COVID-19 AND THE CREATIVE COMMUNITY: POLICY RESPONSE

The Creative and Cultural Sector of Massachusetts includes for-profit businesses, nonprofit arts and cultural organizations, cultural practitioners, individual contractor artists and designers, research and service organizations, and arts administrators. The U.S Bureau of Economic Analysis reports that arts and cultural production contributes 140,593 jobs in the Commonwealth and represents 4.8% of the economy. Arts and Cultural nonprofits and workers have a direct connection to the economic vitality of regions and neighborhoods across the Commonwealth. Every dollar spent by an arts and cultural nonprofit generates $2.30 in sales to nearby businesses.

The Creative and Cultural Sector is made up of employees and self-employed workers who immediately lost significant income as the Covid-19 outbreak began in Massachusetts. Like many workers in the gig economy who rely on income from a variety of contracts, they are not covered by traditional unemployment insurance measures and are without the safety nets available to full-time employees.

The Creative Economy, its businesses and workforce are key to the Commonwealth’s economic recovery and stability. Policies to address the economic impact to the Creative Community are needed immediately in order to ensure these valuable economic, community and cultural assets survive the Covid-19 pandemic.

MASSCreative Supports:

Like tourism and hospitality, the creative sector was immediately impacted by the spread of Covid-19. As of March 23, 2020, the coronavirus has already had a devastating economic impact on America’s nonprofit arts sector—financial losses to date are estimated to be $3.6 billion. In Massachusetts, organizations cancelled or postponed revenue-generating programs, and artists and cultural workers contracts were cancelled. In a recent survey by the Mass Cultural Council, self-reported losses by arts and cultural organizations are estimated to be $55.7 million.

SOLUTIONS

• Any economic recovery or stimulus bills must include recovery funds for arts, cultural and humanities organizations. Relief and economic recovery programs developed by the state should include artists, independent creative workers and small businesses.

• Economic recovery or stimulus finds for the arts, cultural and humanities must be equitably distributed across the spectrum of organizational budget size and communities served.
Many nonprofit arts and cultural organizations opt to self-insure. They reimburse the state fund when necessary instances arise, and budgets can manage cases on that scale. But no self-insured organization could foresee an instance where most or all employees would need to be covered at once. Mass Cultural Council’s survey found that 58% of organizations plan to lay off, furlough or reduce hours for staff impacting 8,221 jobs.

SOLUTION
- MASSCreative joins Mass Nonprofit Network to recommend the Commonwealth allow for cost-sharing between the state and self-insured employers where those employers are paying for individuals unemployed as a direct result of COVID-19.

Artists and creatives who are independent contractors do not qualify for unemployment. These workers are especially vulnerable in the sudden economic crisis with no safety net. Additionally, traditional methods for income, including performances, teaching or storefront sales have disappeared overnight requiring many independent creative workers to explore alternative means of income. Mass Cultural Council’s survey found that individual artists, self-employed humanists and teaching artists reported a total of $2.8 million in lost income due to the Covid-19 outbreak.

SOLUTIONS
- Support pandemic unemployment benefits for workers ineligible for state unemployment benefits, which will provide essential support for self-employed workers in the arts and culture sector.
  - MASSCreative urges Governor Baker to request President Trump declare a Major Disaster in Massachusetts and use the Stafford Act which allows for Disaster Unemployment Assistance for individuals who are contract workers and not eligible for unemployment otherwise.

- Statewide technical assistance programs, trainings and efforts must be accessible and applicable to cultural workers, artists, and creative entrepreneurs.

- Philanthropic relief funds designated for the creative community should prioritize independent artists and contractors without access to unemployment and equitably distributed across communities.

- Mayors, Town Managers or Select boards should work with Local Cultural Councils (LCCs) to provide payment for LCC funded performances cancelled due to the statewide emergency declaration, with the understanding that those performances will be rescheduled once it becomes possible to do so.

- With many artists and creative makers quickly shifting business models, the associated LLC filing fee is cost prohibitive. As of January 2020, Massachusetts had the highest filing fee ($500) of any state. MASSCreative urges a suspension or reduction of the LLC filing fee.
Performance cancellations and venue closures resulted in an immediate loss of revenue to arts and cultural organizations. Earned revenue from admissions and ticket sales are crucial to the operating budgets of arts and cultural organizations. A study of Greater Boston’s art and cultural organizations found that they are overly reliant on earned revenue (ticket sales, space rentals, royalties) when compared to other major metropolitan areas in the nation.

SOLUTIONS

- MASSCreative joins the Mass Nonprofit Network to recommend that any employment-focused relief or stimulus legislation should apply equally to nonprofit and for-profit employers by making tax credits and deductions applicable not just to income taxes, but to the taxes nonprofits pay, such as unrelated business income taxes and payroll taxes.

- Government contracts and private foundation grants must be converted to general operating grants to mitigate earned revenue losses.

Many nonprofit arts and cultural organizations hold annual fundraising events in late winter and early spring. These fundraising events account for a significant amount of contributed revenue through individual and corporate donations. The loss of contributed revenue on top of lost earned revenue is likely to shut down many organizations that serve communities across the Commonwealth. Mass Cultural Council found that 43% of surveyed organizations across the Commonwealth cancelled upcoming fundraising activities.

SOLUTION

- MASSCreative supports the Restoration of State Charitable Deduction which would incentivize individual donations now when needed most by arts and cultural nonprofits.

The business model for many arts groups requires upfront payment of costs to artists, vendors and contractors. There is no responsible way to recoup these payments.

SOLUTION

- Introduce legislation similar to New Jersey’s bill that would instruct business insurance policies to consider Governor Baker’s Executive Order to prohibit gatherings of more than 25 as a covered business insurance claim.
  - MASSCreative supports Senate bill SD.2888 An Act Concerning Business Interruption Insurance that would qualify the Covid-19 pandemic as a covered peril for policy coverage for business interruption.