THE FUTURE OF ARTS, CULTURE, AND ENTERTAINMENT

A CALIFORNIA 100 REPORT ON POLICIES AND FUTURE SCENARIOS

CALIFORNIA 100

VISION & STRATEGY FOR THE NEXT CENTURY

ABOUT CALIFORNIA 100

The California 100 Initiative envisions a future that is innovative, sustainable, and equitable for all. Our mission is to strengthen California's ability to collectively solve problems and shape our long-term future over the next 100 years.

California 100 is organized around 15 policy domains and driven by interrelated stages of work: research, policy innovation and engagement with Californians. California 100's work is guided by an expert and intergenerational Commission. Through various projects and activities, California 100 seeks to move California towards an aspirational vision—changing policies and practices, attitudes and mindsets, to inspire a more vibrant future.

This California 100 Report on Policies and Future Scenarios was produced as part of California 100's research stream of work, in partnership with 20 research institutions across the state. California 100 sponsored grants for data-driven and future-oriented research focused on understanding today and planning for tomorrow. This research, anchored in California 100's 15 core policy domains, forms the foundation for the initiative's subsequent work by considering how California has gotten to where it is and by exploring scenarios and policy alternatives for what California can become over the next 100 years.

The California 100 initiative is incubated through the University of California and Stanford.

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READ MORE ABOUT THE FUTURE OF ARTS, CULTURE, AND ENTERTAINMENT IN CALIFORNIA

For additional background information, read the related Facts-Origins-Trends report at California100.org. The Facts-Origins-Trends report contains all of the references and citations to support the content of this report.

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This Report is one of 15 reports that will be released in 2022 as part of the California 100 Initiative. We are proud to partner with the following research centers and institutes across California on our work:

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FOREWORD

"As California Goes, So Goes the Nation, Alas." That was a headline from a *Los Angeles Times* opinion column on April 30, 1989, which noted that, even though "Californians have long considered their state the cutting edge of social and political change… [it] no longer seems the vanguard of political innovation. Other states rarely look to California for policy initiatives."

Fast-forward to 2022, and few would proclaim that California lacks in policy innovation. Quite the contrary. The state has enacted a variety of policies ranging from expansions in immigrant rights and voting rights to health care and higher education, and from large-scale experiments in guaranteed income to ambitious moves towards net-zero emissions in a variety of sectors. And despite the periodic waves of "doom and gloom" reporting about the state, California's economic output over the last 25 years has grown faster than the national average, and on par with GDP growth for the state of Texas.

Even so, much remains to be done. The California Dream has always been marred by a high degree of racial exclusion, and it remains out of reach for millions in the state—whether measured by health outcomes, unaffordable housing, or massive disparities in income and wealth. California also recognizes that future progress depends on recognizing and correcting historical wrongs. Its Truth and Healing Council, for example, will provide recommendations aimed at prevention, restoration, and reparation involving California Native Americans and the State. If California's racial diversity represents America's demographic reality by 2100, our work is essential—not only for the long-term success of the state, but also for our country's innovative and equitable future.

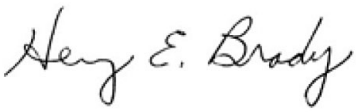
This future-focused work is especially pressing today. The COVID-19 pandemic has scrambled a state and nation already undergoing significant changes in economics, politics, and society. The harmful consequences of climate change are at our doorstep,

with forest fires and droughts that grow in frequency and intensity each year. The weakening of local media and the growth of disinformation threaten both our civic health and our public health. And staggering inequities in income and wealth, home-ownership and health, threaten the state's reputation as a haven for migrants, domestic and international alike.

In addition to immediate threats that affect our long-term future, we also see plenty of opportunity. Record increases in federal and state spending mean that billions of additional dollars are flowing to state, local, and tribal governments in California. Many jurisdictions are looking to invest in infrastructure that meets the long-term needs of their communities. Philanthropic institutions and individual donors are also looking to make transformative investments that have enduring impact. We have an opportunity to inform and enrich all of these plans and conversations.

Most institutions and organizations in California are focused on immediate challenges, and don't have the luxury of time, dedicated talent, and resources to focus on long-term futures. California 100 is grateful for the opportunity to provide added value at this critical time, with actionable research, demonstration projects, and compelling scenarios that help Californians—government agencies, stakeholder groups, and residents alike— to envision, strategize, and act collectively to build a more innovative and equitable future.

Karthick Ramakrishnan, Ph.D.
Executive Director



Henry E. Brady, Ph.D.
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INTRODUCTION TO ARTS, CULTURE, AND ENTERTAINMENT IN CALIFORNIA

Artists are a vital part of every community in California, contributing broadly to our quality of life and making the unique contributions that make California a dynamic cultural and economic leader. Artists create films, video games, poetry, literature, theater, music, visual art, dance, architecture, sleek technological tools, and creative goods and items that both shape and reflect our diverse culture over time. These practices and tools help us make sense of the ever changing world around us and connect us to the heritages both visible and invisible in our communities. Art inspires us to think in new and innovative ways all while

California is rich with opportunities for connecting the value engendered by art and artists to solve the most pressing issues of the day.

adding beauty and meaning to our everyday experience. Art therapies can alleviate the symptoms of serious traumatic brain injuries and mental health issues, the applicability of which has vast potential reach. Self-expression through art can assist all people, including non-professional artists, with learning how to cope with trauma, grief, and loss. In critical roles as activists and community leaders, art helps give shape to community identity and voice to community concerns and aspirations.

In California, as new technologies are ever more prevalent, artistic work is now created, accessed, and supported in these different platforms and formats. Because creativity, innovative ideas, and creative processes have become increasingly valued by businesses, California is rich with opportunities for connecting the value engendered by art and artists to solve the most pressing issues of the day. As artists are recruited as creative talent into a range of commercial fields, California is shifting from the belief that arts are a discrete and separate sector to one that understands the value of artistic and creative principles, including critical thinking, creative innovation, and visual aesthetics. In 2020 alone, federal labor analysis shows that California led the nation in value provided by the

Arts and Culture sector to the state, generating $225 billion, or 7.5 percent of the state's total domestic product. Although this is a minor decline in value from the sector in 2019, considering the devastating effects that the COVID-19 pandemic had on the economy and particularly on artists and cultural workers, the sector's value during 2020 demonstrates how critical arts, cultural, and entertainment industries are to California's continued economic and cultural successes.

At the start of the COVID-19 pandemic in March 2020, society shifted its attention to art and entertainment in a new and sustained way. With the statewide shelter-in-place order for more than a year, Californians turned to streaming television services like Netflix, video games such as Fortnite, and social media sites such as Instagram, Snapchat, and TikTok to occupy our time and provide us with connections in the virtual realm. Despite its importance in our society's culture, even professional sports, such as the National Football League and the National Basketball Association, were forced to take a hiatus from the critical seasons around which many American pastimes are rooted. Moving forward, the advancements made in technology that allowed us to connect to one another even while staying at home and the art forms that developed out of necessity during those iso-

lating months have demonstrated the speed at which art, culture, and entertainment can shift and transform in our society.

As the range of artistic media and cultural expressions has exploded in both access and content, driven by an increasingly diverse population, the imaginations of young people, and developments in technology, California has the opportunity to harness and cultivate this burgeoning creativity through its education systems in order to produce and retain local talent for the state. The growing cultural diversity of the state also increases the urgency of addressing issues of equity, access, and representation in the arts sector, particularly given the data that show the lack of diversity. In fact, recognizing the value artists can bring as thinkers, creators, and problem-solvers in generating solutions to the state's most pressing challenges such as racism, climate change, and inequality requires partnerships across various levels of government, communities, and business to ensure the arts and artists receive support for their contributions as an integral part of California's future.

WHAT DO WE MEAN BY ARTS, CULTURE, AND ENTERTAINMENT?

California is home to diverse contributors to the broad Arts, Culture, and Entertainment sector.

Arts, Culture, and Entertainment as a category refers to a wide array of products, events, innovations, institutions, and practices with a variety of economic and cultural impacts. The U.S. Bureau of Economic Analysis (BEA) and other institutions collect data on employment, economic impact, philanthropic activity, participation, usage, and availability that informs our current picture of the status of these fields. BEA lists arts and cultural employment categories such as performing arts, including theater and dance companies; independent artists, writers, and performers; computer systems design; motion pictures production and theaters; sound recording; broadcasting, including radio and television stations; and other information services, including streaming services through internet broadcasting and other online media.

Artists include those who produce art for sale and for publications, fashion and floral designers, interior designers, writers, graphic designers, music composers, special effects creators and cartoonists, and industrial designers. ***Performers*** include those who sing, dance, play instruments, play sports, and act. ***Directors and producers*** create and organize films, ballet, television shows, live theater, commer-

cials, products, and many other kinds of activities. And the purposes of these activities range from pure entertainment to communications to producing products and living spaces.

Beyond professional arts contributors, California's population of artists is growing and diversifying, and norms about who is considered an artist are changing. A 2016 report by the Center for Cultural Innovation states that:

"Although federal statistics can produce reliable counts of U.S. artists by a standard definition, there is a commonly held belief—among artists, cultural organizations, and some researchers—that the current categories are inadequate. Several factors thwart the ability to reach consensus, outside of federal data collection systems, about who should be considered an artist. For example, although artists are categorized as "professionals" in the U.S. occupational taxonomy, "artist" is not a designation owned exclusively by those with professional certification. There are no uniform standards that qualify artistic practice or use of the term "artist," making it difficult to distinguish among different levels and kinds of artists."

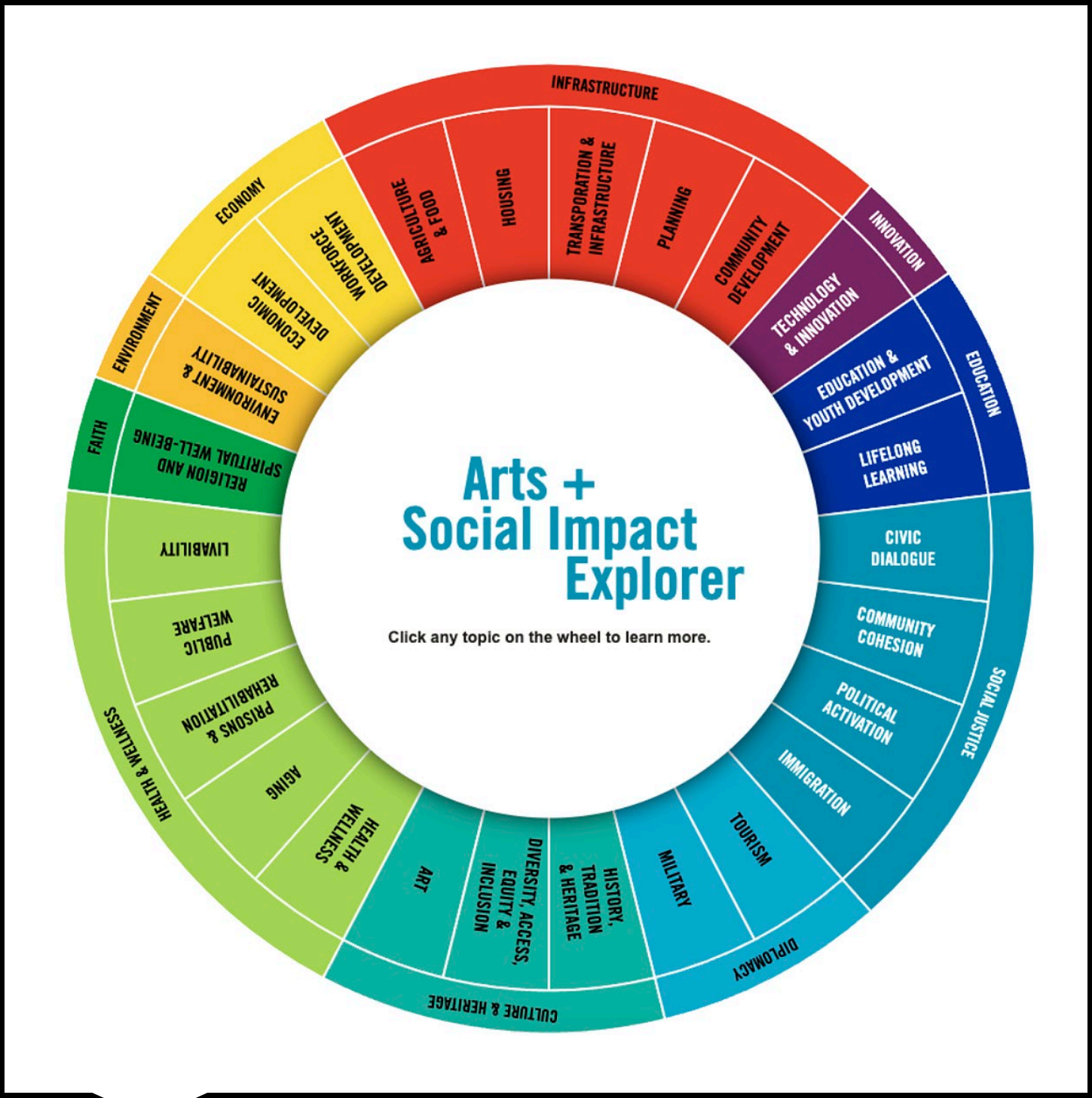
Our social norms for what is considered artistic practice and artistic work have changed over time, and the government's official categories may lag in capturing these evolving norms. Although we attempt to define the economic value of artistic contributions to California, we must also recognize that much of art's value is difficult to quantify.

THE ARTS PROVIDE INHERENT VALUE TO CALIFORNIA AND THE UNITED STATES

The Arts, Culture, and Entertainment sector in California is rich, deep, and complex. In various studies, arts participation has been positively linked with emotional well-being, social and civic engagement, tolerance and receptivity, and other factors that can contribute to healthy lifestyles and communities. National nonprofit *Americans for the Arts* has developed a "Social Impact of the Arts" explorer, which shares details and research demonstrating the ways in which the arts touch other aspects of our world. As the figure illustrates, the arts affect our economy, infrastructure, health and wellness, education, and many other ways that we experience the world. We only address a handful of these impacts in this report, but readers should remember that the arts touch our lives at almost every turn.

Each spoke on the figure's wheel provides insight into the transformative power that the arts can have in our everyday lives. The impact of the arts is far-reaching and integral to our society's ability to connect to one another,

Figure 1 **The Arts Provide Value Through Diverse Avenues**



SOURCE: Americans for the Arts Arts and Social Impact Explorer.

learn from each other, and share our common and different values. The positive benefits of the arts are as varied and diverse as the arts themselves. From *Native dances* to *rock music* to *painting used as therapy* to *community murals,* we use the arts to make sense of the world around us and to tell a story about our heritages and our pasts.

In order to understand the impact of the arts in California, we must review both the economic and social outcomes that the arts produce. One of the distinctive features of the arts sector is the intermingling of an economically competitive, profit-oriented sub-sector and a nonprofit sub-sector that focuses on artistic, social, and personal goals. These two sub-sectors draw ideas, personnel, and inspiration from one another, and a healthy arts sector requires that both prosper, although as noted above, the current metrics meant to identify the quantitative and economic value alone are inadequate because they do not account for those artists and cultural producers that make art for their personal benefits and for the imprecise boundaries of what constitutes "art." This report considers the health of both sub-sectors, and it begins with the very significant economic value of the arts before turning to other ways to evaluate them.

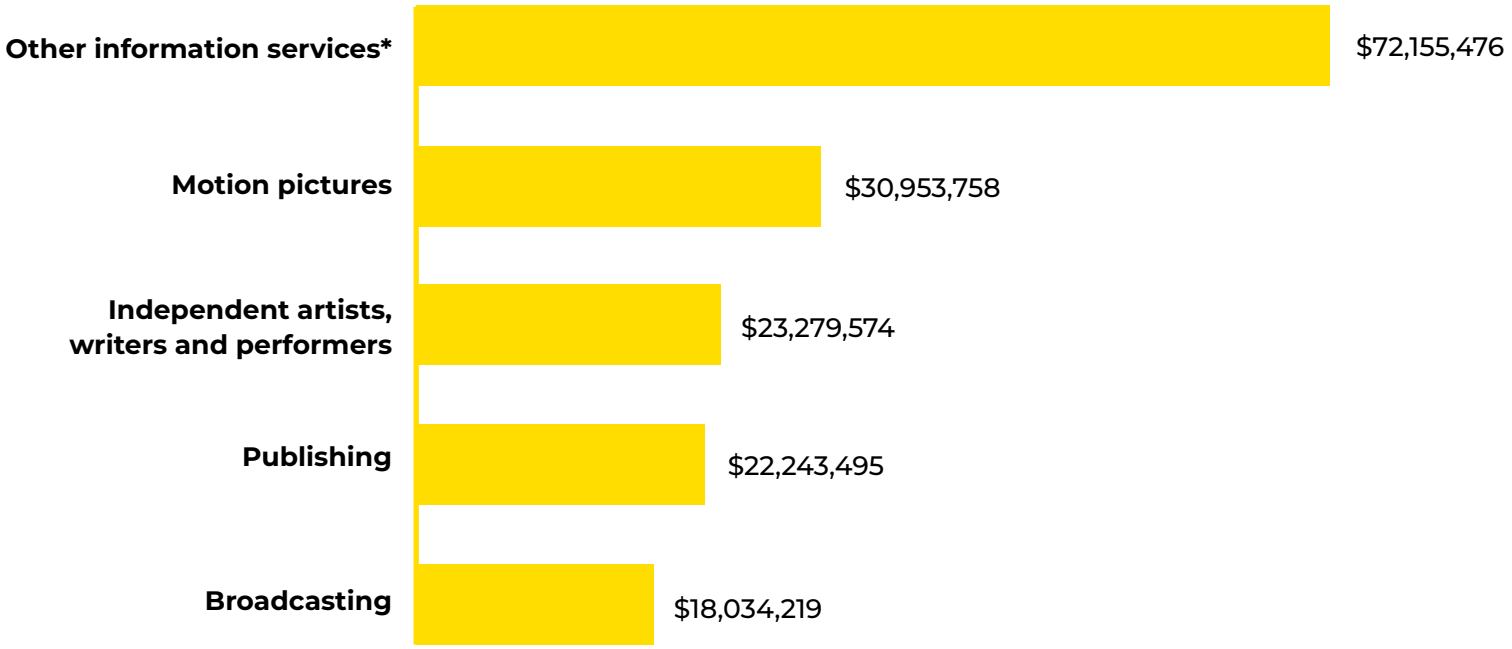
ECONOMIC LEADERSHIP

California leads the nation in the size of its arts and cultural economic production, outperforming every other U.S. state and most countries in the world. It relies on the corporate entertainment industry–including online streaming platforms, video games, and motion pictures–for its economic prowess. California ranked first in 2020 across the nation in the value that the Arts and Culture sector provided to the state, generating $225 billion. This value represents a minor decline in the Arts and Cultural sector's contributions to the state from 2019, which saw a value of nearly $237 billion. However, considering the devastating effects that the COVID-19 pandemic had on the economy and particularly on artists and cultural workers, the sector's production during 2020 demonstrates how critical the industries are to California's success.

Moreover, this value accounted for 7.5 percent of the state's total GDP (the second highest proportion behind the state of Washington at 10.3 percent and ahead of New York at 7.3 percent), which generally matched the proportion of the sector's contributions in 2019.

Although this value has more than doubled since 2001 when the industry earned $94.1 billion, the Arts and Culture sector contributed about 6.7 percent to the state's GDP at the time. Therefore, in real terms, the Arts and Culture sector has remained a steady, consistent, and growing contributor to California's economic health and stability over the past few decades. California's arts and cultural production grew 5.5 percent between 2018 and 2019 compared to a national growth of 4.5 percent, which demonstrates the sector as a growing and sustained element of California's economic and employment future. The figure below shows the top five sectors within California's thriving arts and cultural industries.

Figure 2 **Top Arts and Cultural Industries in California, 2020, in billions**



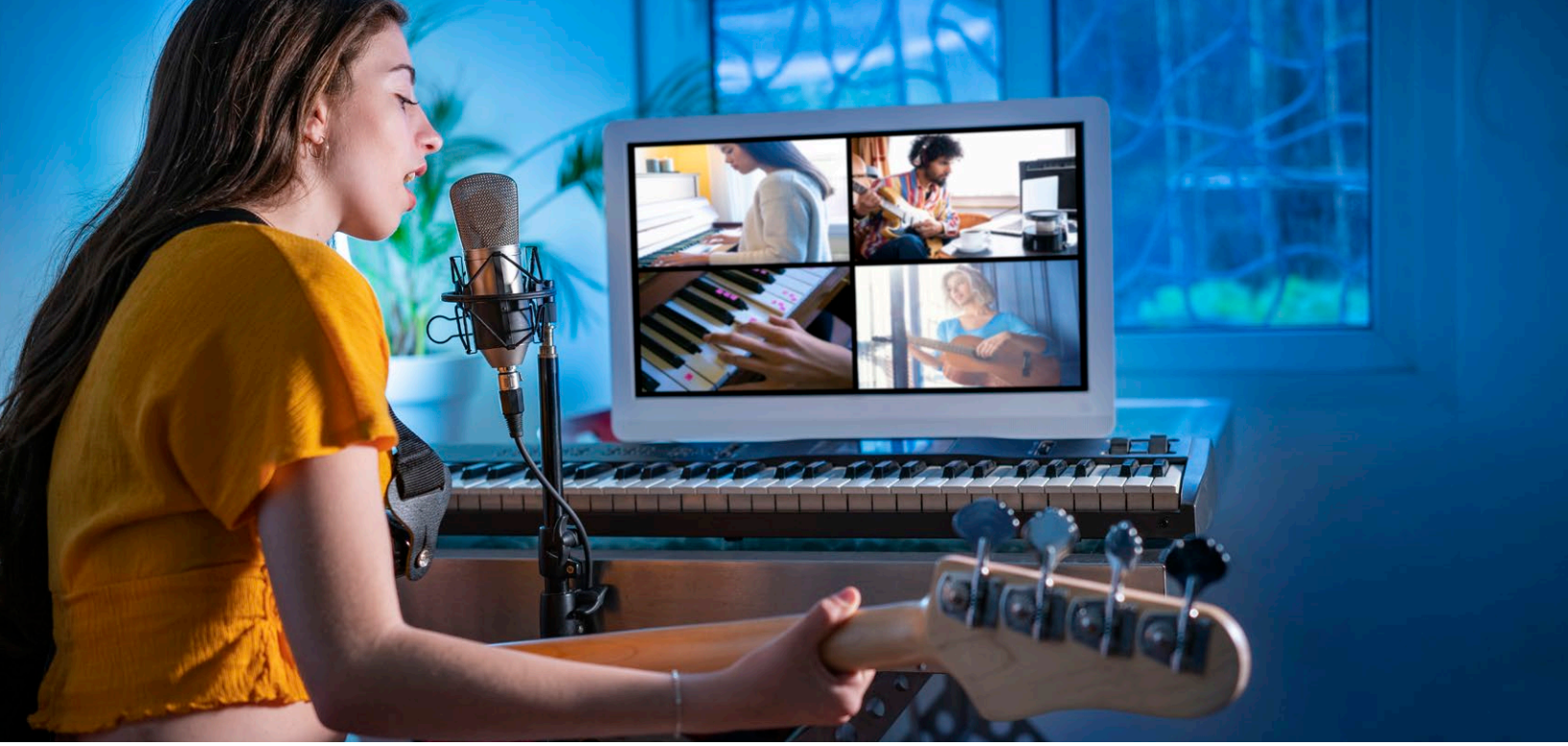
SOURCE: Top arts and cultural industries in California, U.S. Bureau of Economic Analysis, 2020.

NOTE: *Other information services refers to online publishing and broadcasting, including streaming services, news syndicates, libraries, and other web search portals.

Federal data reveals that in 2020 the motion picture industry in California yielded approximately $31 billion in economic output alone. Given the production restrictions due to the COVID-19 pandemic, this value demonstrates the significant economic impact the industry has in the state. In recent years, streaming services and emerging digital media in California have surpassed the motion picture industry as an economic powerhouse. Analysis for 2020 shows that streaming services–likely made ubiquitous due to California's statewide shelter-in-place order–added more than $72 billion to California's economy. In fact, as headquarters for the top two media companies in the world–Netflix and Walt Disney Studios –California should be able to maintain its supremacy in the entertainment and digital media field, if it can retain and cultivate similar successes.

California's artists were hard-hit by the COVID-19 pandemic, with a loss of nearly 100,000 jobs in the arts and cultural sector between 2019 and 2020. Still, in 2020, more than 680,000 workers–nearly 4 percent of the state's total workforce–in California contributed to the sector, and California continued to rank first in the nation in Arts and Cultural employment and total compensation in 2020. In 2020, California's average compensation for wage and salary arts positions was nearly $160,000, which exceeded the average for all salaried jobs in any industry throughout the state.

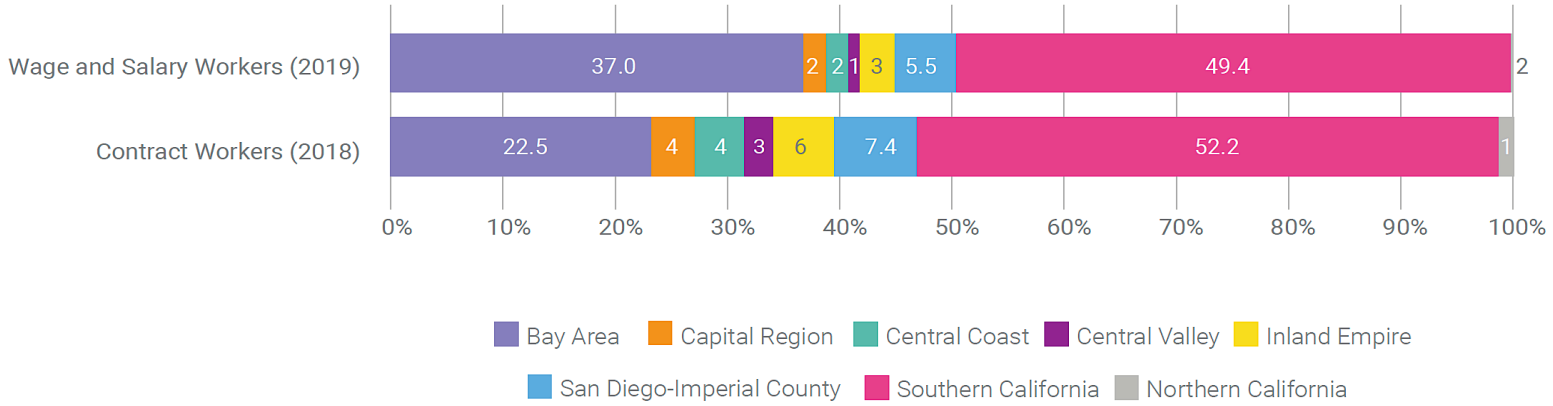
The majority of California's arts and culture employees work in entertainment and digital media. Since 2008, the entertainment and digital media industries grew faster than any other sector, adding 188,000 workers over the last decade for a growth rate of 32 percent. Only three industries within the Arts and Cultural sector experienced employment growth during the COVID-19 pandemic in 2020: Industrial design services (16.4%), Other information services (8.6%), and Sound recording (0.6%). The remaining arts and cultural subsectors all experienced employment losses during 2020, including the motion picture industry, which is the largest sector for employees in California. In fact, the motion picture industry experienced a 23.3 percent employment loss–from more than 135,000 employees in 2019 to fewer than 104,000 in 2020. The hardest hit industries included promoters of performing arts and similar events (-38.6%) and performing arts companies (-37.6%).



REGIONAL BREAKDOWN OF ARTS, CULTURE, AND ENTERTAINMENT EMPLOYMENT IN CALIFORNIA

A greater proportion of California's artists are non-Hispanic whites than the state's general population. California's artists are better educated than the rest of California's workforce, and more likely to be self-employed or act as independent contractors. This split between traditional and nontraditional (contract) employment presents challenges for artists in the state. Southern California and the Bay Area have the largest concentration of arts employment, with a combined total of nearly 75 percent of California's traditional employment and more than 86 percent of the state's contract employment. The figure below shows the breakdown of employment by region. Those regions outside Southern California and the Bay Area offer opportunities for growth and expanding a diverse economy throughout the state. Although the broader San Diego and Imperial County region accounts for only 5 percent of the state's arts and cultural employment, each industry sector within the region has rapidly grown. The entertainment and digital media industries were the fastest growing fields, adding more than 1,200 jobs in San Diego and Imperial Counties between 2010 and 2017. Similarly, the Central Coast and Sacramento (Capital) regions are dominated by the same industries as well. Alternatively, the Inland Empire's creative industry is dominated by the creation of artistic goods, with nearly 40 percent of the region's total creative employment. Despite the small concentration of creative industries in these regions, the lower cost of living and the opportunities for expansion may lead to growth in the field in coming years.

Figure 3 **Breakdown of Arts and Cultural Industries by Region**



SOURCE: Otis Report of Creative Economy, 2021; Analysis by Beacon Economics.

DATA: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Census Bureau, Nonemployer Statistics.

HEALTH, EDUCATIONAL, AND TECHNOLOGICAL BENEFITS

MENTAL HEALTH AND SUPPORT FOR AGING POPULATION

Arts therapies, participatory arts models, and design-based practices have proven health benefits to support various groups of Californians and to reduce healthcare costs throughout the state. California is getting older. According to state projections, more than 9 million Californians will be over the age of 65 by the year 2030. This growth means that more than 20 percent of the state's residents will be seniors within the next decade. As the older population grows exponentially, California will need to adopt interventions that can prolong cognitive function, increase quality of life and socialization, and allow for alternatives for an impending shortage of caregivers. The arts are already known to be a strong preventative method for dealing with some of these issues, and they will likely be more widely adopted to improve the health outcomes of our oldest Americans as the population grows older.

California is home to significant portions of the United States military with large populations spread throughout the state, most notably in San Diego county and in the Sacramento metropolitan area. Military personnel and veterans suffering from post-traumatic stress and traumatic brain injuries reported decreased levels of depression and an improved ability to process their trauma due to arts therapies. Specifically, research found that two out of three soldiers who have been treated with art therapy say that it improved their symptoms of depression and 85 percent of military patients say that art therapy was helpful to their healing.

As an oft overlooked aspect of community health, arts programs provide solace, strength, and self-expression for incarcerated individuals seeking rehabilitation. California supports programs in its correctional system–*Arts in Corrections and Reentry Through the Arts*–to provide art therapies. California Lawyers for the Arts found that participation in arts programs improved inmates' abilities to understand their own emotions, feel safe expressing themselves, and communicate effectively, all of which are key factors in rehabilitation. Studies in California also showed that rates of parole violation for *Arts in Corrections* participants were 15 percent lower than nonparticipants six months after release. After two years, this difference climbed to 30 percent. More than half of the *Arts in Corrections* participants reported that the self-confidence they gained in the arts programs motivated them to participate in other educational and vocational opportunities while incarcerated.

Research shows that participating in visual arts for as little as 10 weeks increases the resiliency and neural connectivity of the brain. This resiliency can result in increased self-awareness and better memory processing. More than 50 percent of U.S. hospitals now offer some type of arts programming, due to the acknowledged benefits recognized by medical professionals that the arts can provide to their patients. There is also a growing body of research that demonstrates that the arts can reduce healthcare costs. For example, Tallahassee Memorial HealthCare used a musician during the preparation period for pediatric CT scans and saved more than $560 per procedure. If such a practice was implemented nationally, savings could exceed $2.25 billion.

ARTS EDUCATION HELPS YOUNG PEOPLE LEARN AND PERFORM BETTER BOTH ACADEMICALLY AND SOCIALLY

Almost all Americans believe that the arts are vital to providing a well-rounded education and more than 90 percent say students should receive arts education throughout their elementary, middle, and high school years. In fact, the rich and well-documented connections between the arts and education, both formal and informal, create a robust case for supporting arts education funding and arts education policy in every community.

Specifically, low-income students with high arts participation have a significantly lower dropout rate–nearly five times lower–and are twice as likely to graduate college as their low-income peers with no arts education. The arts also provide access to young people to become more civically engaged. Seventy-eight percent of young adults who had arts-rich experiences were more likely to vote or participate in a political campaign.

LINKING THE ARTS WITH SCIENTIFIC INNOVATION AND TECHNOLOGICAL ADVANCEMENT GENERATE NEW DISCOVERIES

As the growth in employment and wages in the entertainment and digital media industries showed, the arts in California are inextricable from the advancements of technology.

We see evidence of this connection as California's arts and cultural impacts continue to grow. The majority of arts organizations agree that digital technologies have "played a major role in broadening the boundaries of what is considered art" (Thomson, 2013). In fact, according to LinkedIn, the top tier companies of the technology industry are competing with one another for design talent. Facebook, Google, and Amazon have collectively grown their art and design staff headcount by 65 percent since 2017. Ensuring California's continued economic growth requires a pipeline of talented people who can combine arts and technology.

Although the arts have been inextricably bound with technological innovation for many centuries, California has directly observed the impact that a focus on the arts—particularly the digital arts—can play on this innovation. California's public and private universities have been leaders in developing programs to encourage interdisciplinary work between artists and engineers to advance technology and to improve the tools we use in our everyday lives. These innovators use generative art and design to parse complex systems, which has ultimately created a series of products that have been successfully consumerized, such as the iPhone, video games, Spotify, and social media.

New entertainment platforms have developed in recent years, dramatically changing the shape of this particular market and having an enormous effect on industry, workers, and audience alike. Streaming platforms such as Netflix and Hulu were popular pre-pandemic, but Nielsen ratings for the first week of March 2020 at the onset of the shutdown report that households were streaming 85 percent more content than the same period in 2019. California has the top two media companies in the world–Netflix and Walt Disney–which demonstrates that the state has the opportunity to leverage the talent and capital to benefit the state writ large.

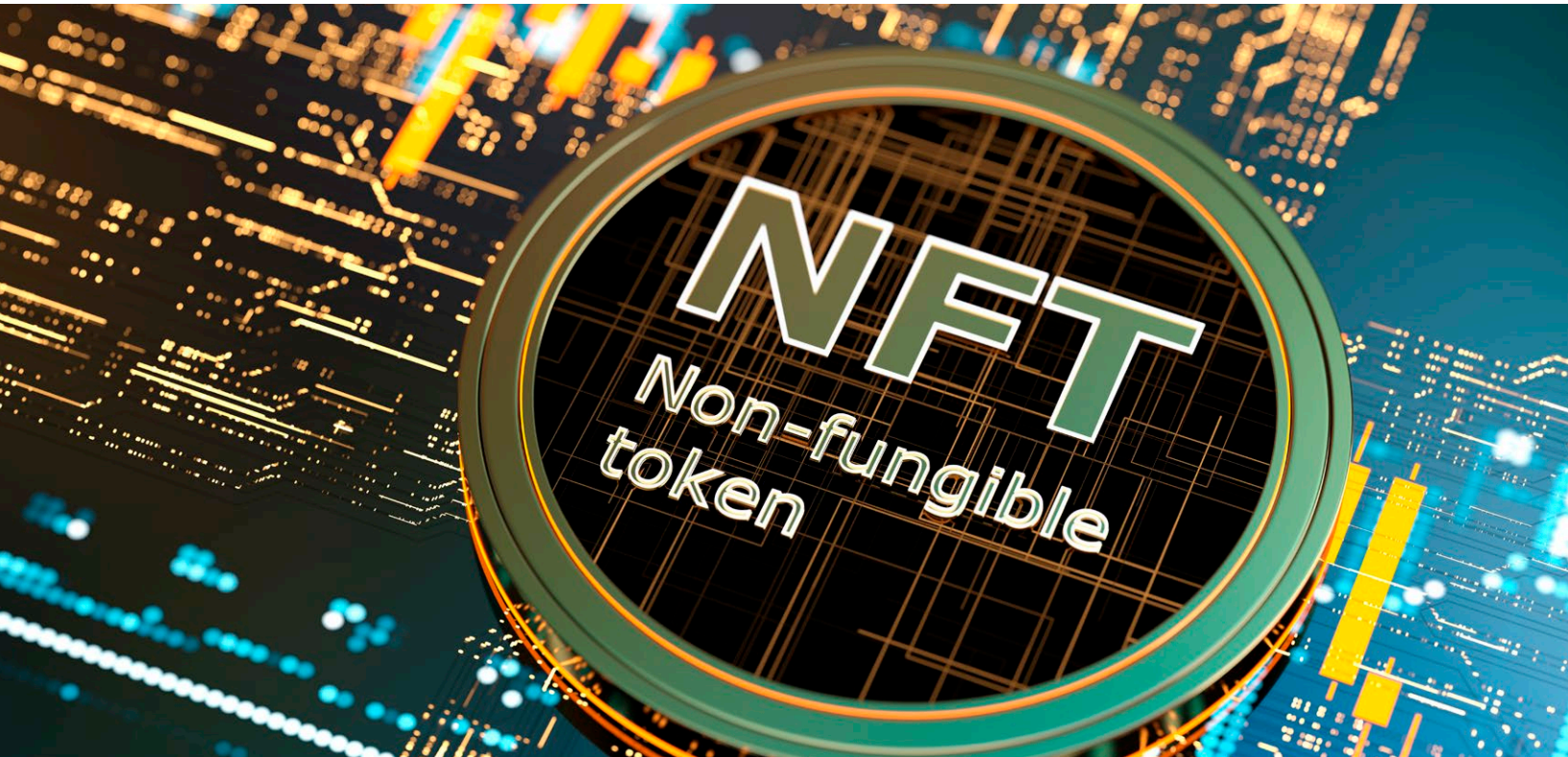
By definition, emerging media are new communication formats that have not yet become part of an established or traditional artistic medium. Part of the artistic exploration and experimentation that results in technological and scientific advancements may take decades to develop into presentable or usable art. Even then, the new medium is often continuously refined and iterated upon, such as the case with the emerging media of virtual reality and computer-generated imaging. The uni-

versity departments and programs that focus on emerging media are defining a new field where art is becoming an important driver in every area of STEM education. Art is evolving in a new and unique way that is pointing to future growth with a new workforce of hybrids that are facile in both research and production.

As research and education expands around emerging media, many of these efforts focus on tying arts to engineering. Emerging media in areas such as virtual reality exemplify the complex information processing and meaning-making ability of the arts, now at a much greater scale. These new media will allow us to discern things about the world around us in new ways, and they will place us both deeply within, and at the same time, outside of, the information at hand, enabling an uniquely original view. The combination of these new media with artificial intelligence presents possibilities for human experience and understanding that will probably change the way we think of reality.

NON-FUNGIBLE TOKENS (NFTS) AND BLOCKCHAIN PLATFORMS

The new technologies of non-fungible tokens (NFTs)–as well as blockchain platforms more broadly–have realigned the arts and entertainment markets in California, and throughout the world, to leverage the existing historical investments in technology advancements with emerging media and art. NFTs allow consumers to purchase an original and unique digital item from an artist or creator. NFTs can be anything digital, but a lot of the



recent excitement has been around using the technology to sell digital art. NFTs have been recently used to collect digital sports memorabilia, purchase viral digital art, and share digital music videos directly from the artist. Although you can copy digital files as many times as you want, an NFT provides the buyer with ownership of the original work. To put it in terms of physical art collecting: anyone can buy a Van Gogh print, but only one person can own the original.

NFTs allow artists to sell work that there may not otherwise be a market for. NFTs also have a feature that works like royalties—every time the NFT exchanges hands, the artist receives a percentage of the sale. In March 2021 alone, collectors and speculators spent more than $200 million on NFT artwork, nearly matching the total NFTs purchased in 2020 of $250 million. While critics have dismissed this craze as the new passing fad, some artists see NFTs as their first real foray into selling digital art, and with that opportunity comes hope for many struggling or historically marginalized artists. Because digital art is so freely available, it has long been undervalued, and artists have struggled to generate revenues from their work. With NFTs, artists can create and market digital art that still maintains a level of rarity, similar to traditional (and expensive) pieces of art. No one quite knows what their impact will be, but they have certainly caused a stir in the art world, and they epitomize the way that new technologies are transforming that world.

IN THE PAST FIVE YEARS, CALIFORNIA HAS FUNDED MANY ARTS PROGRAMS THROUGH THE CALIFORNIA ARTS COUNCIL

In 2021, California ranked 27th in per capita funding for the arts across the United States, appropriating only $0.87 per person for statewide arts programs. Moreover, state funding amounts to less than one-thousandth of the economic activity in the commercial arts sector so that the agency's impact is predominantly focused on supporting local, community organizations. The California Arts Council receives funding through the state budget allocation process, and awards grants and programs to support the state's arts and cultural communities through the development of partnerships with the public and private sectors to enhance the cultural, educational, social, and economic growth of California.

Although distinctly separate from the commercial digital media and entertainment arts that this report addressed in the earlier section quantifying the arts' economic benefits, California's public support for the arts appears significantly smaller than the economic value that the sector provides to the state. However, as the primary entity demonstrating California's commitment to a vibrant artistic future,

the California Arts Council serves a critical role as the state agency for the arts. In fact, California has substantially increased its arts funding through the California Arts Council recently. Specifically, the 2021-22 fiscal year state budget infused additional one-time funding for the Arts Council, including a $60 million one-time appropriation for the California Creative Corps Pilot Program. This program will support artists and local arts organizations with a focus on art campaigns related to relevant activism of the day: public health awareness, upcoming election opportunities, and social justice and community engagement. This program requires the California Arts Council to provide grants in every county and to prioritize grants in low-ranking zip codes on the California Healthy Places index.

The California Arts Council has experienced a series of increases in its annual budget from the State General Fund since 2013. The vast majority of this budget goes directly into grants and contracts for regional and local community arts organizations, and some funding remains with the California Arts Council as operating costs. As Figure 4 below shows, the California Arts Council has become substantially better funded in recent years. As of late 2019, the agency had grown by 13 programs including approximately 860 grantees. In 2021-22, the state infused an additional $100 million in one-time funding for specific arts programs throughout the state. Some of this funding for California's arts came through the federal American Rescue Plan stimulus program. Although these recent increases for the state's arts agency are promising, until California develops a non-discretionary mechanism to ensure sustained funding for regional and local arts programs each year, it is likely that the arts will continue to be first on the chopping block during economic downturns, just as the California Arts Council's budget shows following the Great Recession.

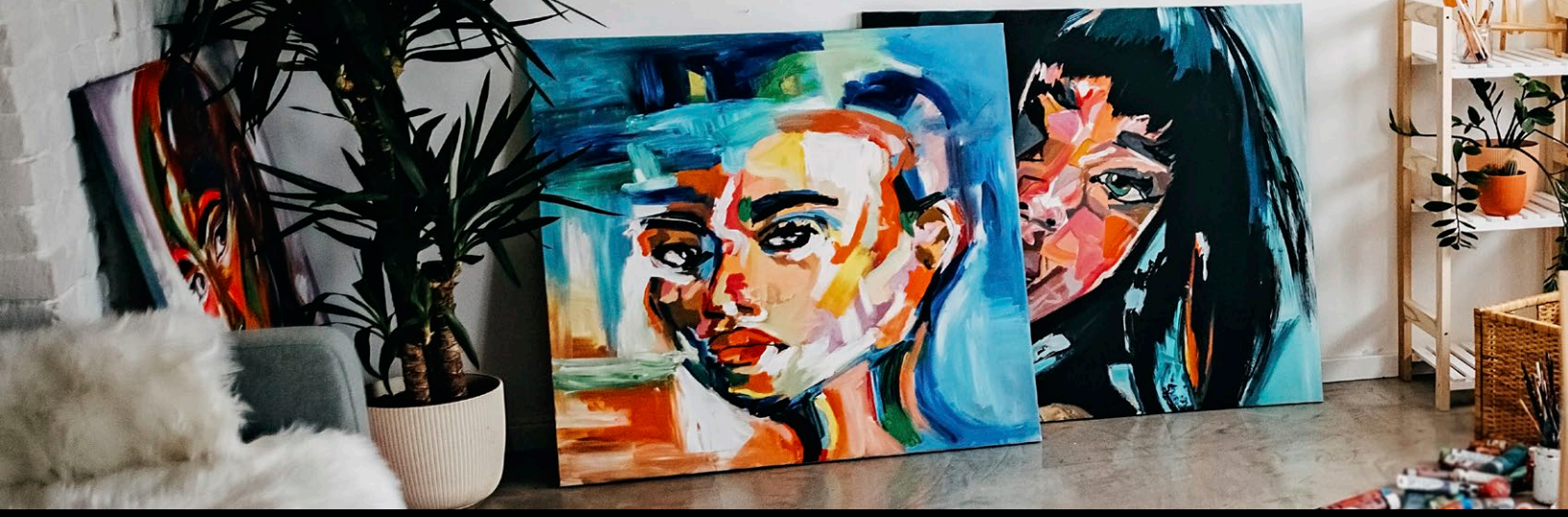
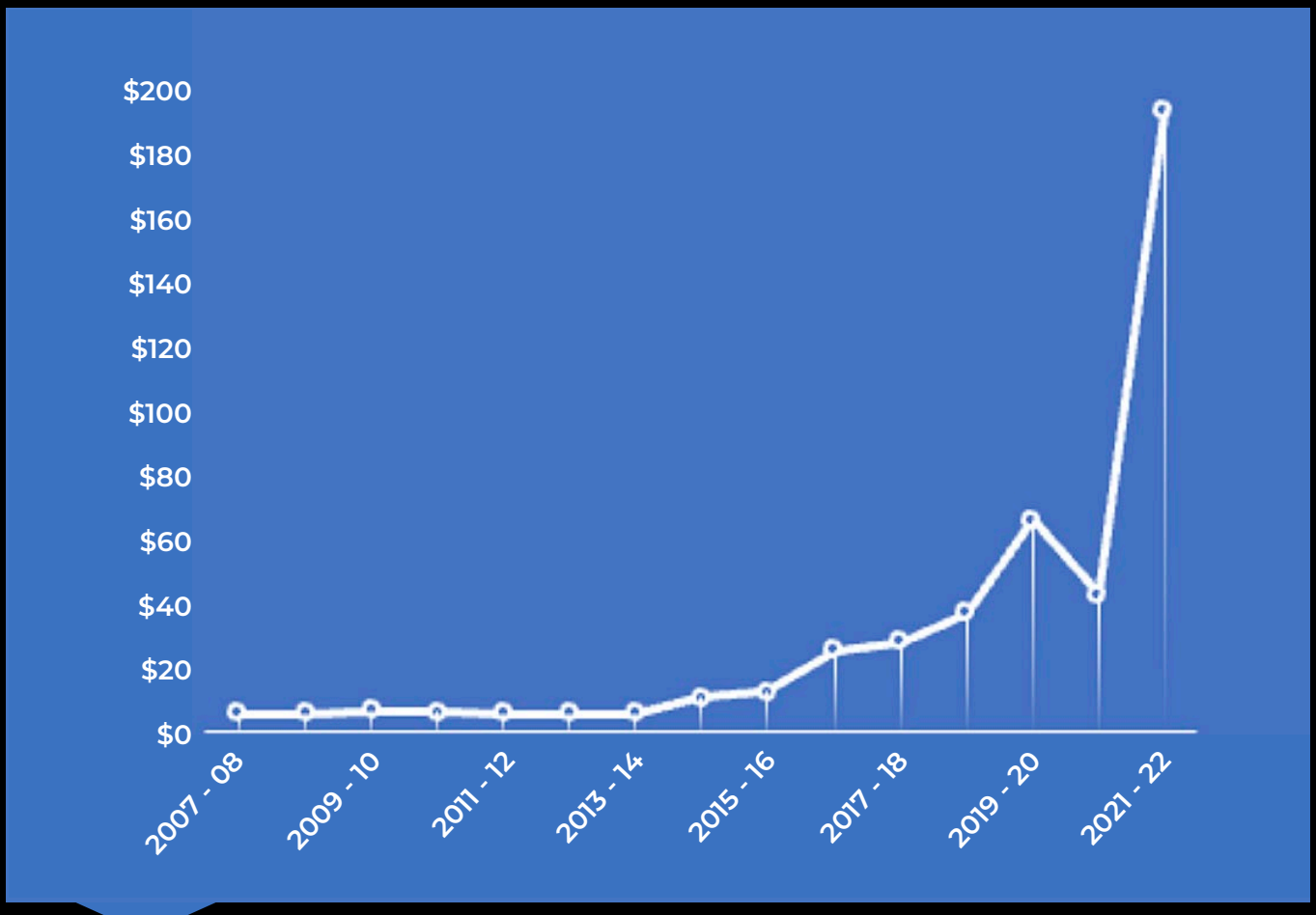
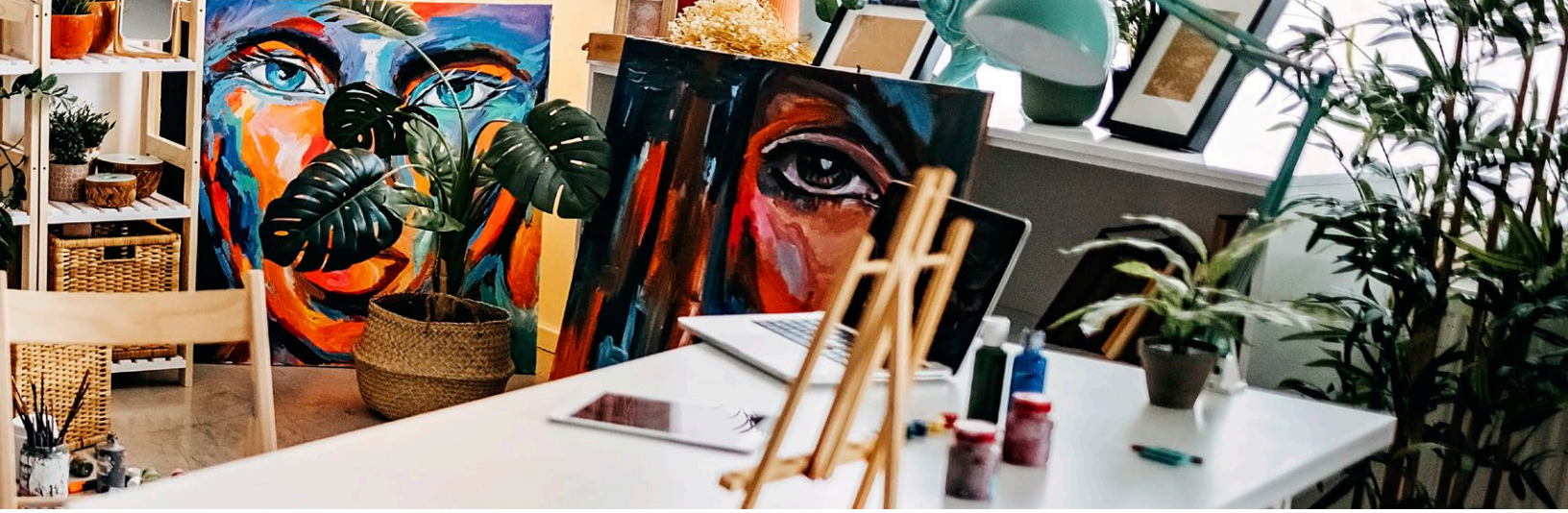


Figure 4 **Although the California Arts Council's Budget Has Grown in Recent Years, the State Has Not Created a Dedicated Funding Mechanism for this Agency**



SOURCE: California Arts Council Budget, 2007-2021



CALIFORNIA CULTURAL DISTRICTS

California is exceptionally diverse; no race or ethnic group constitutes a majority.

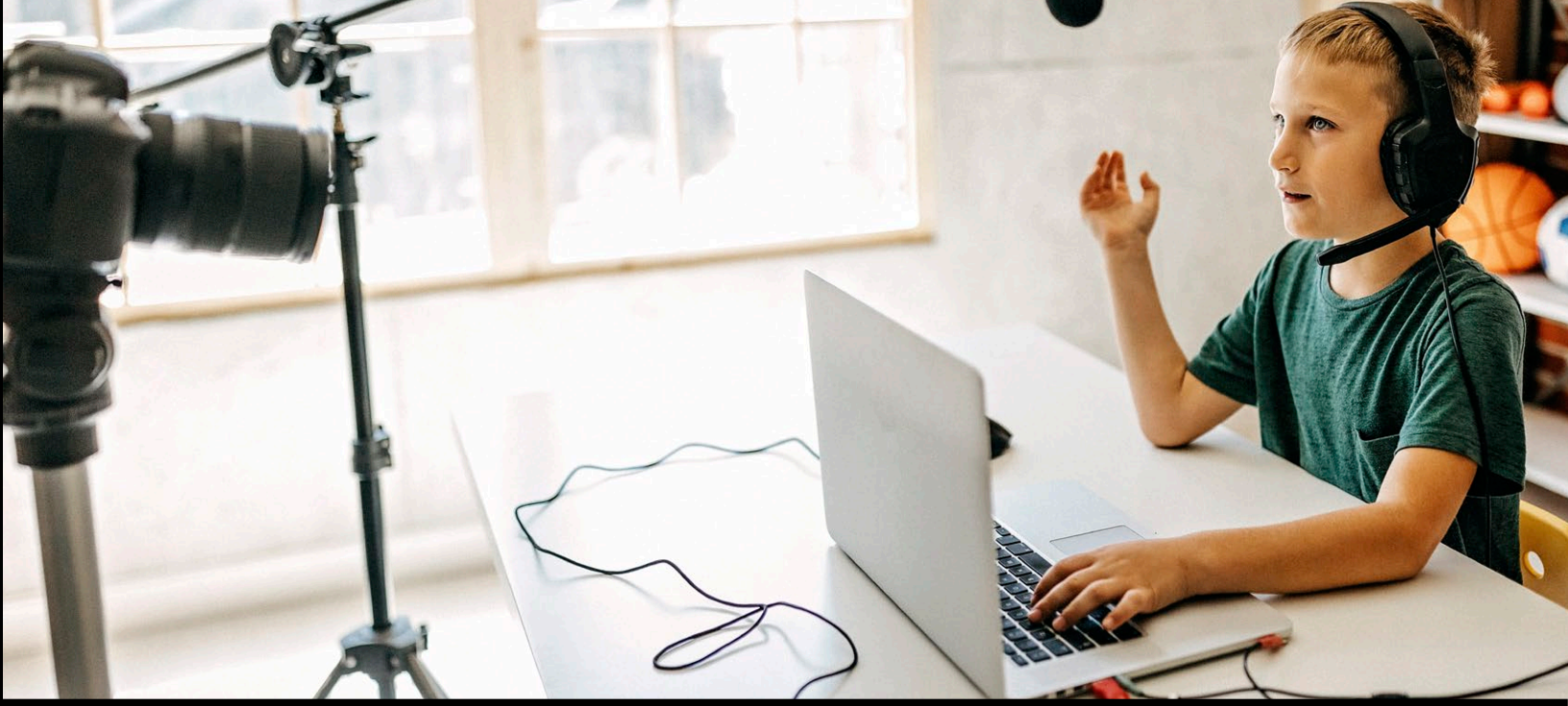
39 percent of state residents are Latino, 36 percent are white, 15 percent are Asian or Pacific Islander, 6 percent are African American. Although federal analysis shows that California's artists are more likely to be white than the workers in other industries, overall, California's arts and cultural offerings throughout the state reflect this diversity.

In an attempt to support and enhance this richness, in 2015 the Legislature passed a law to establish criteria and guidelines for state-designated cultural districts throughout the State. The bill authorized the California Arts Council to certify these cultural districts through a competitive application process. In 2017, the California Arts Council announced 14 cultural districts that serve as California's inaugural state-designated Cultural Districts. These districts highlight the thriving cultural diversity and unique artistic identities within local communities across California.

The California Cultural Districts program aims to leverage the state's artistic and cultural assets. Aligning with the mission and values of the California Arts Council, the districts will celebrate the diversity of California while unifying under an umbrella of shared values-helping to grow and sustain authentic grassroots arts and cultural opportunities, increasing the visibility of local artists and community participation in local arts and culture, and promoting socioeconomic and ethnic diversity. Districts will also play a conscious role in tackling issues of artist displacement. A Cultural District, as outlined by the program, is a well-defined geographic area with a high concentration of cultural resources and activities. Each of the districts will receive the designation for a period of five years, per state legislation. Designation, under this pilot launch of the program, includes benefits such as technical assistance, peer-to-peer exchanges, and branding materials and promotional strategy.

Figure 5 **California's 14 Cultural Districts are Spread Throughout the State**

SOURCE: California's Cultural Districts



CALIFORNIA REQUIRES ARTS EDUCATION IN VARIOUS FORMS

As of January 2019, arts education is a required part of the California curriculum from Kindergarten through 12th grade in five disciplines: dance, media arts, music, theater, and visual arts. California's arts standards seek to promote artistic literacy through arts as communication, as creative personal realization, as cultural and historical connectors, as a means to well-being, as community engagement, and as a profession. California has attempted to expand arts offerings to prepare high school students for careers and opportunities in the arts through its ***Arts, Media, and Entertainment program***. Unlike other educational opportunities for the arts, the Arts, Media, and Entertainment program provides "hands-on" technical training for students, meant to give them practical vocational skills for use in the workforce. In 2019, the Arts, Media, and Entertainment industry sector served 231,000 students, making it the largest technical education program in the state.

The Arts, Media, and Entertainment Workforce Training Initiative aims to support the need for diversity, equity, and inclusion in the entertainment industry. Its website explains that, by connecting public high school career technical education programs to youth apprenticeships and career training opportunities in the entertainment industry, studios and hiring entities can help provide access for young people from under-resourced communities. The workforce initiative has targeted the sectors of Commercial Music and Professional Audio; Animation, Game Design, and Visual Effects; and Set, Stage, and Live Event Production for these apprenticeships.

DESPITE THESE BENEFITS, CALIFORNIA'S ARTS AND CULTURE SECTOR FACES MANY CHALLENGES

CALIFORNIA'S ARTS, CULTURE, AND ENTERTAINMENT REALM SUFFERS FROM FRAGMENTATION

Because of its expansive and complex nature, the arts, culture, and entertainment sector suffers from severe fragmentation. Work in these areas span the visual arts, architecture, music, poetry and the performing arts of dance, music, opera, and theater. Because creators in the field work in the public, non-profit, and profit-making private realms, their experiences may vary greatly in their economic outcomes and the type of work they do. Because of this diversity and variation, it is often difficult to speak about "the arts and entertainment" as one cohesive unit or topic. We consider some of the more significant challenges created by this fragmentation below. However, each individual style or type of art may present these issues differently. Moreover, fragmentation within the arts may affect different artists and cultural workers, particularly Black, Indigenous, and other artists of color, in nuanced and specific ways.

ALTHOUGH ARTS NONPROFITS ONCE SERVED LOCAL COMMUNITIES, THE PURPOSE OF AND FUNDING FOR NONPROFITS IS DWINDLING

Nonprofits support a great deal of art and entertainment such as ballet, modern dance, opera, community enrichment programs, symphonies, jazz, theater, concerts, art museums, and many other artistic areas.

It was once believed that government support for nonprofits would "offset market failures and address issues of equitable access to public goods." However, given the supremacy of the commercial entertainment industry as one sector of the arts in California, this rationale is difficult to accept in today's modern world. The James Irvine Foundation's report on *Critical Issues Facing the Arts in California* from 2006 denotes:

"After four decades of expansion and diversification in the number and type of nonprofit cultural providers, encouraged by funding from government, foundations, and individuals, the United States' nonprofit cultural sector now faces serious challenges to its future viability. One of the main threats is a shift in the way the public values culture, both in style and in substance."

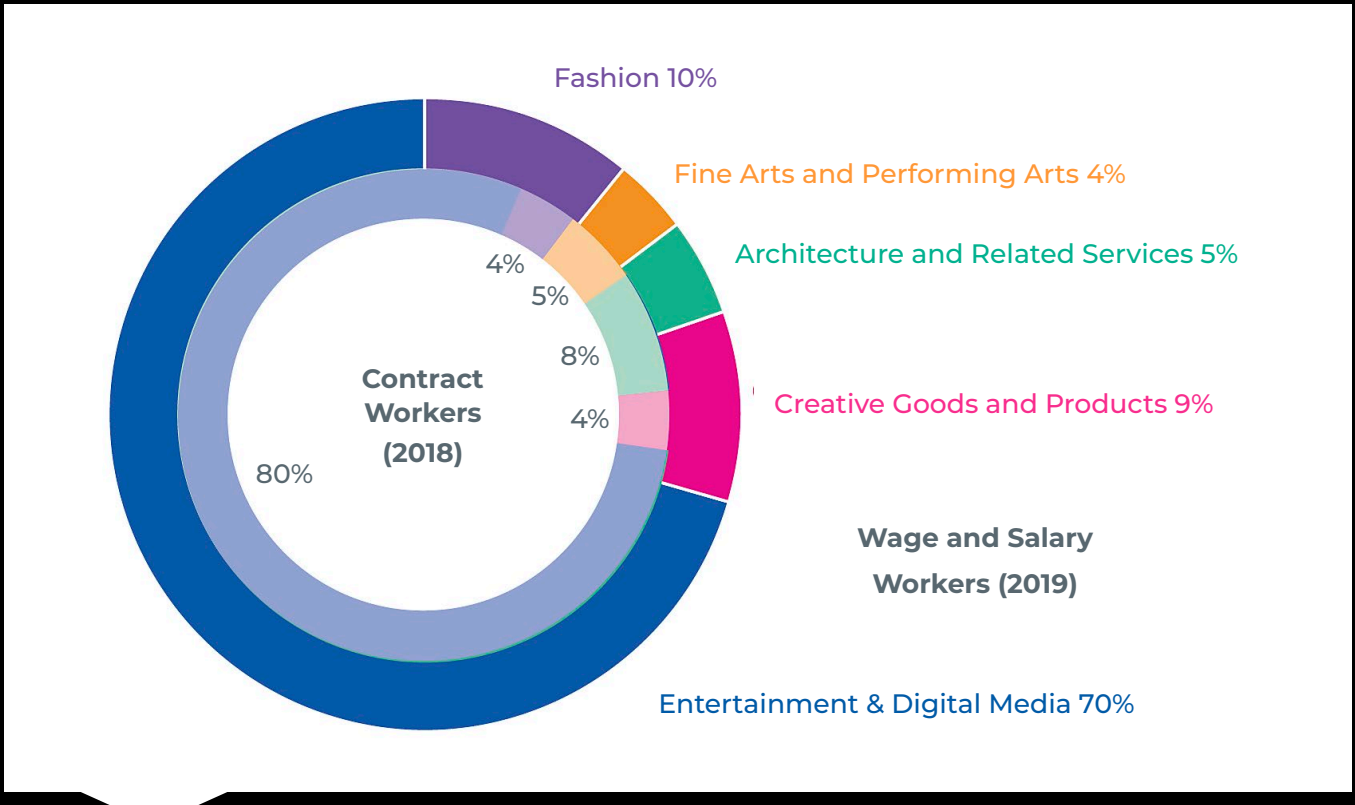
Although individuals still engage with arts activities at a personal level, the report found that audiences at nonprofit arts organizations were generally flat or shrinking, due to the oversaturation of cultural institutions in the field. This oversaturation is marked, given that nonprofit arts organizations compete both with one another for audience participation and community engagement, but also with the entire scope of commercial and alternative leisure and entertainment options available.

In 2011, California had nearly 11,000 arts and cultural nonprofits throughout the state. As noted in the section on California Arts Council's grant programs above, the California Arts Council awarded 336 grants–to about 3 percent of the total nonprofits in the state–totaling $9.2 million in 2021, but this is merely an average of $27,000 per organization – hardly enough to support anything more than a small number of events. Although no more recent analysis has been performed to quantify the remaining number of arts nonprofits in California over the past decade, other research shows that arts nonprofits have been struggling and dwindling due to external forces, particularly given the impact of the COVID-19 pandemic on arts organizations as well as artists directly.

RECENT CHANGES TO EMPLOYMENT LAW WILL NEGATIVELY IMPACT ARTISTS WORKING IN THE GIG ECONOMY AND FOR SOME NONPROFIT ORGANIZATIONS

Artists and cultural workers are employed by a variety of organizations in two main capacities, either as employees or as contractors. Contract employment is high in the arts, culture, and entertainment sector overall, particularly in the sectors shown in the figure below. The 2021 Otis Report on the Creative Economy found that contract employment occurred more frequently than wage and salary employment, particularly in the entertainment and digital media sectors as well as the architecture and related services fields.

Figure 6 **Breakdown of Full-Time Employees and Contract Workers by Industry in California**



SOURCE: Otis Report of Creative Economy, 2021; Analysis by Beacon Economics.

NOTE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Census Bureau, Nonemployer Statistics.

Although people often think of platform companies like Uber, DoorDash, or TaskRabbit when they think of the "gig economy," the term is rooted in the iconic short-term contracting work that artists and other arts workers have long performed. The original gig workers, musicians and other performing artists have historically lacked a consistent relationship with a single or static employer. However, this new gig economy has demonstrated the need for California to update and clarify how workplace laws apply to evolving work relationships.

Gig economy:

Refers to a work environment where labor is structured around temporary employment, contracts, and projects ('gigs'). Instead of receiving hourly or salaried compensation, workers are paid by one-time projects or tasks.

When working as employees, individuals receive wage and hour law protections (e.g., minimum wage, overtime, rest and meal breaks, etc.). The employer withholds payroll deductions and taxes, sharing the tax burden with the employee. Employees are guaranteed a regular method and timing of payment and receive legally mandated benefits and protections (e.g., Worker's Compensation insurance, Unemployment insurance, State Disability insurance, and paid sick leave).

Moreover, employees qualify for protections under the Fair Labor Standards Act, the Americans with Disabilities Act, and the Civil Rights Act. Finally, employees are granted the ability to unionize. However, none of these protections or benefits are awarded to contractors. In fact, under most circumstances, independent contractors must pay additional personal taxes in order to protect themselves within these programs usually provided by the employer. However, businesses can reduce labor costs by up to 30 percent by classifying workers as independent contractors rather than employees, which provides an incentive for those companies to do so.

California is home to many businesses that classify their workers as independent contractors rather than employees. New app-based "gig economy" companies have exposed long-standing concerns about business models that rely on a misclassification of workers, which means that these workers did not receive the benefits they deserved. In an effort to reduce these misclassifications, California began establishing worker protections for contracted workers in 2018. Specifically, in April 2018, the California Supreme Court established a set of criteria required to determine whether a worker was an employee or an independent contractor in its ruling in *Dynamex Operations West v. Superior Court of Los Angeles*. Through this ruling, the California Supreme Court set the precedent that workers should be presumed to be employees, rather than the other way around. California codified this criteria for classifying workers into law through Assembly Bill 5 (AB 5) in September 2019.

To address the potentially difficult threshold to meet certain elements of this new criteria for workers to become independent contractors – which some feared would reduce employment in the arts and other areas – the Legislature sought to clarify AB 5 by enacting AB 2257 in 2020 to exempt numerous occupations and business relationships, including professions such as physicians, veterinarians, and lawyers, as well as creative jobs such as architects, performance artists who set their own terms of work, recording musicians, and certain writers and photographers.

THE PLATFORM ECONOMY HAS CREATED NEW OPPORTUNITIES AND CHALLENGES FOR ARTISTS AND CALIFORNIA

Social media and online platforms have changed (and will continue to change) the ways artists engage and interact with audiences. These platforms are replacing traditional intermediaries, and allow artists to build communities around their work or to sell their

Platform economy:

Platforms are a new organizational form based on a relationship between the platform and the ecosystem of firms dependent on the platform, and users who interact and transact through it.

work directly through an online marketplace. In some cases, these platforms are actually growing new–or previously untapped–markets for artwork. Etsy reported that 1.6 million artists were selling on its platform in 2014, offering 35 million items, and directly attracting 24 million buyers.

However, despite this direct artist-to-consumer contact, many challenges in the field persist. The Center for Cultural Innovation's 2016 report *Creativity Connects: Trends and Conditions Affecting U.S. Artists* outlines some such concerns. First of all, the report points out that the availability of vast amounts of digital content has undermined the traditional compensation structures of fields with reproducible products, such as music, photography, literature, and journalism. This vast digital availability of content has also generated new challenges related to intellectual property rights for artists who work in these areas. Specifically, although artists may benefit from digital platforms that facilitate their access to audiences, these platforms are typically designed with consumers, rather than artists, in mind as the primary users. As a result, they prioritize providing content at low cost and often do not pay artists well or allow them to determine how their work will be used.

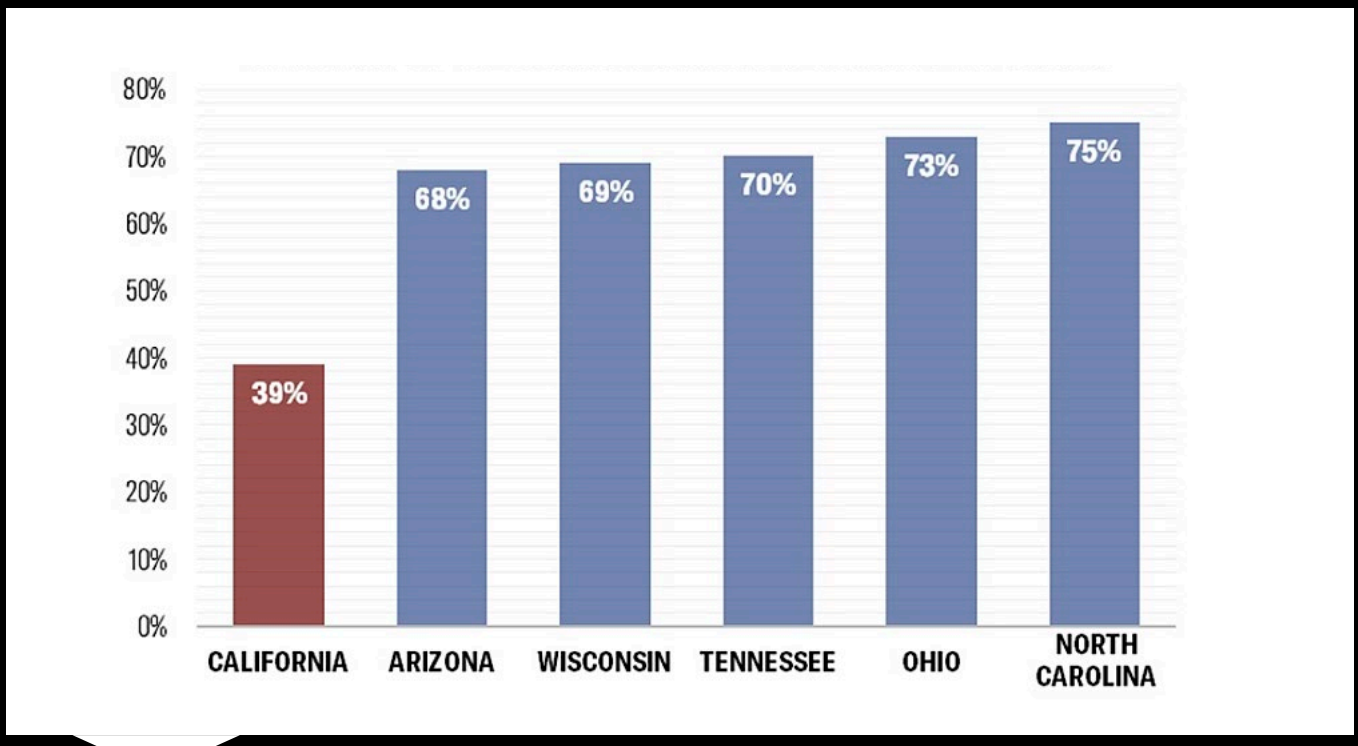
In addition, technology has opened up new opportunities for self-employment with online platforms that enable artists to distribute and sell their art to a broader audience. As technology has spurred new opportunities for arts workers to pursue the arts through self-employment, it has also meant these workers have fewer opportunities to accrue benefits and receive protections. The growing diversity of work relationships makes it increasingly vital to create a more inclusive social contract to ensure it supports everyone who works by extending the benefits and protections awarded to full-time employees to all workers.

Additionally, platforms like TikTok and YouTube give the illusion of neutrality because anyone can upload content, and oftentimes receive thousands of views. However, many of the old systems of power distribution have migrated into the new technological world. Although there are occasional viral hits, corporations continue to exert control over most of what gets seen, distributed, promoted, and shared at scale. While companies like Meta, TikTok, Spotify, and Netflix benefit from the "long tail" of products finding niche audiences, these sales do not typically provide a living wage for the artists themselves.

ALTHOUGH CALIFORNIA HAS TAKEN STEPS TO IMPROVE ITS EDUCATION FOR A CREATIVE WORKFORCE, THE STATE'S K-12 SYSTEMS FAILS TO PROVIDE ACCESS TO ARTS PROGRAMS TO STUDENTS

Compared to other similar states and even its own standards, California does not provide adequate arts education in K-12 public schools, despite the benefits to student achievement and success. In California, nearly 60 percent of K-12 students are not enrolled in required arts education. This access issue is significantly worse than some other states. In fact, only 26 percent of California's students have access to the level of arts education required by California standards. Since 2014, access to required arts education courses has dropped nearly 5 percent throughout the state. Rural counties have the lowest levels of arts education access. For students of color, English language learners, rural, and low-income students, the disparities are more severe. Schools with high numbers of Black and Latino students are also less likely to provide access to arts education courses.

Figure 7 **California Has Relatively Low Rates of Arts Enrollment Compared to Other States**



SOURCE: ACLU SoCal.

Through national surveys, employers list complex problem-solving, critical thinking, and creativity as their top three desired skills. Students learn these skills particularly well through arts education. However, as California falls behind in providing adequate arts education to students, California may not have a sufficient workforce to fill the need for diverse arts-based employment throughout the state. As a result, California may lose its dominance in the creative economic and cultural workforce of the future. As other countries focus on arts education and cultural discourse, the United States—and California specifically—may lose its place as the world leader. Moreover, California residents interested in pursuing careers in the arts and entertainment industries may not have the skills necessary to do so, and may be replaced by higher-performing foreign-born employees.

California has acknowledged this deficiency and is taking steps to improve arts education access throughout the state. In November 2022, Californians will vote on the Arts and Music in Schools–Funding Guarantee Accountability Act measure to decide whether the state should provide nearly $900 million to arts education in public schools. However, this investment may still come too late to ensure enough California based-talent for the workforce.

THE ORIGINS OF ARTS, CULTURE, AND ENTERTAINMENT IN CALIFORNIA

California has a rich history of diverse cultures that have contributed to California's iconic style, values, and progressive ideals, manifested through many artistic forms. From diverse indigenous heritages to the influx of Spanish culture during California's colonization in the late 18th century, California has built on a rich history of cultural identity. In the 20th century, California evolved into a thriving entertainment mecca through Hollywood's success and the burgeoning motion picture industry. As California seeks to address the modern challenges of the 21st century, the state must continue to emphasize a focus on innovation and creativity as it develops a capable, qualified, and diverse creative workforce.

The California Gold Rush of the 1850s is still seen as a symbol of California's modern economic style, which includes a pioneering spirit committed to generating technology, social ventures, entertainment, and innovations that are frequently followed all around the globe. In fact, the Gold Rush led to many of California's efforts to protect its cultural heritage, geographic landmarks, and artistic

contributions. In 1862, leaders conceived of the first state park at Yosemite "set aside [natural lands] purely for the purpose of preservation and public enjoyment" (California State Parks). The land preserved by California was eventually returned to the federal government in 1906 to become part of the surrounding Yosemite National Park. In 1901, following local calls for preservation of California's redwood trees, the state purchased the 2,500 acres to establish Big Basin Redwoods State Park, the oldest state park.

California's long history as a cultural center rooted in arts and entertainment dates back to the early 1900s, when the motion picture industry moved to Los Angeles to escape the monopoly of Thomas Edison's Motion Picture Patents Company in New Jersey. Mild weather conditions and a variety of locales throughout the region encouraged other studios to establish themselves in Hollywood, and it quickly became the dominant force for the emerging film, motion picture, and entertainment industry that still thrives today. The major film studios of Hollywood are the primary source of the most commercially successful and most ticket-selling movies in the world.

As technology developed to support improved visual effects and film production, the capabilities of special effects were enhanced when studios began manipulating film digitally. Following these new methods, Hollywood began to produce new blockbuster-type movies based on special, computer-generated effects. Early examples of this technology can be seen in Terminator 2: Judgment Day (1991) and Jurassic Park (1993). Films such as Independence Day (1996), Titanic (1997), and The Matrix (1999) also employed a range of computer-animation techniques and special effects never before seen by audiences and were designed to attract more viewers to the big screen. Toy Story (1995), the first fully computer-animated film, and others that came after it, such as A Bug's Life (1998) and Toy Story 2 (1999), displayed the improved capabilities of computer-generated animation.

California is home to many prestigious and historical cultural institutions. San Francisco was an early cultural landmark on the West Coast. In fact, the San Francisco Ballet is the oldest ballet in the United States, having been established in 1933. San Francisco's civic leaders established the San Francisco Symphony in 1911 to help reestablish the city's previously thriving cultural life following the 1906 earthquake and fire. Inaugurated in 1923, the San Francisco Opera is the third oldest opera in the nation after the Metropolitan Opera and the Cincinnati Opera, and will celebrate its centennial next year. The San Francisco Museum of Modern Art was established in 1935 as the first museum on the West Coast dedicated solely to 20th century art. In Los Angeles, wealthy art collectors funded the creation of institutions such as the Getty Museum in 1953, the Los Angeles County Museum of Art (LACMA) in 1965, and the artist-founded Museum of Contemporary Art in 1979. Other critical cultural institutions throughout the state include the Oakland Museum of California, the California Museum in Sacramento, the California Indian Museum and Cultural Center in Santa Rosa, and the Museum of the African Diaspora in San Francisco, among many others.

Silicon Valley developed from the intersection of several contributing factors including a skilled science research base housed in area universities, venture capital, and U.S. Department of Defense spending. The connections between arts and entertainment and digital technologies has allowed California to become the leader for artistic innovation. Creative and innovative developments in areas such as virtual reality, computer generated imaging, and immersive video games continue to demonstrate the critical nexus between the arts and technological advancement. California's role in advancing these innovations are a major driver of California's economic growth.

TRENDS IN THE FIELD OF ARTS, CULTURE, AND ENTERTAINMENT THAT SUGGEST POSSIBLE FUTURE SCENARIOS

THE STATE'S APPROACH REMAINS FRAGMENTED AND WITHOUT CLEAR STRATEGY

Although funding for the California Arts Council has seen significant growth following the end of the statewide shelter-in-place orders, California has still not established any stable funding mechanisms to ensure that public support for the arts and cultural sector remains during economic downturns. Moreover, California continues to lack a cohesive statewide policy to guide the strategic approach to supporting the arts and cultural realm. Therefore, California cannot be sure that it has maximized public and private investments at the state, regional, or community levels. Because responsibility at the state level is fragmented (i.e., the California Arts Council does not oversee arts education in the state), few agencies are focused or committed to ensuring the long-term success or sustainability of the sector.

Without a defined set of guiding principles, California risks missing opportunities to create public-private partnerships throughout the state. Instead, regional, local, and community arts organizations must rely increasingly on individual private and corporate charitable contributions and partnerships. This piecemeal approach may result in weak arts and

cultural opportunities in regions of the state without a strong corporate presence, and may also ultimately result in an unintended privatization of traditional public arts support.

In particular, declining support for nonprofits throughout the state, especially given the impact of the COVID-19 pandemic on participatory arts attendance, may weaken the state's comprehensive approach to resources for arts and artists. Nonprofits provide an incredibly diverse set of access to various artforms–music, theater, dance, traditional and folk arts, visual arts, and many more–without which many communities in California may not have exposure to these artistic forms. With the exception of grant funding from the California Arts Council, nonprofits are increasingly reliant on private charitable contributions and corporate support despite the critical role that these organizations provide to increasing arts participation for their communities and for providing access to the arts. In an effective and comprehensive approach to the arts, California will need to identify and support the value that arts nonprofits provide to the field in partnership with other arts contributors.

LAWS AND REGULATIONS FOR WORKER PROTECTIONS AND BENEFITS THROUGH ONLINE MEDIA

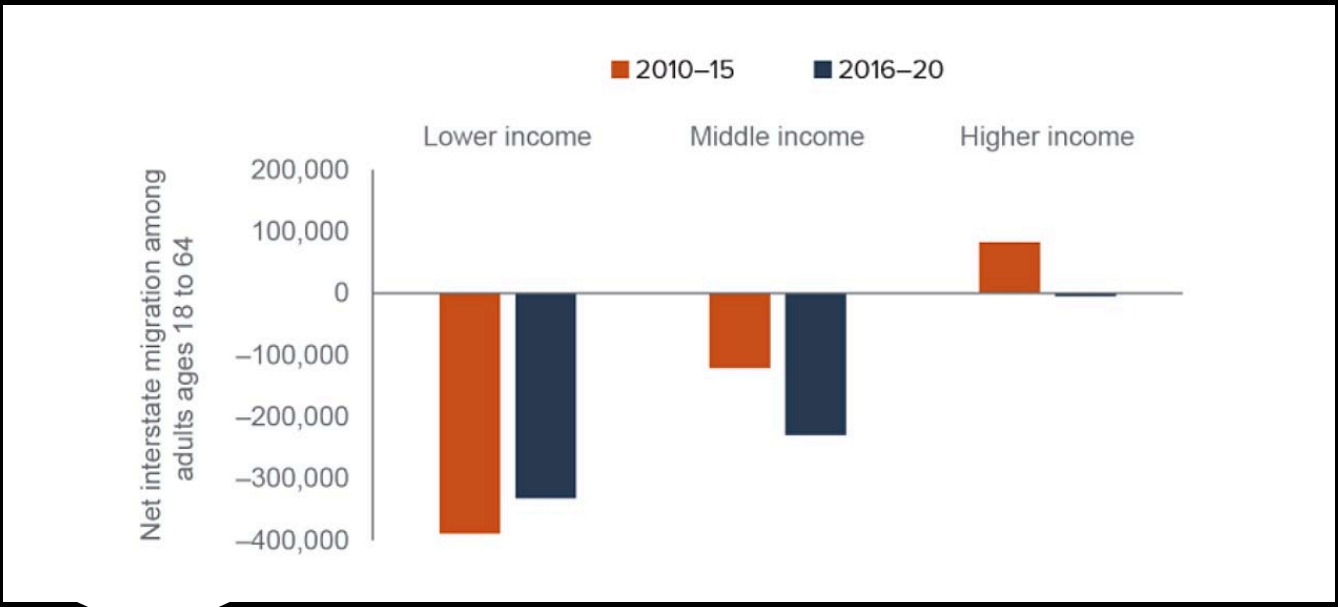
The platform economy provides artists with direct-to-consumer opportunities, entirely facilitated through the virtual world. With these new technologies, artists can make their art more easily accessible and can market their work for free. However, work performed through the platform and gig economies does not provide artists with worker protections available to traditional employees. California has attempted to regulate employment through these app-based platforms, with varied success. However, it has not found solutions for unforeseen circumstances that these new technologies may provide. For example, California has not established new laws or regulations related to copyright protections related to intellectual property, under which artwork (i.e., new music, creative goods, short films, etc.) would fall. Because California's bureaucracy moves much more slowly than new technologies are created and disseminated, California should turn its gaze toward the future and partner with experts to establish comprehensive and prescient policies.

QUALITY OF LIFE AND AFFORDABILITY IN CALIFORNIA FOR ARTS EMPLOYEES

California is a desirable place to live, especially for individuals in the technology and creative industries. However, California has one of the highest costs of living in the nation and the state's housing affordability crisis shows no signs of alleviation, especially in the largest employment areas for arts and entertainment of Los Angeles and the Bay Area where housing is the most expensive. As income inequality in California continues to grow, artists–particularly those middle-wage earners–may leave the state to lower costs of living.

California is already losing talent to states that offer high wage jobs and a lower cost of living. During the COVID-19 pandemic, California saw major businesses flee the state for cheaper destinations, which continued decades of population decline in the state. The Public Policy Institute of California found that since 2010, about 7.5 million people moved from California to other states, while only 5.8 million people moved to California from other parts of the country (see Figure 8). According to Department of Finance estimates, the state has lost residents to other states every year since 2001.

Figure 8 **California has lost lower- and middle-income adults to other states**



SOURCE: PPIC blog, March 2022, based on American Community Survey data.

NOTE: Income categories based on official federal poverty levels, which vary by family size. Lower income is defined here as double the poverty level (less than $52,400 for a family of four). Middle income extends from two to five times the poverty level ($52,401 to $131,000).

Because California's artists are more likely to have graduated from four-year universities, many owe significant levels of student loan debt. This debt is particularly troublesome for artists of color in California, who often experience other barriers to entry for pursuing the arts as a professional career. As the platform economy makes it easier for artists to work from anywhere, California must address its affordability crisis to be competitive in any industry, particularly for artists not earning the competitive wages afforded to those arts workers in the technology or digital media industries.

THE ROLE OF NFTS IN ART

As artists lean into the financial opportunities afforded to them through NFTs, the potential for the bubble to burst is real. Moreover, despite the benefits to artists, NFTs are not entirely a democratization of digital art: it costs money and requires technical skills in order to sell an NFT. Many critics and artists are particularly concerned that young artists of color will be left out of the opportunities that NFTs provide. However, a 2021 poll found 25 percent of Black Americans and 15 percent of Latino Americans have purchased NFTs, compared to 8 percent of white Americans. Moreover, legal experts have noted that the existing copyright laws do not account for this kind of new technology, which may lead to challenges in the future. In fact, some artists have had their work stolen and marketed as NFTs without their permission. NFTs also require a tremendous amount of raw computing power, which leads to environmental concerns. Most of the server farms where NFTs and crypto/blockchain are processed are powered by fossil fuels. Regardless of the concerns, many advocates believe that cryptocurrencies and blockchain platforms could be here to stay, and will transform our society and world–beyond just the arts–in unforeseen ways.

REDUCED WORKFORCE PIPELINE DUE TO LACK OF ARTS EDUCATION

Many of California's industries, particularly those hiring arts and design workers to join their ranks, expect their employees to have strong levels of advanced training. Oftentimes, this training begins in our state's public elementary, middle, and high schools, but California has not provided equitable access to arts education throughout the state. Without strong training, California may not produce qualified applicants to contribute their artistic and creative talents to our thriving arts, culture, and entertainment industries. Without talent, companies may leave the state, resulting in a drain on one of our most economically beneficial sectors. For example, one report interviewed a company that had invested heavily in development studios in Louisiana, but would not expand on account of a talent shortage. The report explains that the state's production tax credit initially attracted the company, but because the state had not provided the education necessary for students to excel in the industry, there was a shortage of qualified local applicants. The company suggested that Canada was a strong example

of workforce development done well because Canada invests in infrastructure and talent. California has acknowledged the need to cultivate a stronger workforce pipeline in the state through its technical education programs (e.g., the Arts, Media, and Entertainment technical education program) and with the Creative Workforce Act of 2021 meant to identify the creative workforce as one of the state's priorities. The state has also begun to acknowledge its deficient arts education offerings and is taking steps to improve arts education access throughout the state. In November 2022, Californians will vote on the Arts and Music in Schools–Funding Guarantee Accountability Act measure to decide whether the state should provide nearly $900 million to arts education in public schools.

CONSIDERATIONS FOR THE FUTURE

Unless California finds a way to better provide income security for artists who work in non-traditional employment structures, establish responsive policies that protect artistic contributions in the platform economy and online more broadly, quantify the value of creative and cultural work, solve the state's increasing levels of inequality and housing instability, and ensure that education prepares our future workforce for the realities of 21st century creative work, California will likely be unable to maintain its economic and cultural dominance in the arts and entertainment realm.

As arts and entertainment businesses and workers, including independent artists, face increasing cost burdens to remain in California and as it becomes easier to make and disseminate art online, California faces an impending loss of our arts and cultural workers, who provide diverse and vast value to the state. Moreover, addressing these issues at a structural level will provide a more equitable path forward for our growing and diverse population and will encourage artists to contribute their skills to the issues most pressing in California.

THE FUTURE OF ARTS, CULTURE, AND ENTERTAINMENT IN CALIFORNIA

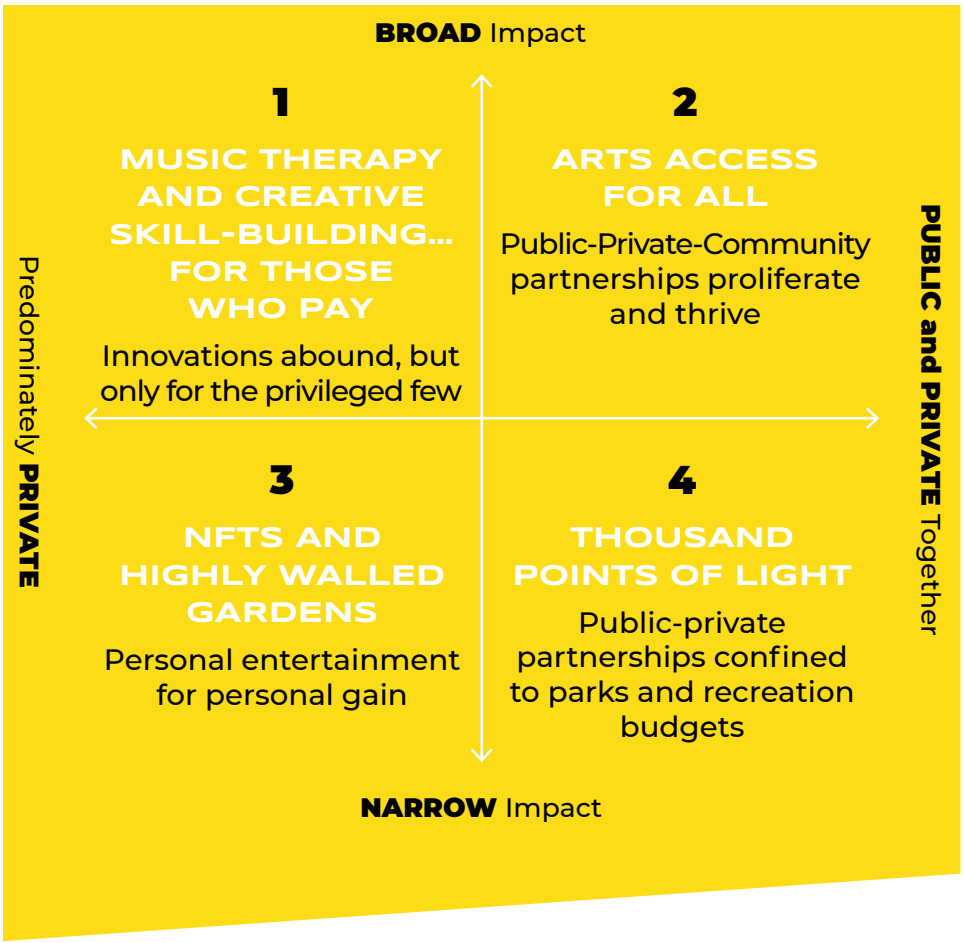
FOUR ALTERNATIVE SCENARIOS

SCENARIOS FROM THE FUTURE

ARTS, CULTURE, AND ENTERTAINMENT

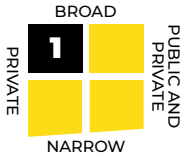
Foresight practitioners use scenarios to help make future possibilities more vivid and tangible, immersing the reader in the particular details of a future world so that they can mentally situate themselves in what it would feel like to live there. Without scenarios, the signals, trends, and other research that underlie strategic foresight work can feel distant and abstract. Scenarios can be used to center a group conversation in a positive and concrete picture of a future state so that stakeholders can pursue a shared vision for how to respond to that possibility, or mobilize action to avoid an undesirable outcome.

Because of the many separate sectors, styles, and practitioners of the arts, the future of the arts as a monolith in California is difficult to project. However, to map out possible scenarios that represent possible outcomes regarding the vast sector for the state, we settled on two critical uncertainties that we believe accurately account for the wide diversity inherent to the arts in California: the level of support for the arts, culture, and entertainment sector, and the perspective of how broadly the arts may be able to shape and address social issues in the state.



MUSIC THERAPY AND CREATIVE SKILL-BUILDING… FOR THOSE WHO PAY

Innovations abound, but only for the privileged few



There is a general recognition that arts and culture have an important role in shaping and enriching various aspects of the economy and society through cultivating creative skills and promoting wellness and healing for people and communities undergoing stress and trauma. At the same time, state and local governments are strapped for funds, which leaves the financing and production of arts, culture, and entertainment largely to the private sector. Art and music therapy classes proliferate in wealthier neighborhoods, and a select group of employers and private health insurance companies provides subsidized access to those classes as part of their wellness programs.

Access to arts education remains available in mostly white and wealthy communities, particularly in high-funded schools and afterschool enrichment programs that rely upon parent contributions and fundraising. Therefore, the arts workforce consists of primarily white, wealthy artists and creators, who contribute their skills toward high-paying jobs that leverage artistic innovation for technological, health, and social advancement.

Wealthy Californians become the only market for new products, while low-income communities who would benefit most from innovations in healthcare, workforce training, and work-life balance cannot access such goods.

HISTORICAL PRECEDENTS

Early 20th Century: Tax deductions for private philanthropy and charitable contributions.

Great Recession: Defunding of arts at federal and state levels following economic downturns.

Covid-19 Pandemic: Artists were disproportionately impacted by employment and wage losses.

FUTURE DRIVERS

Affordability: As other costs rise in California, the arts are left as a government priority.

Exclusivity: A lack of responsive and prescient policies from the government allows major corporations to drive advanced technology and innovative ideas.

SIGNALS

Art therapy helps, but insurance often hinders it

WHAT: Despite the positive influence that art therapy brings for many, not everyone has access to it.

SO WHAT: Art therapies become restricted only to wealthy communities with the resources to afford them.

citylimits.org

New non-app-based technologies seek to promote mental health

WHAT: Expensive products have tech companies showing their efforts to support mental health.

SO WHAT: As tech companies seek to help find solutions to ubiquitous human problems, the new products may price out communities that would benefit most from them.

washingtonpost.com

Private arts high schools price out low-income communities

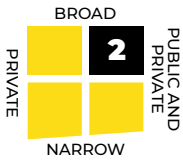
WHAT: Private arts-focused high schools are expensive and competitive.

SO WHAT: As wealthier communities maintain access to quality arts education, the inequality between the two groups grows.

highschoolofthearts.org

ARTS ACCESS FOR ALL

Public-Private-Community partnerships proliferate and thrive



California establishes a framework to support the arts and cultural sectors, including robust public-private-community partnerships. The state also creates a non-discretionary funding mechanism to ensure stable and adequate funding for arts programs that support diverse arts education and community development programs. Instead of confining music therapy programs and creative skill development to those who can afford it, public financing enables a broad array of Californians to benefit. With steady funding, K-12 education in California expands its STEM programs to STEAM programs, acknowledging the benefits of the arts in both social-emotional learning and in building critical thinking and innovation skills.

California expands its creative workforce support to ensure that contracted and freelance artists have access to adequate housing, healthcare, and other benefits. To ensure Hollywood's supremacy, the state creates new incentives to keep businesses in California, despite the challenges created by climate change and rising costs of living. Higher education institutions partner with emerging digital media, advanced technology, and other virtual and augmented reality companies to collaborate on solving California's most pressing issues. Rather than ignore or restrict the expansion of online social media tools like the Metaverse, the state partners with social media platforms to reduce misinformation online and connect users to alternate opportunities for learning, such as those funded through California's stable arts funding.

HISTORICAL PRECEDENTS

1930s: The New Deal's Works Progress Administration employed thousands of artists and writers to work on ambitious creative projects.

2020: Many European countries invested large amounts of funding specifically for supporting their arts and cultural sectors.

FUTURE DRIVERS

Artistic Value and Contributions: As research about the vast and broad contributions of the arts grows, the general population better understands the value that artists provide.

Diversity: California is an incredibly diverse state without a single racial or ethnic majority.

Economic Security: Following the Covid-19 pandemic, California's economy grows.

SIGNALS

Creative Workforce Act of 2021

WHAT: California recognizes the value of its artists and cultural workers.

SO WHAT: The state may continue to see broad contributions from its arts and cultural sectors as it emphasizes the importance of the field.

leginfo.legislature.ca.gov

Pilot program for guaranteed income for artists

WHAT: San Francisco launched a guaranteed income pilot to give low-income artists impacted by Covid-19 $1,000 a month for 18 months.

SO WHAT: Guaranteed income programs for artists could offset the costs of living in California and retain the benefits that these artists provide.

sfgate.com

CalArts combats climate change

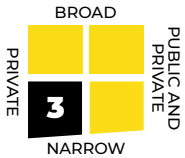
WHAT: CalArts is partnering with World Resource Institute to design a creative arts campaign to drive the conversation about climate change.

SO WHAT: Arts-based advocacy can help with California's most pressing issues.

altasea.org

NFTS AND HIGHLY WALLED GARDENS

Personal entertainment for personal gain



As discretionary funding for the arts dwindles, businesses commodify many aspects of the existing arts and culture sphere, shifting it to more closely align with the entertainment industry. As businesses drive the market for arts, culture, and entertainment, artists turn toward new technologies such as NFTs and other blockchain alternatives to earn a living, but barriers to entry prevent many rural and low-income artists from participating. Instead of focusing on artistic innovation to solve issues in California, the arts contribute to creating new products and services designed to sell and advertise other commodities. The Metaverse becomes a true online space, and artists find ways to sell new types of digital goods. Data mining is rampant, and many critics voice concerns about the use of personal and private information for financial gain.

Rather than invest in the public education system to ensure a steady stream of workers, businesses turn their attention to broad and accessible online platforms where most artists share their work freely. However, a small portion of artists wins lucrative contracts to perform exclusively on particular platforms. Instead of working with schools and nonprofits, businesses begin recruiting and hiring artists and performers from sites like TikTok and Instagram. Arts and culture nonprofits in California are generally eliminated, and the California Legislature removes many barriers to contracted employment for artists and cultural workers. This practice results in a diverse group of artists but typically only promotes those with the means to have received private arts education and reduces the quality and sufficiency of these artists' salaries and benefits.

HISTORICAL PRECEDENTS

1910s: The film and motion picture industry fled monopolies in New Jersey to establish Hollywood as the center of entertainment.

1980s and 1990s: Private art collectors drove up costs for a global industry and an inflated contemporary art market.

2021: The proliferation of NFTs in the art world creates new barriers to entry for some artists.

FUTURE DRIVERS

Diversity: Only wealthy, white students have access to quality arts opportunities.

Employment: Platform economy becomes the norm for career opportunities.

Affordability: As other costs rise in California (due to climate change, rising government pensions, homelessness, etc.), the arts get left behind from government support.

SIGNALS

Augmented/virtual reality remote work opportunities

WHAT: Computer-generated holography may remove the need for headsets, and expand remote workplaces.

SO WHAT: Augmented and virtual reality could provide new remote work options for even non-traditional remote workers.

hbr.org

Artists profit from NFTs

WHAT: NFTs provide new financial options for independent artists to profit from their digital work.

SO WHAT: As blockchain-type technologies improve, artists may identify new digital marketplaces for their artwork.

calmatters.org

Video game tax incentives

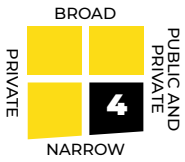
WHAT: Twenty-one U.S. states offer tax credits, grants, or rebates for creating video games.

SO WHAT: California could create similar tax incentives to facilitate production of the state's video games (and other arts, media, and entertainment companies).

milkeninstitute.org

THOUSAND POINTS OF LIGHT

Public-private partnerships confined to parks and recreation budgets



The arts are not framed regarding their potential wellness benefits, so they do not have to be made widely available. California creates partnerships between local community organizations and large private foundations to develop artists for some narrow areas but not for others. Local projects focus on the most typical understanding of the arts–fine arts, visual and performing arts, and music–but the state fails to expand the population's understanding of the broader value that the arts can provide. Instead of a large, statewide program of public-private-community partnerships that provides cross-subsidies across racial groups and regions, local governments and philanthropies provide the primary set of funding for the arts in California's communities. Each foundation or corporation has its own pet project within the arts, and each city has its own arts specialty, such as a ballet company, a theater, or artists producing murals.

Private funding also infects California's arts education model: students in communities with high levels of corporate investment receive access to fine arts–dance, music, painting, and sculpture–only when those styles align with the values of the respective contributor. Media and digital arts have become the predominant arts education in the state's urban areas, typically provided through enrichment programs. When they are available, teacher training programs focus on digital and media arts, with particular emphasis on computer-generated content, app creation, and augmented and virtual reality, to build a steady workforce of entertainment and emerging digital media professionals.

HISTORICAL PRECEDENTS

Early 20th century: Tax deductions for private philanthropy and charitable contributions.

1970s through early 2000s: Nonprofits increase their role as critical arts providers throughout the United States.

Great Recession: Reduced funding for arts increases reliance on private donations.

FUTURE DRIVERS

Affordability: As other costs rise in California, the arts get left behind from government support.

Perception of Arts: Arts are not considered meaningful for broader issues facing society.

SIGNALS

Private contributions make up the bulk of U.S. Arts Funding

WHAT: Private contributions are still the primary funders of arts programs and nonprofits in the United States.

SO WHAT: California's arts sector will continue to rely on private donors to fund basic arts programming and broader contributions the arts can make.

arts.gov

Arts nonprofits provide arts education for public schools

WHAT: The Community School of Music and Arts provides arts education to grades K-12 in Santa Clara and San Mateo Counties.

SO WHAT: School districts cannot always provide arts education in public schools, and nonprofits fill those gaps through supplemental programs.

arts4all.org

California considers arts and music in schools proposition

WHAT: California works toward arts education efforts that focus on traditional arts, such as music and visual arts.

SO WHAT: Californians recognize that arts and music education are critical to support student achievement.

ballotpedia.org

FUTURE ARTS, CULTURE, AND ENTERTAINMENT POLICIES IN CALIFORNIA

Choices among governmental policies depend partly upon which future scenarios seem most attractive to us, but they also depend upon our perspectives on the proper role of government, on the resources available to government, and on the likelihood that government will succeed in its endeavors. Doing nothing is sometimes the best policy option, but doing nothing often uncritically accepts the current mix of policies and the future they entail without considering the alternatives. Over the past seventy-five years in California, that meant accepting discriminatory racial housing covenants, restrictive zoning laws, few restrictions on air or water pollution, "separate but equal" schooling, the dismantling of transit systems, and many more things that are now thought to have been wrong or misguided. We have also seen aggressive policy measures in California that have had unintended consequences, from the impacts of Proposition 13 on local government budgets to the way the California Environmental Quality Act has affected housing supply and manufacturing.

Because we are thinking about the future and we do not want to be hemmed in by the status quo or a lack of imagination, we put forth an array of alternative policies, and we tie them to different scenarios. Readers can decide which policies–or which combinations of these policies–they prefer. Our discussion of the policy tradeoffs below favors policies that treat the arts broadly as a tool to help California solve some of its most pressing challenges, and look critically at approaches that do not. Readers should consider which scenario best captures the California they want to live in, and evaluate which policy recommendations they believe will get us there.

ARTS ACCESS FOR ALL

Public-Private-Community Partnerships Proliferate and Thrive

As California moves towards a united framework towards supporting the arts, stakeholders from diverse sectors across the state build a collaborative network of partnerships. California expands its creative workforce support to ensure that contracted and freelance artists have access to adequate housing, healthcare, and other benefits. This expansion includes specific guaranteed income grants across the arts and cultural sector and across California's various regions, cultures, and communities. With steady funding, K-12 education in California expands its STEM programs to STEAM programs, acknowledging the benefits of the arts in both social-emotional learning and to build critical thinking and innovation skills.

Develop a Comprehensive, Integrated Approach to the Arts

California's Arts Council develops strategic partnerships with artists from diverse backgrounds to encourage a united, cohesive approach to funding and supporting the arts throughout the state. These partnerships earn the backing of small and large private foundations, government agencies at the state and local level on matters ranging from education to health, social services, workforce development and economic development, regional and local arts nonprofits, and a variety of local and regional community organizations. Through these partnerships, participating organizations can maximize the resources available for artistic endeavors with communities eager and open to arts support. As funding for public arts education becomes more stable and consistent, this partnership allows for workforce development efforts from all aspects and relevant stakeholders.

Address Cost of Living and Affordability Issues for Artists

California establishes a guaranteed basic income for artists and cultural workers, as well as traditional employment benefits such as worker protections and social insurance programs even for contracted artists and cultural workers. Through creative and new mechanisms to compensate and protect artists, California encourages arts educators, innovators, and leaders from diverse backgrounds to remain in California, even as other affordability issues in the state stagnate.

Better Quantify and Measure Arts Contributions to California's Societal Health and Well-Being

California develops and tracks holistic measures for communicating the impact of arts-based creativity and other therapies on societal health and well-being. This quantification of the arts' value expands the range of artistic practices, styles, and practitioners that are valued and supported by the government, nonprofit, and corporate arts sectors to better reflect the cultural and aesthetic diversity of the state. Achieving these metrics requires coordinated action by funding agencies, academic institutions, artist support organizations, and other supporters of artists. A range of other kinds of people and entities–including researchers at California's public institutions–are attempting to better understand the elements that lead to holistic societal well-being, and they can be powerful partners.

Create a Non-Discretionary Funding Mechanism for California's Arts Council and K-12 Arts Education

To promote the success of the state's new holistic, comprehensive arts policy framework, California establishes stable funding mechanisms for both the California Arts Council to coordinate the state's efforts to create a strong public-private-community partnership as well as the state's K-12 arts education. In

addition to expanding K-12 arts education for all public school students in California, the state expands its highly successful Arts, Media, and Entertainment Career Technical Education program and establishes new digital arts programs in the K-12 curriculum to promote a future workforce. These non-discretionary funding requirements prevent California's students and artists from suffering when the state experiences economic downturns.

SCENARIO

MUSIC THERAPY AND CREATIVE SKILLBUILDING… FOR THOSE WHO PAY

Innovations Abound, But Only for the Privileged Few

There is a general recognition that arts and culture have an important role in shaping and enriching various aspects of the economy and society, by cultivating creative skills that aid in entrepreneurship and workforce development, by promoting wellness and healing for people and communities undergoing stress and trauma. At the same time, state and local governments are strapped for funds, and leave the financing and production of arts, culture, and entertainment largely to the private sector. Wealthy Californians become the only market for new products while low-income communities who would benefit most from new innovations in healthcare, workforce training, and work-life balance cannot access such goods. Cultural and community artists are funded only by private donors, with very few independent artists earning enough to create and innovate in the social and political sphere, weakening the role of the arts in our civic and social life.

Promote Basic Science and Technology Funding for Arts and the Connections to Wellness and Work Skills

During a time of high budget surplus, California state government invests in a University of California-wide research program that pilots and evaluates the effects of arts and music programs on mental health, cognitive skills develop-

ment, and more. Faculty associated with these research programs create technology startups that produce benefits for customers, with a high initial price tag that declines over time with growing competition and improvements in technology.

Establish Data Collection Practices and Standards for Employers and Businesses

California overhauls its existing catalog of employment and wage information related to artists and cultural workers, particularly as the state reduces its funding for local arts organizations. As private businesses take the reins to lead artistic endeavors and to solve challenges in the state, a database of artistic contributions through the private workforce helps match potential employers with highly skilled workers in their field.

Expand Tax Exemptions to Retain Large Businesses

Just as major technology companies in California have hired design-focused artists, such as Google, Apple, and Meta, to contribute to their broader efforts, California takes financial steps to retain those companies in the state. Through an increased set of tax exemptions, California shifts its responsibility for cultivating artistic talent in the state to large businesses that bring in huge economic value, and help export California's design and culture to the rest of the world through the delivery of their goods and services.

SCENARIO

NFTS AND HIGHLY WALLED GARDENS

Personal entertainment for personal gain

As discretionary funding for the arts dwindles from both the state and federal governments, businesses commodify as many aspects of the existing arts and culture sphere that can be commodified and discard the purely human elements of the fields. In other words, the arts and cultural sectors shift to more closely align with the entertainment industry. As businesses drive the market for arts, culture, and entertainment, artists turn towards new technologies–such as NFTs and other blockchain options–to earn a living, but barriers to entry prevent many rural and low-income artists from participating. Instead of focusing on artistic innovation to solve issues in California, the arts contribute to creating new products and services designed to sell and advertise other commodities. The Metaverse becomes a true online space, and artists find ways to sell new types of NFTs in the Metaverse. Data mining is rampant and many critics voice concerns about the use of personal and private information for financial gain.

Create New Policy Organizations to Monitor and Maximize Arts Contributions

Based out of the University of California, the state creates a new policy organization to monitor the effect of the expanding online world on Californians. This organization monitors and makes recommendations on issues related to digital privacy, copyright infringement, worker misclassifications, remote work in virtual and augmented reality spaces, and other unforeseen issues. In addition to observing the role and effect that new online spaces have in everyday life, this organization also seeks to identify misalignment between innovative new technologies and businesses and challenges facing residents throughout the state.

Develop Regulations and Practices for NFTs, Online Media, and Other Digital Products

With the proliferation of digital products, the state and federal governments face demands for regulation to protect the rights of the developers of this content and to reduce digital piracy. In developing this legislation, the rights of the platforms, the developers of content, and the general public are debated, often with platforms winning out because of their tremendous market power.

Develop Programs to Fill in the Gaps from the Abandonment of Arts Education and Support

With the development of this highly commodified system without government support for developing a pipeline of new artists, it becomes clear to business and to the public that there are gaps in the supply of art and artists. Stop-gap measures are developed to solve these problems such as the creation of scholarships for promising art students to study in other states or other countries where arts education is more fully developed.

SCENARIO

THOUSAND POINTS OF LIGHT

Public-private partnerships confined to parks and recreation budgets

Most commonly aligned with our current approach to the arts, this scenario sees a steady mix of public and private funded arts support. Local projects frequently focus on the most traditional understanding of the arts–such as fine arts, visual and performing arts, music–

but the state fails to expand the population's understanding of the broader value that the arts can provide. Funding is provided only to train young people in those specialties, and there are vast disparities in funding for public-private partnerships between wealthy localities and those that are resource-strapped. Art is not thought to be useful as therapy, developing confidence, or personnel development so it does not have to be made widely available. California creates partnerships between local, community organizations and large private foundations to develop artists for those narrow areas but not for others.

Strengthen Support for Contract Arts Workers

California encourages independent contractors to come together to strengthen their bargaining power through worker cooperatives and other collective efforts to address the challenges freelance arts workers face.

Improve Artistic Training and Creative Thinking Through Education

Education and workforce development are vital to maintaining an abundant talent pipeline. California reforms curriculum to encourage interest in science, technology, engineering, and mathematics (STEM) fields and expands those educational offerings to encompass the arts as well (STEAM). These changes better ensure a pipeline of students qualified to enter STEAM-related employment upon graduation. To have an effective ecosystem, California needs a robust educational infrastructure and new and growing companies to collaborate with that system.

Strengthen Higher Education Funding for the Arts

As one of the regional partnerships between the government and local research institutions, some of the University of California campuses begin leveraging local corporate support for specific arts centers on campus. Although this funding remains limited to traditional arts styles, this partnership demonstrates the flexibility inherent for this scenarios' approach to new and atypical partnerships: those who seek may receive.

Promote Local Control Funding Formula for Public Arts Funding

Akin to programs that aim to equalize funding for K-12 schools for districts that have a high proportion of low-income students and those with limited English proficiency, the state implements a subsidy program that enables communities to retain local control in public art funding decisions and reduces, but does not eliminate, disparities in public funding across localities.