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Monday, January 31, 2022

Testimony to the U.S. House Small Business Committee

By Dance/NYC

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Thank you for your consideration of this testimony, submitted on behalf of Dance/NYC (dance.nyc), a service organization that reaches over 5,000 individual dance artists, 1,200 dance-making entities, 500 non-profit dance companies, and the many for-profit dance businesses based in the metropolitan New York City area, which encompasses the five boroughs and adjacent counties in New York and New Jersey. Its areas of service are of special benefit to BIPOC (Black, Indigenous, and Peoples of Color), immigrant, disabled, low-income and small budget dance workers. Dance/NYC is the only service organization for the dance sector in the metropolitan NYC area, and its action-oriented research and advocacy seek to represent and advance the interests of the dance field. It embeds the values of justice, equity, and inclusion into all aspects of its operations and frames the following requests through the lens of those values. Dance/NYC joins colleague advocates working across creative disciplines in thanking you for your leadership and requesting:

1. The permanent inclusion of nonprofit organizations in federal funding programs for small businesses, including grants, loans, and emergency relief and recovery initiatives through the Small Business Administration;
2. The ongoing prioritization of relief and recovery funding toward small budget arts and cultural organizations, including for profit enterprises, nonprofit organizations, and sole proprietorships, led by and primarily serving historically marginalized and underserved communities experiencing the highest levels of impact from the pandemic;
3. The advancement of specific legislation to support arts and cultural businesses, including the Employee Retention Tax Credit Extension Act and the Save Our Stages Extension Act;
4. The advancement of specific legislation to support employment and economic development for arts workers, including the Creative Economy Revitalization Act and Performing Artist Tax Parity Act; and
5. The passage of \$201 million in appropriations for the National Endowment for the Arts (NEA).

The arts and cultural sector is a key driver of the national economy and is essential to the nation's social and civic wellbeing and global standing as a cultural exporter. From an economic standpoint, arts and cultural production accounts for \$919.7 billion of economic activity annually, comprising 4.3% of the U.S. economy and contributing 5.2 million jobs for arts workers.¹ Arts and culture contributes over five times as much to the U.S. economy as agriculture and forestry, three times as much as mining, education, or utilities, and 1.3 times as much as transportation.² The performing arts are a primary driver of these economic contributions. The NEA reports in its survey of 8,836 performing arts companies³ that the performing arts sector adds \$14 billion in economic value and employs 122,000 people. Equally important as its economic impact is the social impact of arts and culture. As the pandemic wears on, consumers are more likely to report the importance of the arts to their well-being: 40% of consumers in 2020 noted this personal impact, while in 2021 that number increased to 61%.⁴ This positive shift in public perception of the arts and cultural sector demonstrates the need for its programs, services, and workers to be supported in accordance with their economic impact.

Contributions of the creative economy are essential to our nation's overall economic health, and the losses in the creative sector during the pandemic have been and remain devastating. Arts and cultural workers and businesses have suffered losses of \$15.2 billion over the course of the pandemic. Losses in audience attendance are estimated at 488 million, with audience spending to local businesses accounting for \$15.5 billion in additional losses.⁵ In the dance sector specifically, 85% of organizations canceled programming and operations in order to survive the pandemic, with anticipated earned and contributed revenue losses of \$190 million (\$2.3 million per organization on average). The effects of these losses are compounding, as more than half of organizations reported that they were unsure of their ability to continue compensating their artists, who collectively stood to lose \$4.9 million in income from loss of work in the dance field.⁶

Independent arts workers, who are often entrepreneurs, sole proprietors, and small business owner-operators, remain among the most severely affected segment of the nation's workforce. 95% of arts workers lost creative income, and at the height of the pandemic in 2020, 63% experienced unemployment. Alarming, BIPOC arts workers experienced higher rates of unemployment than white artists (69% vs. 60%) and lost a larger percentage of their creative income (61% vs. 56%).⁷ Disabled and immigrant arts workers also suffer disproportionate impact, along with parent arts workers, for whom the negative impacts of the pandemic extend to their families.⁸ The arts and cultural sector suffers from historic underinvestment at all levels of government, which became starkly apparent at the onset of the pandemic and remains a top-level concern as the sector and its workers struggle to adapt and survive through pandemic surges. The state of the creative economy remains fragile, and strengthening long term investments in the arts and cultural sector that correspond to its economic contributions can create a solid foundation to bolster economic growth and sustainability for organizations and independent arts workers. Despite these enormous losses, the sector and its workers remain adaptable and persistent in their commitment to providing essential programs and services to communities, including performances, classes, publicly accessible programming, and educational partnerships.

The arts and cultural sector is vast, with workers that span myriad occupations, including performers, designers, curators, administrators, promoters, and finance professionals. A healthy arts ecology is interconnected with many other industries, and cultural event-related spending by arts audiences generates valuable revenue in the tourism and hospitality sectors and drives spending to local businesses. The average arts attendee spends approximately \$31.47 per person per event beyond the cost of admission on meals, retail, parking, lodging, local transportation, childcare, and souvenirs. These dollars provide vital income to local merchants, energize arts districts, foster a healthy residential real estate market, and pay salaries and wages in non-arts sectors. Nationally, total event-related spending was an estimated \$102.5 billion in 2015, supporting 2.3 million jobs, providing \$46.6 billion in household income, and generating \$15.7 billion in total government revenue.⁹ Given this economic impact, it is clear that organizational closures and disruptions in cultural programming have compounding effects that impact local businesses and community residents. Investing in arts and culture supports jobs, generates government revenue, and bolsters the cornerstone of vibrant local economies.

In the arts and cultural sector, the definition of a small business varies, from for-profit enterprises to nonprofit organizations and independent arts workers operating entrepreneurial ventures as sole proprietors. Relief, recovery, and ongoing measures to support the sector must reflect the realities of how arts and cultural businesses operate and contribute to the economy. Nonprofit organizations are small businesses: nonprofits are employers, revenue generators, and service providers that are essential to the economic prosperity and quality of life within their communities. Small budget arts and cultural nonprofits are particularly influential in their communities at a grassroots level, and these organizations continue to wrestle with historical inequities in addition to the peril and precarity of the pandemic. Relief programs enacted by the Small Business Administration, including the Paycheck Protection Program (PPP)¹⁰ and Shuttered Venue Operators Grant (SVOG),¹¹ have helped ensure the survival of over 18,000 arts and cultural organizations nationally. Given the extended and unpredictable nature of the pandemic, SVOG grantees would stand to benefit from an extension of the SVOG timeline to incur expenses and expend grant funding. The Save Our Stages Extension Act¹² would extend to March 11, 2023 the time frame during which SVOG recipients may use grant funds to cover their expenses. In addition to extending the timeline, the SBA must consider how leftover SVOG funds, which could amount to \$1-2 billion, are used to support venues through such measures as a second round of supplemental funding for current grantees or a new cycle of funding focused on eligible small budget organizations that did not apply during the initial funding period due to limited organizational capacity.

The efforts to create the SVOG program and expand PPP eligibility to include nonprofit organizations both took significant lobbying efforts on the part of the arts and culture and nonprofit sectors, and it is essential that the measurable benefits of these programs be considered in a permanent capacity throughout the SBA's programs and offerings. There is still work to do to make these programs accessible to the smallest, hardest-hit businesses that lack administrative and technical capacity to apply and comply with program requirements. Nonprofit-inclusive funding programs in the form of grants, loans, and emergency relief must prioritize the needs of small budget organizations led by and primarily serving BIPOC, disabled, immigrant, and other historically marginalized and underserved communities in order to advance equity and grow the capacity for these organizations and their communities to thrive into the future. These programs require comprehensive oversight, evaluation, and review processes in order for the SBA to permanently serve the needs of nonprofits in responsive and sustainable ways. In addition to these programs, measures such as the extension of the Employee Retention Tax Credit (ERTC) can support small business operators by compensating employers for wages paid to employees during pandemic-related interruptions and closures. The ERTC Extension Act¹³ would extend the credit through the fourth quarter of 2021. These legislative measures and programmatic changes stand to advance the economic viability of arts and cultural organizations that remain deeply affected by the pandemic.

Pandemic-related interruptions in programming, economic hardship, and permanent closures in the arts and culture sector result in a direct impact on related industries and community members, reaching far beyond the businesses themselves. For arts and cultural venues and institutions that provide services to independent arts workers, the repercussions of organizational interruptions, displacement, and closures are compounded; losing access to these spaces puts the working lives of arts workers and the art itself at risk. Arts and cultural businesses were the first to shut down and are among the last to reopen, with performing arts organizations also being subject to ongoing restrictions through public health mandates. While the public health goals are laudable, their implementation without corresponding subsidies stands to cause economic hardship to the still struggling arts and cultural field, particularly the hardest-hit small budget organizations. In addition to increased expenses related to public health mandate compliance, businesses are confronting an ongoing loss of revenue due to decreased attendance to programming, classes, and performances and massive waves of cancellations during the pandemic surges. The provision of ongoing relief funding to facilitate compliance with public health mandates is crucial to supporting organizational capacity to provide programming to patrons with safety and accessibility as priorities, as well as ensuring the long-term sustainability of the arts and cultural sector. It is essential that affected businesses, particularly small budget organizations, have access to funds to comply with public health mandates. Emergency relief funding to support additional staffing, testing kits, and infrastructure related to compliance can ensure that arts and cultural businesses survive the implementation of public health regulations.

In addition to providing support to arts and cultural organizations, direct investments in the arts workforce can serve to further stimulate the creative economy. The Creative Economy Revitalization Act (CERA)¹⁴ is a bipartisan bill that proposes to create a federal workforce grants program for artists within the Workforce Innovation and Opportunity Act (WIOA). CERA seeks to authorize \$300 million in recovery investments to put creative workers to work, which would jumpstart local economies, reduce unemployment, and improve the health and vibrancy of American communities. The Department of Labor, in coordination with the National Endowment for the Arts, would administer grants eligible to government, non-profit, and for-profit organizations, prioritizing creative workers who became unemployed due to the COVID-19 pandemic. By supporting local business initiatives to employ creative workers to make publicly accessible artworks, CERA will boost local economies, increase community pride, and reduce unemployment. CERA stands to contribute significantly to the recovery of the arts and culture sector by putting creative workers back to work.

Arts workers operate within the nonprofit and for-profit sectors and are also entrepreneurs, sole proprietors, and small business owner-operators. Such ventures must also be recognized and supported within the SBA's programs, and measures to support individual arts workers can increase their entrepreneurial capacity. The Performing Artist Tax Parity Act¹⁵ would modify the tax deduction for the expenses of performing artists (including commissions paid to managers or agents) to provide for a phaseout of such deduction for taxpayers whose adjusted gross income exceeds \$100,000 (\$200,000 for joint return filers). This legislation would serve to offset the necessary costs arts workers incur to advance their creative careers. By supporting jobs and tax reform for arts workers, these legislative measures can support a thriving arts workforce, encourage entrepreneurship, and cultivate a new generation of small business owners in the arts and cultural sector.

The creative economy is powerful and far-reaching in its scope, and the pandemic has made starkly apparent the precarity created by historic underinvestments in arts and culture. The National Endowment for the Arts is the only federal agency that directly supports the activities and contributions of arts workers and the creative economy. Increasing appropriations for the NEA to \$201 million for FY23 can ensure that its funds correspond to the economic contributions of the sector and can sustain new and ongoing NEA programs to provide much-needed support to the arts and cultural sector. Emergency NEA appropriations of \$75 million through the CARES Act and \$135 million through the American Rescue Plan Act contributed \$52 million in funding for state and jurisdictional arts agencies and regional arts organizations and grants totaling \$20.2 million to 66 local arts agencies for subgranting to help the arts and cultural sector recover from the pandemic.¹⁶ However, this level of funding still falls short of directly addressing the scope and immediate need of individual arts workers and small-budget organizations. In FY22, \$33 million in project funding to arts organizations nationwide funded only 1,248 organizations for a total of \$28.8 million out of 1,879 eligible organizations requesting more than \$92 million in support.¹⁷ These figures demonstrate the scope of need in the sector that an appropriately funded NEA can address well into the future.

An equitable, sustainable nationwide recovery requires long-term investments in the people, organizations, and industries that drive creative economic activity and make every city, town, and neighborhood in this great nation unique and vibrant. By directly supporting the economic viability of arts and cultural small businesses and independent arts workers, the measures outlined in this testimony provide much-needed relief during the pandemic and ensure the long-term capacity of arts and cultural organizations to serve arts workers and their communities. Dance/NYC joins the arts and cultural sector in reiterating the following measures to ensure the longevity of small businesses and arts workers that have long been essential parts of our communities. Arts and culture can lead the nation's economic recovery, and these investments can help ensure their resilience, growth, and long-term survival.

For Dance/NYC and its constituents, the most urgent priorities are:

1. The permanent inclusion of nonprofit organizations in federal funding programs for small businesses, including grants, loans, and emergency relief and recovery initiatives through the Small Business Administration;

2. The ongoing prioritization of relief and recovery funding toward small budget arts and cultural organizations, including for profit enterprises, nonprofit organizations, and sole proprietorships, led by and primarily serving historically marginalized and underserved communities experiencing the highest levels of impact from the pandemic;
3. The advancement of specific legislation to support arts and cultural businesses, including the Employee Retention Tax Credit Extension Act and the Save Our Stages Extension Act;
4. The advancement of specific legislation to support employment and economic development for arts workers, including the Creative Economy Revitalization Act and Performing Artist Tax Parity Act; and
5. The passage of \$201 million in appropriations for the National Endowment for the Arts (NEA).

Taken together, these measures stand to support arts and culture as a key driver of the nation's economy. Dance/NYC thanks you for your consideration and commends your leadership and ongoing efforts to support the recovery of small businesses, nonprofit organizations, and individual workers in the arts and cultural sector.

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Footnotes

- 1 Bureau of Economic Analysis and National Endowment for the Arts. Arts and Cultural Production Satellite Account, U.S. and States 2019 and 2018. <https://www.bea.gov/data/special-topics/arts-and-culture>
- 2 National Assembly of State Arts Agencies. Facts & Figures on the Creative Economy https://nasaa-arts.org/nasaa_research/facts-figures-on-americas-creative-economy/
- 3 National Endowment for the Arts. ANALYSIS: COVID-19's Impacts on Arts and Culture <https://www.arts.gov/sites/default/files/COVID-Outlook-Week-of-14-2021-revised.pdf>
- 4 Culture Track. Culture + Community in a Time of Transformation. <https://s28475.pcdn.co/wp-content/uploads/2021/11/CCTT-Key-Findings-from-Wave-2.pdf>
- 5 Americans for the Arts. The Economic Impact Of Coronavirus on the Arts and Culture Sector <https://www.americansforthearts.org/by-topic/disaster-preparedness/the-economic-impact-of-coronavirus-on-the-arts-and-culture-sector>
- 6 Dance/USA. Dance Comeback: The Impact of COVID-19 on the Dance Field and the Future of Dance <https://www.danceusa.org/ejournal/2021/08/13/dance-comeback-the-impact-of-covid-19-on-the-dance-field-and-the-future-of-dance>
- 7 Americans for the Arts. COVID-19 Pandemic Impact on The Arts <https://www.americansforthearts.org/sites/default/files/COVID-19%20Pandemic%20Impact%20on%20the%20Arts%20Research%20Update%20%207-13-2021.pdf>
- 8 Dance/NYC. Coronavirus Dance Impact Study Informational Brief. <https://www.dance.nyc/uploads/Covid-Impact-Study-Brief-210316.pdf>
- 9 Americans for the Arts. Arts & Economic Prosperity 5 <https://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5/learn/national-findings>
- 10 SMU DataArts. PPP Data on Preserving Jobs in the Arts & Culture Sector. <https://culturaldata.org/learn/data-at-work/2020/ppp-data-on-preserving-jobs-in-the-arts-culture-sector/>
- 11 U.S. Small Business Administration. Shuttered Venue Operators Grant Public Report [https://www.sba.gov/sites/default/files/2021-12/SVOG%20Public%20Report%20-%20Midday%2027%20Dec%202021_revised\[508\]%20\(1\).pdf](https://www.sba.gov/sites/default/files/2021-12/SVOG%20Public%20Report%20-%20Midday%2027%20Dec%202021_revised[508]%20(1).pdf)
- 12 Save Our Stages Extension Act: S. 2889/H.R. 5429. <https://bit.ly/SaveOurStagesExtension>
- 13 Employee Retention Tax Credit Extension Act: H.R. 6161. <https://bit.ly/ERTCEExtension>
- 14 Creative Economy Revitalization Act H.R. 5019 <https://www.congress.gov/bill/117th-congress/house-bill/5019?s=1&r=40>
- 15 Performing Artist Tax Parity Act: H.R. 4750. <https://bit.ly/PerformingArtistTaxParityAct>
- 16 National Endowment for the Arts. National Endowment for the Arts on COVID-19 <https://www.arts.gov/about/nea-on-covid-19>
- 17 National Endowment for the Arts. National Endowment for the Arts Announces Over \$33 Million in Project Funding to Arts Organizations Nationwide. <https://www.arts.gov/about/news/2022/national-endowment-arts-announces-over-33-million-project-funding-arts-organizations-nationwide>

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