

MARTIN  
**Prosperity** *Institute*

# **Funding to Arts and Cultural Organizations by the City of Toronto, 1990-2008**

## **Final Report**

*Prepared by:*  
Andrew Bell, B. Eng  
Research Assistant

Kevin Stolarick, Ph. D  
Research Director

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# Executive Summary

*Cities with a strong and vibrant cultural sector routinely experience outstanding economic growth because: the economic benefits of a strong cultural sector include increasing innovation, productivity, and returns on the city's brand; exports from the region increase in terms of both volume and monetary value; and the inclusion of more people in arts and culture, along with the development of a participatory, "Live Culture" environment, help to spread the positive economic externalities associated with culture. These are all areas where Toronto can leverage its current cultural capital. By building on the inclusive nature of the city along with its existing brand strength, the City of Toronto can make the best use of its municipal cultural funding.*

The report compares the municipal funding of the Major Cultural Organizations (Majors and MCOs) and Toronto Arts Council clients (TAC) to four benchmarks. Toronto's municipal expenditure on culture is compared to average Canadian expenditure on culture growth at the federal, provincial, and municipal levels. Funding in terms of population and inflation fluctuations is also examined. Additionally, total municipal funding to the Majors and TAC is compared to the total revenues generated by these organizations over time. Finally, Toronto funding growth is projected into the future along with anticipated inflation and population changes. This projection informs six funding scenarios.

For these reasons, understanding the amount of support required to maintain a culturally vibrant city is important. This report offers six funding scenarios for investing in arts and culture which range from a Minimum Funding scenario to a Matched Expected Growth scenario which covers all of the deficiencies of the past years while accounting for future changes.

The scenarios range in scope from the first scenario which sees funding to the Majors and TAC only grow to cover the inflation from 1992 to 2008 to the sixth scenario which would see funding grow at a rate that would cover all of the deficiencies from 1992 to present in addition to covering the expected inflation and population changes, while matching the growth in other sources of revenue. These values are all based on the assumptions that the Martin Prosperity Institute (MPI) has made about population growth, inflation rates, and the growth of other sources of revenue to the Majors and TAC.

These policy tools all bear in mind the essential nature of the maintenance and growth of the cultural sector in Toronto while ensuring that the budget constraints of the City of Toronto can be accounted for in the decision making process.

**Table 1 Scenario Breakdown**

Based on funding to the Majors and TAC at \$15 million in 2008.  
This does not include operating cost for Toronto Arts Council.

Name	Coverage	Annual Funding Increase (\$/year)	Total Funding Increase by 2013	Total % Funding Increase between 2008 and 2013
<b>Scenario 1 Minimum Funding</b>	1991 to present inflation only	\$427,000	\$2.0 million	14%
<b>Scenario 2 Inflation and Population Coverage</b>	1991 to present inflation and population changes	\$754,000	\$3.8 million	25%
<b>Scenario 3 Expected Inflation Coverage</b>	1991 to 2013 forecast inflation changes	\$787,000	\$3.9 million	26%
<b>Scenario 4 Expected Inflation and Population Coverage</b>	1991 to 2013 forecast inflation and population changes	\$1,212,000	\$6 million	41%
<b>Scenario 5 Matched Growth</b>	Restores the proportion of municipal funding relative to other funding sources to 1991 levels by 2013 assuming no growth in other sources of revenue between 2008 and 2013	\$2,335,000	\$11.6 million	77%
<b>Scenario 6 Matched Expected Growth</b>	Restores the proportion of municipal funding relative to other funding sources to 1991 levels by 2013 extrapolating growth using inflation forecast	\$2,696,000	\$13.5 million	89%

# Table of Contents

<b>Executive Summary</b>	2
<b>Table of Contents</b>	4
<b>Introduction</b>	5
<b>I. Goal</b>	5
Inclusivity	6
Live Culture	6
Innovation	7
Brand Toronto	7
<b>II. Canadian Average Cultural Funding</b>	7
Percentage of Municipal Funding	9
Population Comparison	10
Inflation	11
<b>III. Projections</b>	12
Scenario 1 – Minimal Funding	14
Scenario 2 – Inflation and Population Coverage	14
Scenario 3 – Expected Inflation Coverage	14
Scenario 4 – Expected Inflation and Population Coverage	15
Scenario 5 – Matched Growth	15
Scenario 6 – Matched Expected Growth	15
<b>Conclusion</b>	16
<b>Bibliography</b>	17

# Introduction

Creativity is the heart of the new knowledge based economy, and the global competition for talent, skilled labour, and the professionals who will drive innovation in the future has heated up to new levels. Fortunately, Toronto has been at the forefront of the drive to attract and develop a pool of workers who can confront the challenges of tomorrow. The city's cultural assets have been significant components of this attraction.

This paper aims to examine the levels of cultural funding that have been historically transferred to the Major Cultural Organizations (Majors and MCOs) and Toronto Arts Council (TAC) in order to assure that the leading position that the city has worked to attain does not lag. It focuses on the comparison with the average cultural funding growth of major Canadian municipalities, provinces, and the federal government, the dwindling proportion of funding that the Majors and TAC receive from the City of Toronto, and the neglected effects of population and inflation on cultural funding growth over the past two decades.

Through this examination a set of policy tools are developed from which the city can choose the option that Toronto City Council feels is best suited for its constituents. It is hoped that these tools will enable Toronto City Council to effectively prepare for the growing global competition to become a cultural centre attractive to the mobile innovators of the world.

## I. Goal

The goal of this research report is to recommend six funding scenarios for investment to the cultural sector through the Majors and TAC. The analysis of this examination will create a set of options that can offer a guide to decision makers in their efforts to attain the results that they feel would best benefit Toronto.

### *Inclusivity*

In his recent book "Who's Your City" Richard Florida points out that "*The most creative people tend to fluctuate between intense interaction and intense concentration. They also tend to be the happiest when engaging in a state of flow.*" This explains why creative people are not necessarily bound by the same working culture as the rest of the populations. Accommodating creative workers, keeping them active and engaged, requires a culture of inclusivity. If inclusive values are not present in a region, artists who tend to be highly mobile will move to a region that is more inclusive. This is the reason inclusivity is one of the pillars of a healthy cultural city.

### *Live Culture*

The concept of “Live Culture” encompasses the idea that audiences and targets for cultural goods are what Alvin Toffler describes in “The Third Wave” as prosumers, they both produce and consume cultural outputs. By fostering a culture of inclusivity through increased cultural funding a “Live Culture” is encouraged and enabled.

This has important economic as well as social benefits. Experiences with culture, especially inclusive experiences where more people are active participants, help to build an appreciation for design, aesthetics, and the built environment. Additionally, inclusive experiences familiarize participants with methods of dealing with the new and the different. These are important economic and social skills because the world is dynamic, change is the norm and innovation is the driver of the new economy.

### *Innovation*

Few would argue that innovation has had a staggering impact on economic growth. Richard Dion and Robert Fay in the discussion paper “Understanding Productivity: A Review of Recent Technical Research” for the Bank of Canada point out that:

*“Innovation’s contribution to national productivity growth reflects both domestic creation and international diffusion, the latter playing a clearly dominant role in most countries through the adoption of imported ideas and technologies.”<sup>1</sup>*

Their argument clearly indicates the importance that innovation and international acceptance play in the growth of economic productivity. Toronto is in an excellent position to work with the global community by being a global centre where diversity and inclusivity spur international diffusion in many different categories of economic activity. Culture is a framework which provides the linkages between people that create innovation.

As is pointed out by Kevin Stolarick, Richard Florida, and Louis Musante in their paper “Montreal’s Capacity for Creative Connectivity: Outlook & Opportunities”:

*“Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.”*

<sup>1</sup> Dion and Fay, 2008.

The outcome of attracting people from all over the globe is that innovations, technologies, and ideas circulate, re-enforcing and building upon one another. The results are inevitably new products, services, and processes that drive the knowledge economy forward. All of these things are based within a healthy and vibrant cultural sector. Culture requires seed funding to build a base and sustained funding to ensure that the top levels of the creative economy consistently have a source of talent to replenish their ranks.

### *Brand Toronto*

Developing “Brand Toronto” as a globally recognizable item has tremendous benefits for every aspect of the city. Tourists will be aware of the city when they choose vacation destinations. Exporters of cultural goods will gain extra revenue from their work as it is associated with the city. Businesses from finance to manufacturing will prosper as they are able to attract the best talent in the world with ease.

An important element of creating brand Toronto is distinguishing it from “Brand Ontario” and “Brand Canada”. This can only be done through funding cultural events which add cultural capital to “Brand Toronto”. Funding coming from the Province and the Federal Government cannot help in this effort as they can only increase the cultural capital of their own brands.

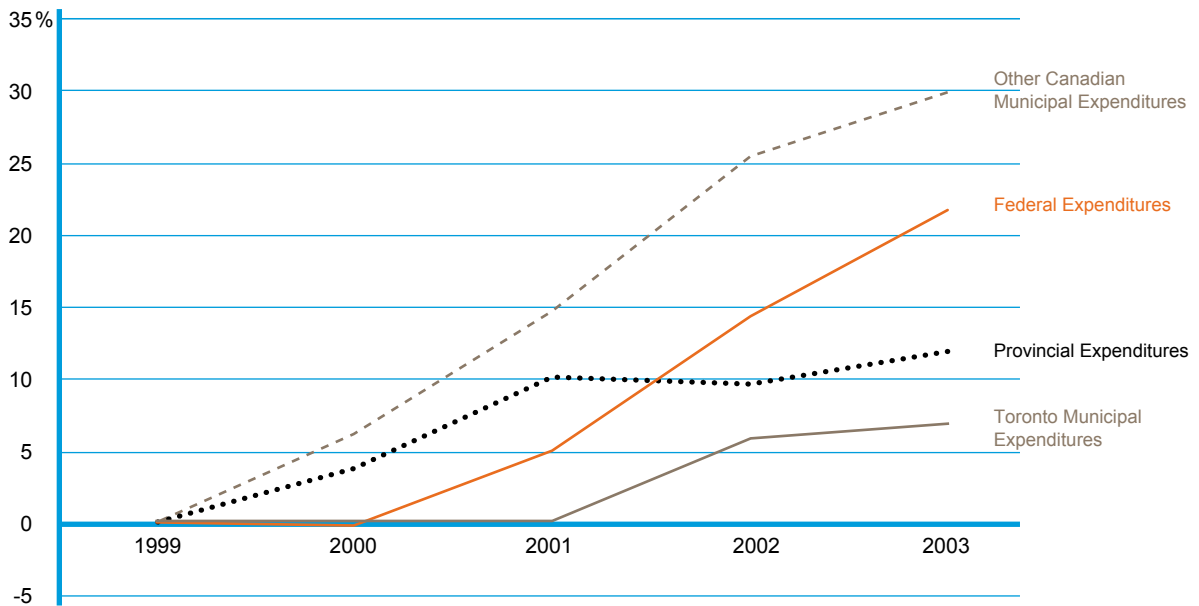
A considerable amount of time and effort has been put into the TO Live With Culture 2006/2007 campaign. The gains from this kind of branding are in the form of regional pride and increased morale. To increase the benefits of these efforts an audience outside of the city needs to be reached. Funding the arts and cultural organizations creates exportable goods and services that carry “Brand Toronto” in their very essence.

## II. Canadian Average Cultural Funding

The January 27, 2005 Statistics Canada publication “The Daily” offers an overview of cultural expenditures across Canada broken down by contributions from the Federal, Provincial, and Municipal governments. A comparison of the changes in these contributions since 1999 and the changes in Toronto Expenditures on culture illustrates the city’s cultural funding competitiveness.

**FIGURE 1** Government Expenditures on Culture vs. Toronto Expenditures on Culture

Cumulative %  
Growth Since 1999



Source: Statistics Canada.

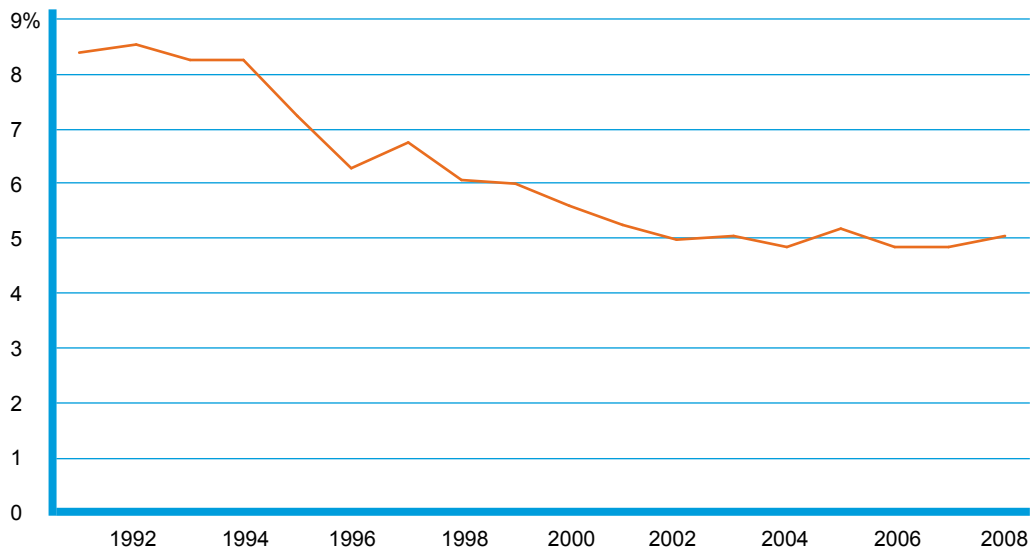
As can be seen in Figure 1 Toronto Expenditures on culture has grown at a substantially slower pace than the average expenditure on culture from any other level of government. The comparison between the City of Toronto and the change in average municipal cultural expenditure is the most relevant of all comparisons. The fact that average cities around the country have expanded their cultural expenditures by more than 4 times as much as the City of Toronto has put Toronto at the low end of competitive growth for cultural producers and by extension cultural consumers. Included in Toronto Expenditures are investment in arts and culture grants, Economic Development grants to cultural organizations, operating expenditures for the City's museums, arts services and cultural affairs, special events programming and capital investment in state-of-good repair for City-owned cultural sites. Expenditures on libraries, parks and zoos by the City of Toronto are not included.

### *Percentage of Municipal Funding*

The source of revenue for an organization has a significant impact on their operations. Ongoing sustainable funding by governments can help cultural organizations produce innovative programming and reach out to new audiences. An analysis of the share of the revenue provided by the City of Toronto for the Majors and TAC is provided by the following figure.

**FIGURE 2** Percentage of MCOs and TAC Funding from the City of Toronto

% of Funding



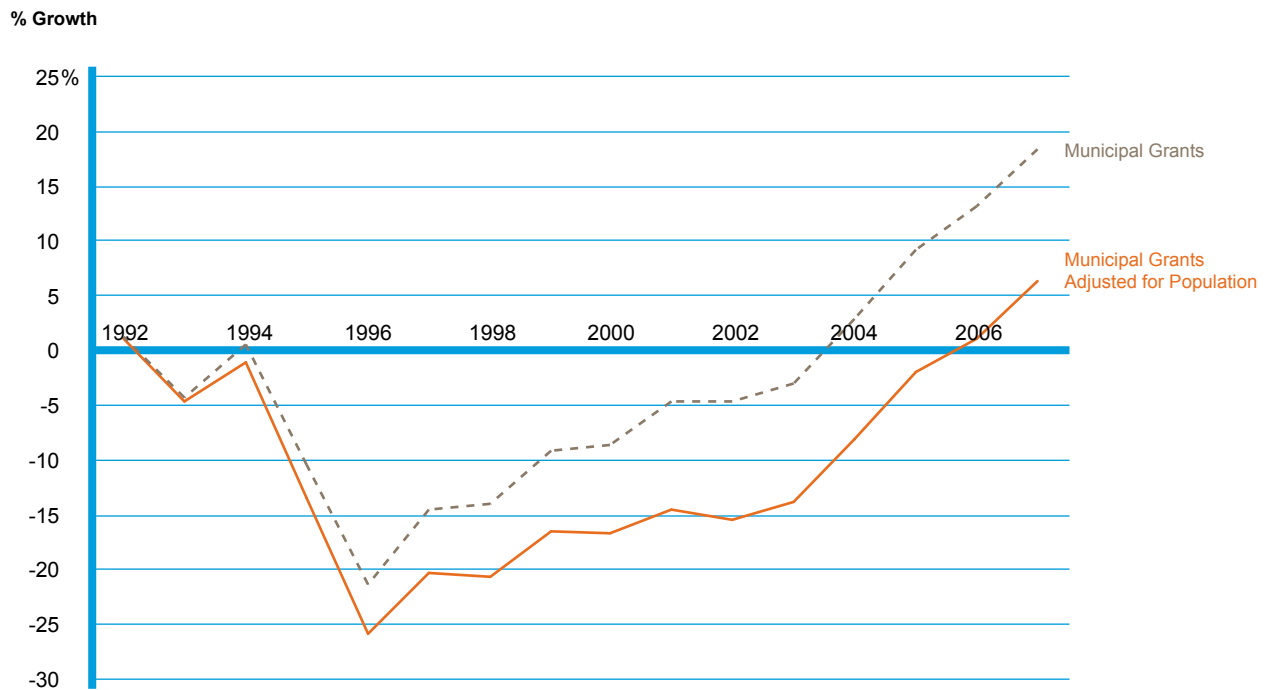
Source: City of Toronto, 2008; Toronto Arts Council, 2008.

The changes in the percentage of funding that the Majors and TAC receive from the City of Toronto over the past 15 years shows a decreasing share of the revenues being supplied by the City from almost 9% in 1991 to 5% in 2008. This creates a difficulty in harmonizing policy at a local level because the decreased share of the revenue provided by the City results in a decreased ability to create a unified cultural presence.

### Population Comparison

Changes in population growth should be factored in to any examination of the city's cultural funding. The following graph shows the effects of the growing population on the funding of culture in the region.

**FIGURE 3** Cumulative Municipal Funding Growth with Population Adjustment



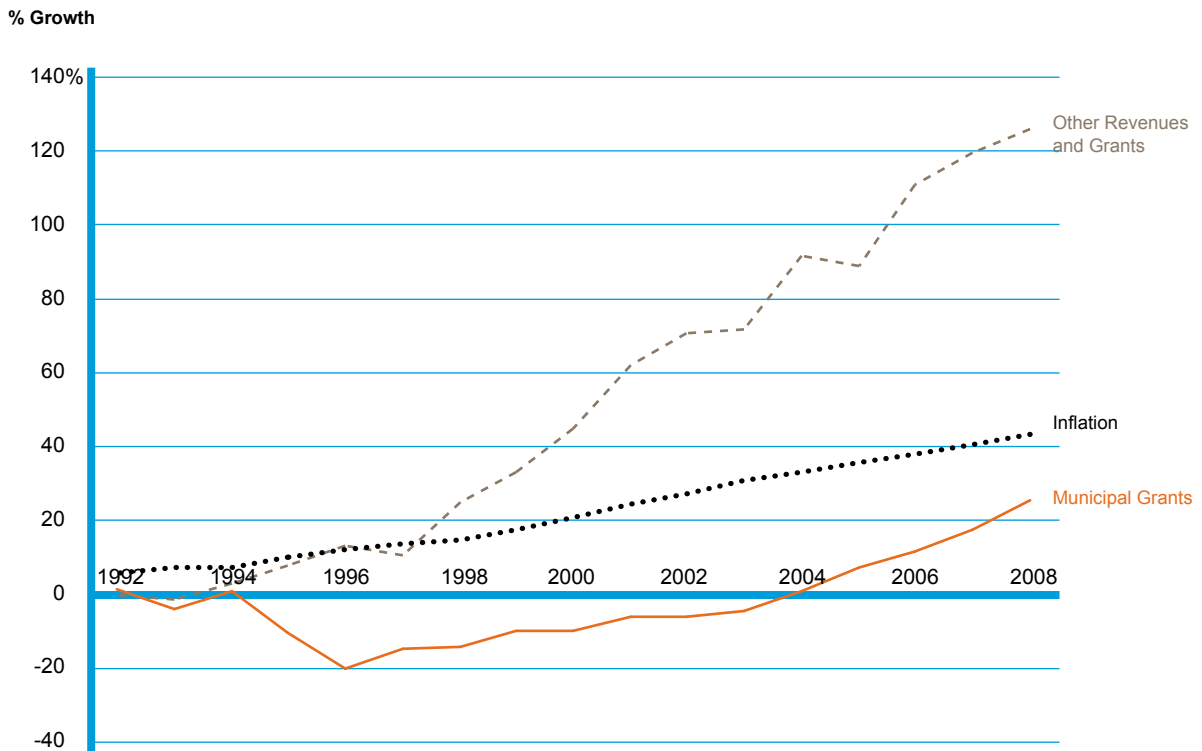
Source: City of Toronto, 2008; Statistics Canada

As can be seen above, the actual funding changes between 1991 and 2007 reduced when changes in population are not considered. However the revised funding data illustrates how a growing population requires increased funding to simply remain at the same relative level. On a per capita basis City funds and the demand for culture increase with new citizens who pay taxes and attend cultural events.

### Inflation

Toronto’s inflation rate is an additional factor that affects the amount of real cultural funding provided by the City. The cumulative inflation rate can be calculated from the Consumer Price Index data that is available for the City of Toronto and then compared with the changes in Toronto municipal grants and organizational revenues.

**FIGURE 4** Cumulative Changes in Toronto Municipal Grants, Other Revenues and Grants, and Inflation



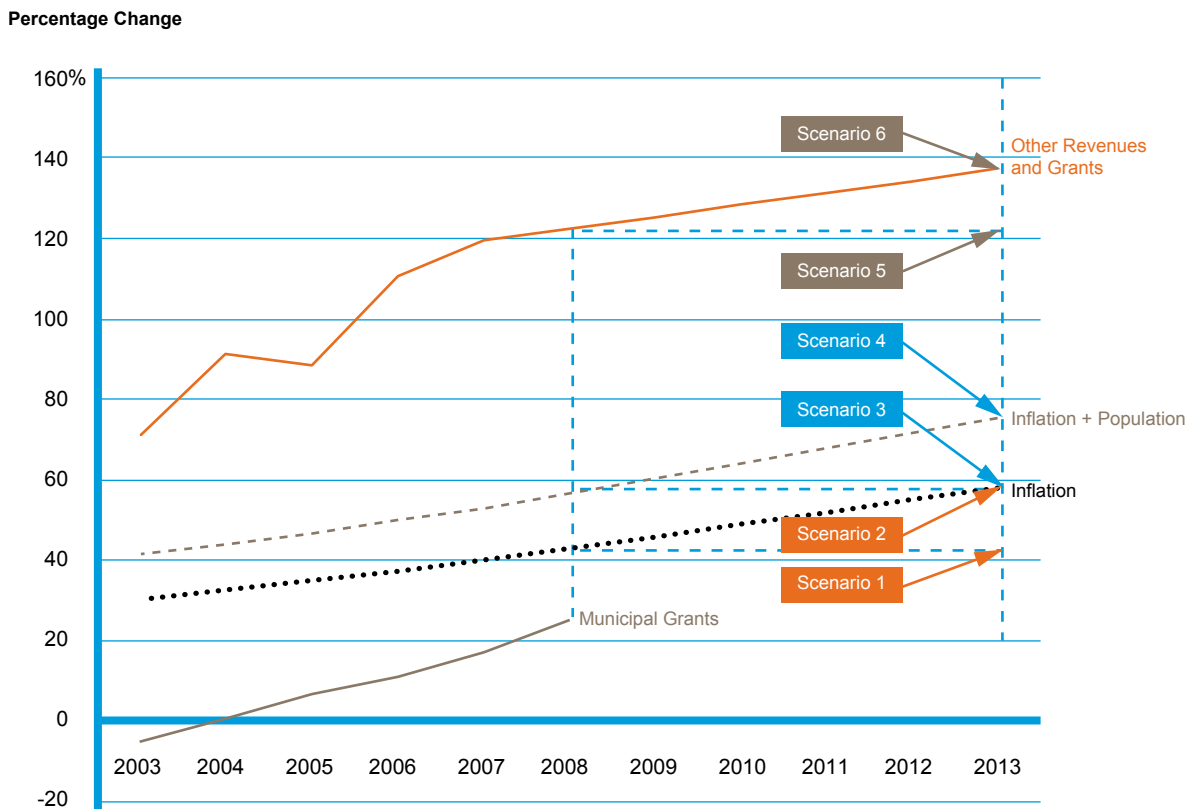
Source: City of Toronto, EDCT, 2008; Toronto Arts Council, 2008.

These changes show how funding by the City of Toronto was lagging sorely behind both inflation and the total revenues around the turn of the century. The work of cultural plans and research such the “Culture Plan for the Creative City” in 2003 and “Imagine a Toronto ... Strategies for Creative City” in 2006 are reflected in the narrowing funding gap that began in 2003 as these initiatives were adopted by Toronto City Council.

# III. Projections

The future of Toronto’s cultural sector is tied to the level of funding provided to the Majors and TAC. By projecting the current trends in funding for the next five years, a range of options for setting municipal funding can be explored.

**FIGURE 5** Funding Projections



The projected cultural funding changes over the next five years reveals six funding scenarios to help grow the cultural community in Toronto. At a minimum funding to the Majors and TAC should increase to cover the inflation that has occurred since 1991 when funding became stagnant. Optionally, funding would match the increases in revenue from sources other than the City. The six scenarios below describe the funding targets shown on the graph above.

**Table 1 Scenario Breakdown**

Based on funding to the Majors and TAC at \$15 million in 2008.  
This does not include operating cost for Toronto Arts Council.

<b>Name</b>	<b>Coverage</b>	<b>Annual Funding Increase (\$/year)</b>	<b>Total Funding Increase by 2013</b>	<b>Total % Funding Increase between 2008 and 2013</b>
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<b>Scenario 5 Matched Growth</b>	Restores the proportion of municipal funding relative to other funding sources to 1991 levels by 2013 assuming no growth in other sources of revenue between 2008 and 2013	\$2,335,000	\$11.6 million	77%
<b>Scenario 6 Matched Expected Growth</b>	Restores the proportion of municipal funding relative to other funding sources to 1991 levels by 2013 extrapolating growth using inflation forecast	\$2,696,000	\$13.5 million	89%

### **Scenario 1 – Minimum Funding**

This scenario sees an increase in funding that will cover the inflation that has occurred between 1991 and 2008. This amount is a total increase of \$2 million, or 14% over 5 years, and would see municipal funding rise to \$17 million by 2013. The impact of this scenario would be a minimum stop loss strategy. By choosing to cover past inflation Toronto City Council signals to the artistic community that it is attempting to slow the decline in the real funding to the Majors and TAC.

2009 Budget implication: MCOs and TAC funding increase of \$427,000, or 2.8%.

### **Scenario 2 – Inflation and Population Coverage**

In scenario two the inflation and population changes between 1991 and 2008 are considered and the cultural funding is adjusted accordingly. This amount is a total increase of \$3.8 million, or 25% over 5 years, and would see municipal funding rise to \$18.8 million by 2013. This second scenario would impact the arts community of Toronto by showing that Toronto City Council understands that both population increases and inflationary pressures have been eating away at the real funding provided to the Majors and TAC over the past 17 years. The benefit of choosing this scenario is that by 2013 it will raise the cultural spending to the level it should be at currently.

2009 Budget implication: MCOs and TAC funding increase of \$754,000, or 5%.

### **Scenario 3 – Expected Inflation Coverage**

This scenario increases funding to the Majors and TAC enough to cover the projected inflation (1.6 percent per year) until the end of the planning period. This amount is a total increase of \$3.9 million, or 26% over 5 years, and would see municipal funding rise to \$18.9 million by 2013. The benefit of choosing the third scenario is that it steadies the funding to culture in the city while accounting for expected rises in costs to the arts organizations. The impact of choosing this scenario is that the artistic and cultural presence in the city should increase above current levels and by 2013 will reach levels not seen in the past 17 years.

2009 Budget implication: MCOs and TAC funding increase of \$787,000, or 5.24%.

## **Scenario 4 – Expected Inflation and Population Coverage**

By using the projected inflation (3 percent per year) and the projected population growth (0.7 percent per year) an estimated value can be calculated that compensates for the past changes in inflation and population along with those expected in the future. This amount is a total increase of \$6 million, or 41% over 5 years, and would see municipal funding rise to \$21 million by 2013. Scenario 4 is the best suited for re-establishing the cultural funding levels of the past. The impact of choosing this scenario will be an assurance that the City of Toronto maintains its status as a major international cultural city.

2009 Budget implication: MCOs and TAC funding increase of \$1,212,000, or 8%.

## **Scenario 5 – Matched Growth**

This strategy would see the City of Toronto match the past growth in revenues to the Majors and TAC that have occurred between 1991 and 2008. This would restore the balance of funding to the levels that they were at in 1991. This amount is a total increase of \$11.6 million, or 77% over 5 years, and would see municipal funding rise to \$26.6 million by 2013. This scenario is the minimum amount required to increase the cultural reputation and vibrancy of the city. It will have the impact of signaling to the global arts community that Toronto is aware that the funding received from other sources has risen over the past 17 years and that the municipality sees strengthening the cultural sector as a priority. The benefit of this message is that artists and others will rank Toronto higher on their list of potential cities to live in and visit.

2009 Budget implication: MCOs and TAC funding increase of \$2,335,000, or 15.5%.

## **Scenario 6 – Matched Expected Growth**

In the most ambitious strategy of all, the City of Toronto would match the revenue increases from other sources while also matching the expected growth in the years over which the plan will take effect. This amount is a total increase of \$13.5 million, or 89% over 5 years, and would see municipal funding rise to \$28.5 million by 2013. The impact of this scenario is that the city will make a clear statement that the arts are important to Toronto City Council and will become more important. Matching the funding increases to the Majors and TAC from other sources will allow Toronto's cultural organizations to flourish and expand. It will allow some artists and cultural producers to become global competitors in their professions.

2009 Budget implication: MCOs and TAC funding increase of \$2,696,000, or 17.9%.

### *The Case for Matched Growth*

Matching the funding and revenue growth from sources other than the municipality is an important funding goal for many reasons. Matched funding is a clear sign to the creative community that the municipality is as supportive as any other group. Knowing that the municipality is supportive will help to sway any location decisions the creative workforce makes when they are evaluating where they would like to live and work. Matching funding also encourages the entire community to be more involved and aware of the cultural sector of the city.

## Conclusion

This report has explored funding by the City of Toronto to the Majors and TAC between 1990 and 2008 in several different lights. It has compared this funding growth to the average growth in funding across the country on federal, provincial, and municipal levels. It has also considered the effects of the growth in population and the inflationary pressures on funding growth in the city.

With these considerations in mind the report finished by presenting six funding scenarios from which Toronto City Council could choose based on its tactical desires. Each of these six scenarios was created with the aim of narrowing the gap between the growth in nominal funding and the price pressures on the industry. The last two scenarios are aimed at increasing the standing of Toronto's cultural life in Canada and around the world.

All of the scenarios work toward the same end, ensuring that Toronto is a culturally competitive city. This goal is met through ensuring that the cultural foundations are laid and maintained which will attract a talented mobile workforce, help educate and connect the public, and boost the value of "Brand Toronto" on both the Canadian and world stages.

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