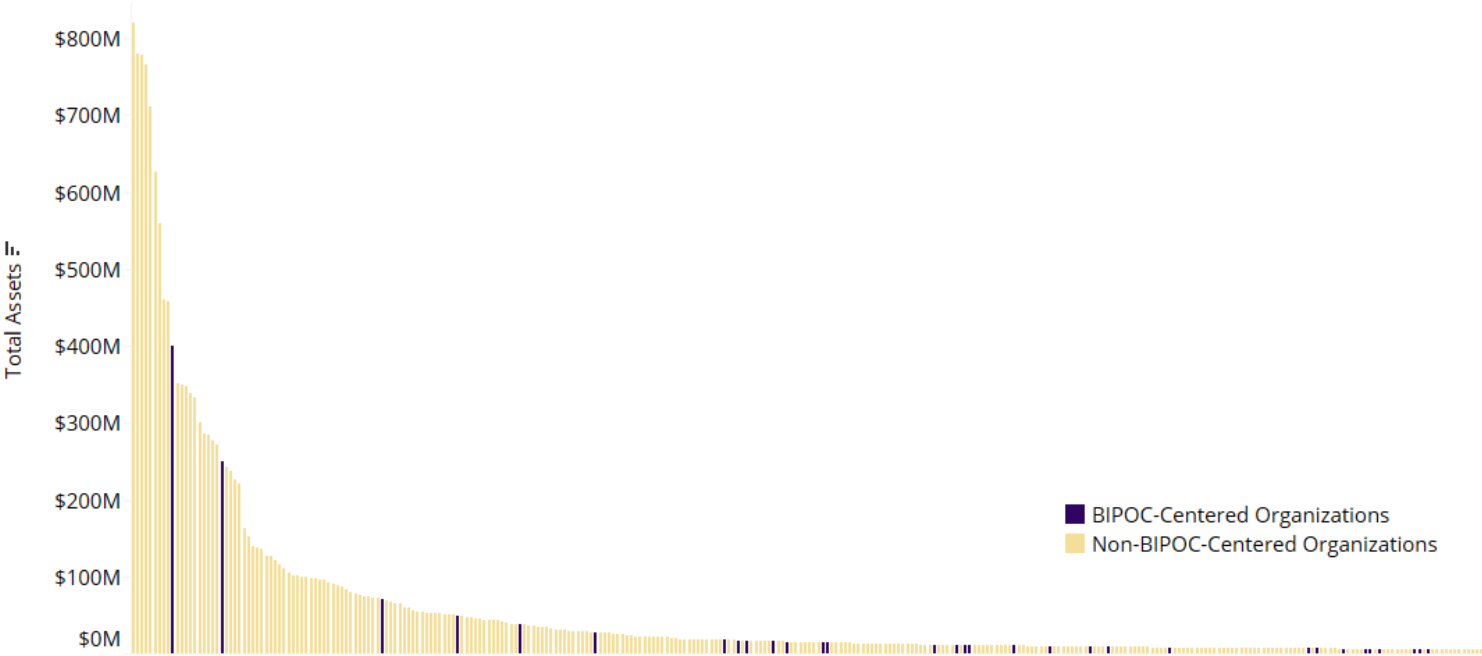
How equitable or inequitable is the arts ecosystem in California in terms of the types and locations of organizations that receive funding?

An analysis of assets and revenues shows startling inequities in the distribution of funding and wealth faced by BIPOC-centered organizations as well as those located in rural areas. There are several key data points that show where system level support functions may be contributing to these inequities.

The distribution of assets and organizational budgets show that resources are highly concentrated within a small number of large organizations. For example, 1.9% of all organizations included in this study own 90% of all reported assets. It is difficult to ignore

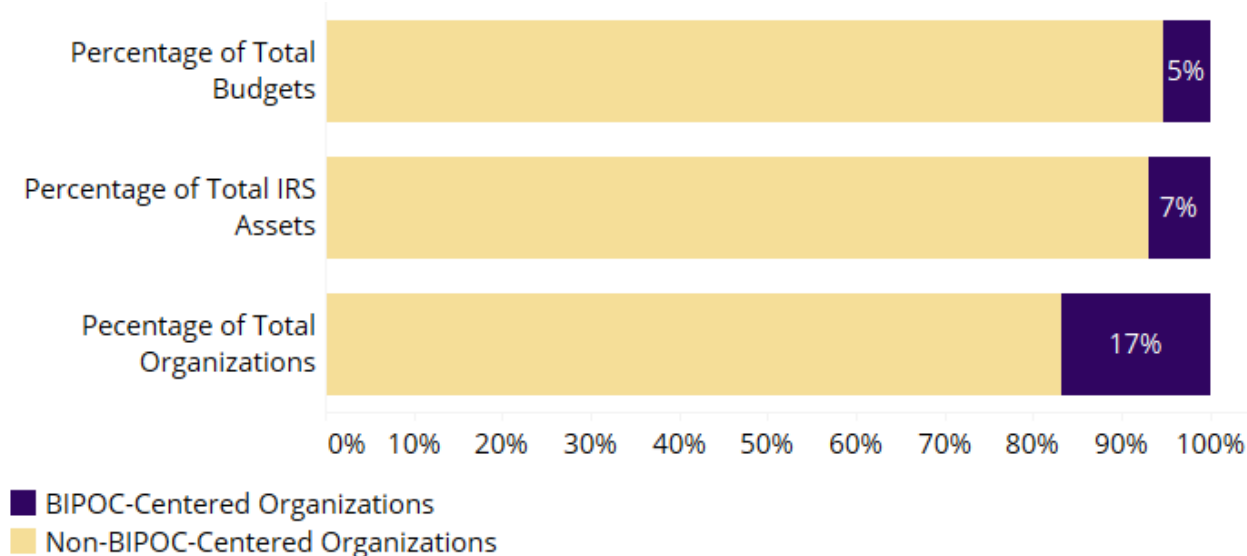
that this concentration of wealth in relatively few arts and cultural organizations in California resembles income and wealth inequality in the United States.

Distribution of Assets by Organization, Top 90% of All Reported Assets

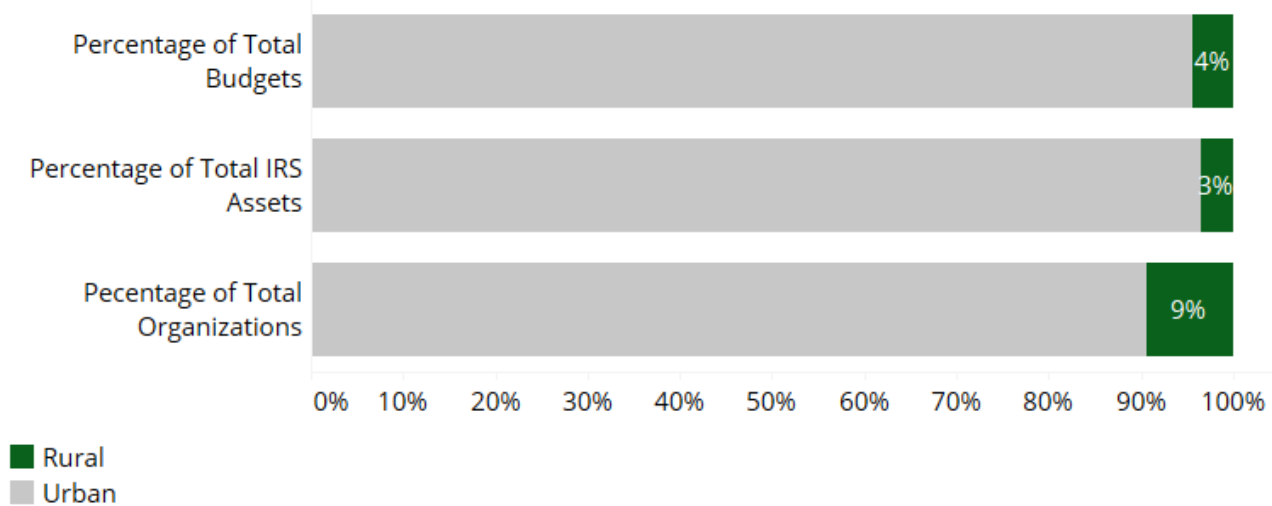


BIPOC-centered organizations hold a disproportionately small amount of wealth in terms of total assets and revenues in California. Generally, BIPOC-centered organizations have smaller budgets, have fewer assets, earn less through programs, receive less in contributed revenues and comprise a disproportionately small portion of dollars within the arts ecosystem in California. Only 11% of the organizations identified as holding 90% of all reported assets in the state were identified as BIPOC-centered.

Proportion of Budgets, Assets and Number of Organizations, BIPOC-Centered versus Non BIPOC-Centered



Proportion of Budgets, Assets and Number of Organizations, Rural versus Urban



Rural organizations also have a disproportionately small amount of revenues and assets. According to the RUCA census tract analysis, 90% of the California population lives in urban areas and 10% lives in rural areas. The distribution of arts organizations between urban and rural areas roughly matches the population distribution. As the above graph shows, organizations located in urban settings account for well over 90% of overall budgets and assets. Rural organizations earn less through programs, receive less contributed revenue and comprise a disproportionately small portion of dollars within the arts ecosystem in California. Rural organizations show smaller percentages of aggregated revenues and

assets when compared to all BIPOC-centered organizations. However, all rural organizations have higher median net assets and median total employees when compared to all urban organizations.

In examining sources of contributed revenues—while there are many observable points showing inequities in the technical report—one source of income stands out as particularly inequitable. Individual giving is a disproportionately small source of income for both rural based organizations and BIPOC-centered organizations. Only 2.6% and 5.6% of all individual giving to organization in the data set goes to rural organizations and BIPOC-centered organizations, respectively. This finding is important, since individual giving and the resulting tax breaks that are given to individuals are a fundamental mechanism for support of nonprofit organizations in the United States. This finding suggests that networks of wealth and those with the ability to give are less connected to, or less willing to give to, rural and BIPOC-centered organizations.

Many small organizations do not receive grants and that have no reported financial information to analyze. What are these organizations?

A remarkable feature of the data set we assembled for this project was the large number of organizations that are present within the IRS Business Master File but contain no financial data, indicating that their budgets fall below the Master File's reporting threshold of \$50,000. The analysis of these small organizations is limited to geographic overlays and the identification of BIPOC-centered organizations based on name alone, however the large presence of these organizations is an important finding in itself and prompted a special examination of them.

Overall, 65% of all organizations in the data set (10,880 organizations) have budgets of less than \$50,000. Of those, close to 7,000 organizations have not received any grants from public or private sources in the past three years, while the other 4,000 have.

To learn more about these small organizations, online research was conducted on a discrete sample of 60 small organizations (see technical report for sampling details). In general, the examination of the samples has important implications for the California Arts Council and the field.

- Approximately 70% of small organizations with no reported income on the IRS Business Master File are active arts organizations.
- These organizations are coded as BIPOC-centered at the same rate as the overall data set (17%), and examinations of the samples showed coding nearly as accurate as the entire data set.

- While many of these organizations are likely to have very low capacity, many do have staff, a website and some capacity to operate.
- There is no apparent trend in the types of work or arts activities being conducted by these organizations. Organizations in the sample range from education organizations and dance companies to culturally specific arts collectives and museums—a range similar to what is seen in the full ecosystem.

Implications for California

When comparing investments made by the California Arts Council to other sources of revenue going to BIPOC-centered and rural organizations, there are some encouraging findings along with room for improvement and several significant challenges. Data indicate that California Arts Council investments are generally distributed more equitably than other sources of contributed revenue with respect to investments in rural places and BIPOC-centered organizations.

Data from California Arts Council grantees shows a much higher percentage of awards and dollars going to BIPOC-centered organizations than the percentage of total BIPOC-centered organization identified in the data set. Roughly 30% of California Arts Council grantees are BIPOC-centered organizations and 30% of Arts Council grant dollars go to those organizations. This is quite significant when considering that this study indicates that around 17% of all arts and cultural organizations in California are BIPOC-centered and that these organizations account for about 5% of aggregated annual budgets for all organizations.

The demographic analysis in this report presents a challenge for arts funders in that it verifies that the geographic distribution of arts organizations—at the neighborhood level—is less likely to include populations of color, populations with lower education levels and rural communities. Although data indicate that the California Arts Council is accomplishing a more equitable distribution of grants and funding when compared to the measurable ecosystem as a whole, a large number of communities and organizations remain underserved.

The large number of small organizations—especially small BIPOC-centered arts organizations—that have limited financial resources suggests challenges and opportunities for arts funders and arts service organizations. Initial findings indicate that many of these small-budget organizations are operating and providing services to communities in California. The research being conducted in three communities across California as part of the field scan for this project may be able to shed light on the types of support needed, the difficulty of grant-making processes and the sustainability of some of these organizations

over the long term. Answers to these questions could help the California Arts Council make further strategic decisions about how to allocate resources to advance equity.

Several figures in this analysis solidify the importance of the California Arts Council's equity work, but there remains the looming issue of larger organizations—especially those that are not BIPOC-centered—receiving a majority of the total available arts funding. This is an ongoing challenge that is not unique to California or to public funders in the arts. There is nothing inherently negative about large institutions and their capacity is necessary to serve large numbers of people. However, the volume of resources consumed by large entities creates an equity conundrum. This conundrum is described by the data in this report, but the policy decisions needed to resolve it require additional considerations beyond data.

Furthermore, the headwinds on the road toward equity are significant, and are made even more apparent in this research. Systemic issues, such as the distribution of wealth in California and the United States, and federal tax policies that benefit the wealthy and well-connected, perpetuate inequities that disproportionately affect people of color and rural populations. The combination of these rather daunting challenges could be discouraging, however the California Arts Council offers resonant political and policy solutions that benefit a variety of constituents. The Arts Council's public investments in BIPOC-centered organizations and rural communities is an equity model that could be offered in greater doses to serve the public good in California.