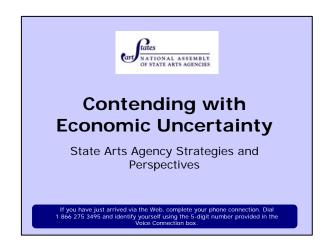
Contending with Economic Uncertainty: State Arts Agency Strategies and Perspectives

National Assembly of State Arts Agencies Web Seminar January 22, 2009 Abridged Transcripts



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Introduction

Kelly Barsdate, Chief Program and Planning Officer National Assembly of State Arts Agencies (NASAA)

Many states are ramping up efforts to assist artists and arts organizations during these tough times. And many of you are in suspense, yourselves, wondering what will happen with your own budget next year. So it's a good time to take a look at how state arts agencies are addressing these issues and meeting the challenges presented by today's economy.

Today's seminar is designed bring you up to speed on those trends, and to offer some ideas you can adapt to your own state's unique situation.

We have an exciting agenda for you today. We're going to start with a couple of overviews – one of state budgets and another of state strategies. Next, two of your colleague agencies, Nevada

and South Carolina, will share what they're doing to address their budget cuts. Then we'll take a look at lessons learned, advocacy tips and some brand new NASAA resources that you'll want to check out.

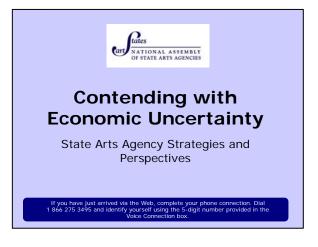
You'll notice that we've got two Q&A breaks scheduled – one right after our state presenters and a second one after advocacy tips.

First up today is Angela Han. Angie is NASAA's director of research, and she's going to frame our conversation by giving everyone an update on state arts agency budget conditions.

Budget Update

Angela Han, Director of Research NASAA

As many of you know, NASAA surveys state arts agencies several times a year about legislative appropriations. Last month we released preliminary results from our latest survey, and in just a few weeks we'll be releasing a <u>full report</u> with analysis of agency budgets for 2009.





Today I want to share the headlines from these reports in order to give you a national perspective on what's going on, and also to talk a little bit about what we've seen happen in years past.

The first big headline is that for our current fiscal year, 2009, appropriations to state arts agencies stand at \$343.1 million. Compared to 2008, that represents a slight decline, an aggregate decrease of 3.3%. If we look a little more closely at the data and see how individual states fared, we can add a little more complexity to the story, which is what you can see on the table on the right side of the screen.

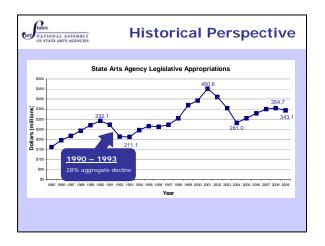
Another way to think about appropriations is in terms of per capita spending. This year appropriations are at \$1.12 per capita, which is down about 4 cents from last year. This decrease in per capita spending reflects not only a loss of funds in absolute dollars, but also the growing population of the country - we're being asked to extend our reach further with less public funding.

So, those are just some big headlines of what's

going on in 2009 and what's going on in state arts agencies. Not surprisingly, when we've talked to people in the last several weeks about this information, a lot of their questions have not been about what's going on now, but rather what's going to happen in the future given the current economic climate. I'm going to take a few minutes to talk about what's happened historically, to give some historical perspective on the current situation.

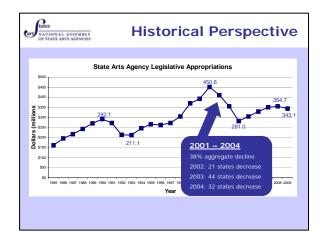
First, let's back up to 1990. In 1990 things were going really well: the economy was strong, state funding was healthy, and appropriations to the arts were doing well, standing at \$292.1 million - an all time high. In 1991 the recession hit. And typically, recessions impact state budgets a little later and last a little longer than for the rest of the economy, which is what happened during this recession. State expenditures were impacted for the next three years and that's also reflected in appropriations to the arts, which is what we've got up on the screen – there was a 28% decrease during that time period.





Now let's move to 2001, the recession from earlier this decade, just a few years ago. In 2001 state budgets were doing quite well. In that year, state expenditures increased by 8%, much higher than average. Contrast that to 2002, where state expenditures flat-lined, they basically did not grow, in a year where the need for public support increased considerably. This situation continued through 2003 and then slowly began to improve beginning in 2004.

You can see the effect of the state budget situation on arts appropriations, which were affected much more in this recession than the



previous one in the early '90s. So if we look at 2001 arts appropriations, again, were at an all time high, at almost \$451 million. Over the next three years over a third of those dollars were lost – there was a 38% aggregate decline. If we look at how individual states fared during this time, we see that in 2002 appropriations experienced a relatively modest decline, with about half the states reporting decreases. This is similar to the behavior that we're seeing now, and so it seems the recession cycle is beginning to repeat itself. You can see by looking at the graph of the last two years the decline has begun before we've been able to recover all of the funds lost during the previous recession, so we're starting at a lower point than we were at previously.

So I've talked for a little bit about how arts appropriations are affected by overall state fiscal health, and as we look to the future it's important to be aware of the larger state budget picture, which, to be honest, is not looking good. In the first two bullet points on the screen right now, I wrote down some information that's known now about state budgets. In the near future we are really looking at budget gaps overall; we're not looking at budget increases.

If I were to pick a word, a theme word to describe what's going on right now and the near future, it would have to be *uncertainty*.

A lot of folks, when they were responding to the NASAA legislative appropriations survey this time around said, You know, we think we are going to receive another midyear budget cut but we are really uncertain as to the extent of that cut. We think we're going to be cut in 2010, but we're not sure about 2010, we're really not sure what's going on. I do want to emphasize that uncertainty, which we've even picked as the title of this seminar; uncertainty is not equal to inaction.



Kelly Barsdate and the rest of the speakers we've got for this session are going to talk about all of the actions that state arts agencies can take or have taken although we are in the midst of all of this uncertainty.

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Overview of State Strategies

Kelly Barsdate, Chief Program and Planning Officer NASAA

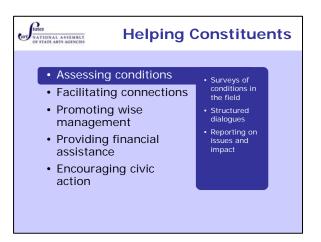
One thing everybody can count on NASAA to do – especially in times like this – is to have those facts, those statistics like you just reviewed, and trend information to help you put things into context. NASAA also tracks strategies, so we can let you know who's doing what with policies, programs, services and management.

We've been talking with a lot of you in recent weeks, asking questions about the things you're seeing on your screen now, to learn how you're dealing with the economic crisis and what kinds of actions are working in your state, how you're serving constituents, and also how you are adapting to these conditions yourselves.

You're trying a whole range of really creative things, so I want to share some of those highlights. Let's look first at constituent assistance – what you're doing to help artists and arts organizations.

Many of you doing assessments of how the economy is affecting your folks: Rhode Island, Kentucky, North Carolina, Ohio, Illinois and Vermont are just a few of the states that have done surveys – often on-line to yield fast results.

Now here's a tip we've learned from talking to you: If you're considering doing a survey, design it so that you can sort the results by both geography and budget size. Several people we've talked to have found that conditions vary within their state. Others have found certain groups, like midsized organizations, in



particular, are getting hit really hard. So be sure you can disaggregate your results, because it may inform how you target your technical assistance strategies or outreach.

Other states have gone the dialogue route. The Massachusetts Cultural Council just finished a series of forums they called "<u>The Big Hug Tour</u>." That tour covered 11 meetings where arts groups from all across the state talked about what's happening with their contributions, the attendance patterns they are seeing, what's going on with their endowments, and what kinds of programming and management changes are on the horizon.

On-line or in person, assessments like this can give you a current bead on what's happening in the arts community, so that you can fine-tune your assistance plans and use that information for advocacy.

Convening is another important role states play. During the last two recessions, NASAA was watching to see if states would cut back on meetings. But we didn't see that happen very often. So far we're hearing the same thing during this recession – that convening constituents might get even more important during bad times.

Along these lines, the New Jersey State Council on the Arts convened a "<u>Crossroads</u>" <u>conference</u> in November that was a day-long summit that helped arts organizations address fiscal hardship. The conference was put on with



a team of statewide partners and funders and alliances and their advocacy groups. It had sessions on topics like contingency planning, collaborations, mergers, creative financing options and things like that.

This conference really promoted good planning and management practices, which states are emphasizing these days.

We see a lot of you doing extra promotion of existing technical assistance programs and consulting services, to give people the knowledge and skills to cope with the changing economic conditions. You're being creative about pointing the arts field to other resources, too. For instance, Colorado's governor is sponsoring free small business assistance fairs, which the arts council is promoting as a service to artists and nonprofits. Delaware is another great example, promoting two capacity building Web sites – their own, plus another put together by the Meyer Foundation.



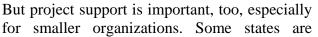
But all this information can have a downside, too. There's a ton of advice out there. It can be hard for arts groups to sort through it all, discern good advice from bad, and decide what to do.

So states play an important information curation role – referring people to credible experts and promoting good information in a digestible format.

For instance, check out the "<u>Strategies for Survival</u>" tool from the Pennsylvania Council on the Arts. They used a team of management experts to create this checklist. It helps organizations think through their assumptions and offers accountability, communications and board engagement tips. It also prompts them to look at crisis as an opportunity to rethink their business model.

Pennsylvania shared this tool at a symposium in conjunction with their Governors Arts Awards, to give it good visibility. To make sure the word gets out further, they'll share the checklist through their regional partners network, too, which regrants funds to smaller organizations.

Of course, money's always the top demand, so states are doing what they can to continue grant funding in key areas. In past recessions, those priority areas for many states were operating support, arts education and programs for underserved communities. In other words, areas where short term cessation may have long term or systemic consequences, or where political support is critical. We'll be watching your grant stats closely to see if that history repeats itself in this recession.





looking at how to make those funds more accessible. That could mean relaxing matching requirements – allowing more in-kind to count. Or offering small, easy to apply for, "quick turnaround" grants.

But state funds are limited. So referrals to *other* funding sources are important. The Maine Arts Commission has keyed into this. They've created a good example, an <u>on-line resource</u> that promotes two kinds of information. The first thing you'll see there is the state's "211" service that helps residents find medical care, pay their energy bills, get food and find housing. The Commission is promoting that "211" service to make sure artists in crisis know where to get help.

The second kind of information Maine offers on their Web site is a list of arts funders who offer special emergency assistance grants. The site has a long list of places where artists of all disciplines can apply for emergency funding from foundations and other sources all across the country.

States are also trying to encourage civic action that includes promoting the value of the arts to communities and encouraging advocacy. The Ohio Arts Council is about to release some beautiful new materials along these lines – all about <u>how the arts are part of the solution</u>. So keep an eye on their Web site.

Some states are urging arts folks to lend a hand to other communities in need – kind of a good citizenship thing. Vermont is a neat example here. The Vermont Arts Council organized an <u>on-line auction</u>. Artists contributed all kinds of stuff – paintings, textiles, jewelry, lessons, tickets to events. The proceeds from the auction went to the Vermont Foodbank, and through this effort, which they put together very quickly, they raised more than \$10,000 – enough to buy 15 tons of food for hungry Vermonters over the winter.



All of these examples – and more – are written

up in a new "<u>strategy sampler</u>" that NASAA published this week. It summarizes more than 25 projects from all across the country, and gives you links and contact information for each. I'll be letting you know how to access that document at the end of the session.

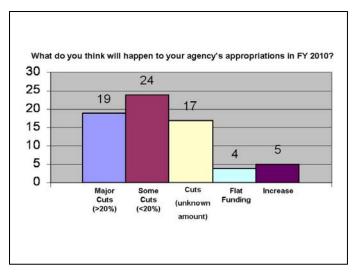
We've been talking so far about help for constituents, what you are doing to help artists and your arts organizations. Now let's focus on some agency-level things you can do to help *yourselves* address economic adversity and position yourselves to thrive in this environment. I'm going to spend less time on these, since we're going to have two states tell you their stories firsthand.

But let's first set the stage and take a poll of how folks on this call are feeling about their budget futures.

This box asks what you think will happen to your agency's budget in 2010. We know you don't have a crystal ball, so just click your best guess -a big cut, a modest cut, no change, or even an increase.

It looks like about 35% of our participants are expecting some cuts, about 28% are expecting significant cuts, and about a quarter are expecting cuts but not even willing to hazard a guess about their size. We also have 5 people hoping for an increase and 4 anticipating flat funding.

For those of you in the unknown category, you'll have to make some quick decisions in the upcoming months. Hopefully this seminar will help you do that by priming your thinking about your options so you can execute them quickly. For those of



you expecting big or small cuts, we will be talking about big and small ideas that might help you, too. For those of you expecting flat funding or an increase now, these strategies will still be good because they will help you position yourselves more solidly in this environment.

Let's look at the mixture of things state arts agencies are doing to address budget shortfalls.

In light of declining grant dollars, and to maximize your impact, many of you are ramping up more services, the kinds of services I've covered in the last 10 slides. That evolution has been going on in our field for a while and is expected to keep moving forward.

But – at least to date – services haven't replaced grants, and grant lines are where some of you are feeling the biggest or most immediate squeeze. We've heard you're dealing with this in a number of ways:



- One is reducing grant amounts, using caps, or holding back a larger final payout percentage. These may give you some extra cushion to deal with mid-year cuts.
- Combining categories might streamline your internal systems, and also may reduce doubledipping or the number of organizations from whom you get multiple applications.
- We've heard from a couple of you that are carrying panel scores over into a new year, or extending multiyear grants as a means of saving time and saving money, especially for operating support.
- And even closing or limiting some grant categories like operating support to new applicants can also help, by keeping dollars from getting spread too thin.

All these strategies and others have up- and downsides. There is no perfect solution. The key is to play out the consequences. We hear you playing out the consequences in terms of money savings, in terms of impact and also in terms of politics. Sometimes across-the-board cuts are the way to go because they're fair and spread out the effects. But sometimes, especially when your budget cut is big, you've told us suspending or eliminating whole programs is the only way to concentrate enough resources to remain impactful in priority areas.



We're also hearing about a range of administrative measures. Now this is rough, because a lot of you are operating on admin budgets that haven't rebounded since the last recession, like Angela mentioned earlier. So it's hard to make further cuts. But most states we've spoken to are being forced to adopt at least a few measures like these. Most are self explanatory, but I want to translate that last item [in the "Administration" list of bullets] – "Paying forward." That might mean, for instance, using 2009 funds to accelerate some activities that you don't expect to be

able to afford next year. One of our presenters will talk a little bit more about that in a moment.

Communications are also key. When we hear the presentations from Nevada and South Carolina shortly, you'll hear them talk a lot about communications – explaining the situation to constituents and talking about the value of the arts, and using technology to make that efficient. So listen closely for this communications theme.

Relationships and partnerships are always important. Here you see some relationships that you would expect to need to take special care of right now, like advocacy groups, council members and collaborators.

But I want to underline that bullet about relationships within state government. Several states are increasing focus on their budget officers – the people who enact midyear cuts and recommend budgets to the governor. They can shape your budget outcome, but they may not know a lot about the arts or your agency. I've talked with several states who are inviting more contact with budget officers – looking for ways to share data and brainstorm together. Ditto for your department heads, cabinet officers, and anybody else in state government who holds authority over your resources. Make sure they understand your agency and perceive you as a good working partner.

And finally, this economy is prompting many of you to consider how to position yourselves strategically, given your economic and political realities. This means demonstrating the value of your agency and its relevance to the needs of





your citizens. You show that through your programs, and your services, and your collaborations and your policies, and through the choices you make about what to change.

Also, give some thought to what kind of leadership your state needs right now. You may hear a tone of panic from your arts field these days. So state arts agencies can be a steady, rational voice in the chaos. We all know that this is a terrible recession. But it's not our first rodeo – state arts agencies have survived multiple downturns. And we've done that by maintaining leadership and holding onto the long view, helping constituents and ourselves find opportunities in each crisis.

So next, I'd like to turn to a couple of your colleague agencies – Nevada and South Carolina – to hear what they are doing firsthand. We'll hear from both states, then take a Q&A break, but you can get your questions in the queue at any time.

First up is Susan Boskoff, the director of the Nevada Arts Council. She'll be weighing in today from Carson City, Nevada.

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State Arts Agency Perspectives: Nevada

Susan Boskoff, Executive Director Nevada Arts Council (NAC)

Thanks, Kelly. You've actually touched on so many things, I've been slashing my presentation. I want to thank NASAA. I want to thank my colleagues across the nation at state arts agencies, because some of the points I might be mentioning we've generously borrowed and you've already done. I really want to thank my amazing staff and board, because as you stare at this budget scenario page, it has been quite a wild ride. I have to confess, it is craziness here and I wake up in the middle of the night with more questions than answers.

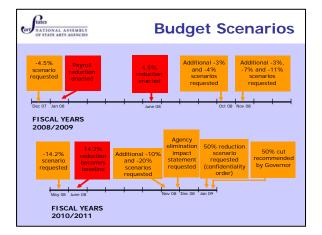


I want to start off first with a quick overview of

Nevada because its demographics and geography dictate the work of this agency, its planning and indeed its budget cutting. Nevada is called the Big Empty by long time residents and especially by artists. It is about 500 miles long – you on the East Coast think about the trip from Washington, D.C., to Boston – and 320 miles wide. Yet, we're still one of the most urbanized states because of the populations of our two major cities: Reno and Las Vegas. Drive time between those two cities is about eight hours on primarily a two-lane highway. Outside the Vegas valley and as you come towards the lights you will pass the Nevada Test and Training Range, the proposed Yucca Mountain nuclear storage facility and Area 51, probably without knowing it unless you have a fly-over. People still move here, though. Until a year ago, growth has been phenomenal. When I started here in 1993, the state population was 1.4 million, and in 2008, it was 2.7 million. In Clark County, where Las Vegas is, in 1993 it was 916,000, today it is 1.9 million. In Washoe County, where Reno is, 282,000; today 423,000. We are still projected to grow 49% over the next 20 years.

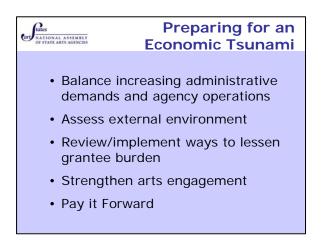
Nevada does not have an income tax, nor inventory tax, and has low state payroll taxes. It is also a free port state. Primary industries are outdoor recreation and gaming, tourism, mining (yes, in some counties we do have prostitution), small businesses – that includes arts and culture – manufacturing, and, until recently, construction. As reported this January, Nevada posted the nation's highest foreclosure rate in 2008, with Las Vegas having second largest city foreclosure rate. So that's background in which we work.

Budget is a biennial budget overseen by a citizen legislature that meets biannually for 120 days. When I started here in 1993, our state appropriation was \$495,000. We began fiscal year 2009 with \$2.2 million, thanks to a one-shot special appropriation we got last biennium, which quickly dropped to \$1.8 million to accommodate our first budget cut. So as you're looking at the budget scenarios now, you can see we've done more than 12 budget cut scenarios since December 2007. We had two special legislative sessions last fall to address a \$340 million shortfall for fiscal year 2009. This was resolved for better and mostly worse. In his



recent state of the state speech, Governor Gibbons proposed an annual budget of \$6.2 billion, representing a cut of almost \$2.2 billion, to maintain services at the present level. The governor has recommended a 50% cut for the Arts Council and similar cuts to the other divisions in the Department of Cultural Affairs.

So, we call this "preparing for our economic tsunami," and we've been engaging in this since the fall of 2007 when preparing our first budget cutting scenario. One of the challenges has been balancing increasing administrative demands to answer more than a dozen directives on budget cuts and agency elimination. We have had to overcome this administrative strain while ensuring that NAC activities continue. Because of the former increase in funds with the special one-shot appropriations, we have more grants, more grantees to deal with. We've scheduled arts town meetings, outreach activities, workshops, etc. We want to do this to serve the



public and to provide the NAC a public face, demonstrating that we are present and active in all 17 counties. Although we have no public information officer or marketing budget, we know never to eliminate marketing during times of economic duress.

We are also assessing the external environment, so we have had a fairly high touch relationship with all of our constituents. We recently formalized communications with grantees through personalized calls and meetings by staff and board members. Many of these are confidential meetings. We continued with our arts town meetings, but added a component that addressed advocacy. And all this information feeds into our strategic plan, which was delayed due to the increased burden of preparing the budget scenarios. It also affects and directs our board advocacy program for this legislative session.

We're also reviewing and implementing ways to reduce grantee burden. We had been in the process of strengthening and increasing our efficiencies in our grant making at the beginning of this tsunami, as we saw the tsunami way off in the distance. This included consolidation of grant categories and including an arts education component in our organizational support grant, similar to NEA partnership grants. After checking with both large and small organizations, the board recently approved a couple of ways to help reduce administrative requirements for our grantees, including the allowance of in-kind match instead of cash match, and in particular to our presenters, pushing back the dates when we required signed contracts with a confirmed artist, so they can submit them with their first draw-down versus with their application packet.

The complementary strategy is strengthening arts engagement, which increases our agency outreach activities, which ironically harks back to the era when we worked on a local level. The community arts development program reinstated our traveling office, in which arts council staff visit rural communities for several days for meetings and workshops. We are planning an upcoming statewide conference called Oasis. This is bringing people together, and in Nevada we need to emphasize the strength of the statewide arts industry. We're bringing the locals together for the first time in years and supporting travel to this event, all tied to Arts Advocacy Day. And paying it forward, since we received the one-shot for fiscal year 2008 and 2009, we are using it to produce publications, update our Web site, develop our key communications systems, and new exhibits and staff travel this year.

What have we learned from this economic tsunami? As I mentioned, we'd started reviewing and revamping agency services as the economic downturn began and started investigating a new lexicon to position ourselves better. I thank Montana Arts Council - they've been working on this for years. In Nevada we started looking at similarities between the Nevada Arts Council and the Small Business Administration. Our grants act as economic stimulus packages. We provide skill training for professional development of our work force and businesses. And we are focusing



on the reality that nonprofit arts organizations are, indeed, small businesses and individual artists operate as highly efficient entrepreneurs, benefiting both our communities and economy. But what has happened is that more questions have been raised than answers given. And the last bullets two really address this.

We are assessing training and learning needs of our staff and board. With a very high fear factor of the unknown, how do you heighten collaboration and communications within the agency to support the team efforts to provide excellent service to the public? How can we teach high-level leadership skills? How can we teach tolerance of ambiguity while responding to external forces in a required time frame? How can we enhance policy acumen?

Answering all of these questions takes time when time right now is our most valuable commodity.

Then we're assessing the training and learning needs of our core constituents. This is an ongoing conversation on how to train the state arts leadership on the art of leadership. Which in my mind means engaging in activities that are mutually beneficial, not just in the arts community, but externally as well, and communicating more effectively and sharing resources.

There are a lot of questions, and I don't have answers for these; as I've noted I'm learning about this after being in the business for a long time. But our philosophy here, besides "Yes, we can," is turning this crisis into a catalyst for change. And indeed our keynote panel at our upcoming conference is titled "A Crisis Is a Terrible Thing to Waste."

And with that, I thank you for allowing me to share what we are doing out here in Nevada.

Kelly: Thank you so much, Susan. It was great to hear from you. A great blend of both practical and philosophical things that states can think about as they are bracing for some of their own budget roller coasters. Remember that we are going to take a Q&A break in about 10 minutes, so if you have a question, go ahead and get it in the queue by using the chat box and we'll call on you then. Having heard from the Tumbleweed State, we're going across the country to the Palmetto State. We'll hear from Susie Surkamer, executive director, and Ken May, deputy director, of the South Carolina Arts Commission, to tell us how they are addressing their budget situation.

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State Arts Agency Perspectives: South Carolina

Susie Surkamer, Executive Director South Carolina Arts Commission

Ken May, Deputy Director South Carolina Arts Commission

Hello, everybody. Thanks to NASAA. It would be nice if we were all meeting together, however we really appreciate NASAA putting this together so that at least we can have some conversations about this issue. I am going to give most of the presentation and Ken is going to chime in when I forget a really important point, because he and I have worked very, very closely together on all of these budget issues.

I wanted to start first with the current climate in South Carolina. State revenues are down in South Carolina for four reasons: our legislature shifted our tax structure about four years ago,



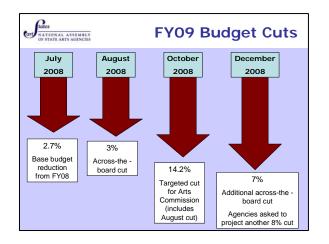
and it has now been fully implemented, and this is causing about a \$400 million reduction in our revenue. So that's the first reason. We are having fewer tourists, and that is our number one industry. There is less spending by our residents. And the fourth, we have something like the third highest unemployment rate in the country.

Ken: And rising.

Susie: And rising. Our FY 2009 budget this year is down by 23.9% from June 30 of last year. It was enacted through several rounds of cuts.

As you can see, we began with 2.75% base reduction then we moved to a 3% across-theboard cut by the state budget and control board. That is a group of five, including the governor and the head of the senate finance committee, who basically run state government when our legislature is out of session. So they did an across-the-board 3% cut.

In October, the legislature was back in session, and they decided that they would do targeted cuts. Now here, I am using *targeted* to mean every agency might get a different cut, not that they targeted the arts commission, but that they



wanted to basically not reduce education funding and not reduce prisons, if at all possible. They gave them small cuts, but they needed to take more from the rest of the agencies. And so for us, ours was a 14.2% reduction. This was very similar to the other cultural agencies and higher education. So we were not singled out, but it is a larger reduction than education got.

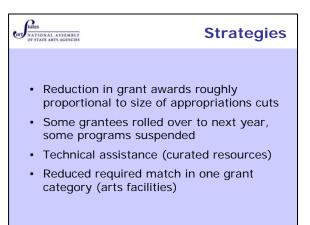
In December, the budget and control board passed out an additional 7% across-the-board reduction, and now they are asking to project what an 8% reduction would be for the beginning of the next fiscal year, July 1. Now 8% would be an average, if they need to try to protect education and prisons again, and some health agencies, which is probably what they're going to do. The Arts Commission could end up with a much larger cut than 8%. At the moment, we're at 23.9%; by next July 1 we are projecting we will be at a 35-40% reduction from last July 1. So that's where we are with that.

A couple of other things about current climate. In addition to the cuts that we have had and the potential cuts we may get, the grants budget in our agency has been funded by one-time funds for the past three years. 30% of our grant budget, for operating support, arts education, etc., is funded with one-time funds. If we don't get these one-time funds again, that would be a reduction of 30% on top of the 35-40% reductions. So our grantees are looking at the potential of 65-70% reductions in their grants for next year. This is unfortunately a bad circumstance to be in, where we may have two major problems going on. So our budget request for this coming year is solely focused on getting the legislature to

allocate the one-time funds again.

Some strategies we are looking at: We are reducing our grant awards about 18.2%. Some of our grantees we are rolling over to next year – our annual grantees, not our long term grantees. We are thinking that there is no reason to make them apply again when the pool will be less. Why not let them use that time to find money from other sources? We will also not allow any new applications into that category.

And then, we are also suspending a variety of programs We'll see where we end up next year as far as whether they will continue to be suspended or come back.



One of the effects of rolling over the annuals, as well as suspending some of the programs, is that we need to do fewer panels. This is helpful for reducing some of the staff time spent on various programs.

In addition, we are certainly continuing with technical assistance and in certain categories we have looked at how to make further adjustments. Like in one category, arts facilities, we have reduced the match in hopes they can make their match, since some of them are struggling. It was a higher match to begin with, and every week another call comes in from a constituent with a

problem, and if we are able to accommodate it then we do, and make that change for all grantees in that category. I'm glad the constituents are calling, telling us what their problems are so that we can help.

With communications, one of the things we did first was hold a series of conference calls in the fall. We advertised it throughout the state and grantees were able to call in and speak directly with me about what was happening. I could tell them where we were in relation to the budget and what we thought might happen in the future, including the scenario of "Plan now because your grant may be down anywhere from 50-70% next year." Constituents, I think, really appreciated that.

Our <u>Web site</u> has been updated very frequently with new information. In addition, we've held Conference calls – direct interaction with Executive Director to ask questions after first round of cuts.
Website updated frequently with new information related to ongoing and projected impact of cuts.

two meetings with staff of arts organizations around the state and have invited them to come to the agency and meet all the Commission's staff. We go over what the commission does, how we interact with constituents and listen to what their challenges are at the moment. That has been successful because we just happen to have a lot of new staff in our arts organizations at the moment.

Internal operations: We have reduced all internal expenditures that are not fixed. We can't reduce our rent, but everything else we've pretty much reduced. In October, I announced four days of unpaid furlough, and then in December we increased it to seven. So that is what we are operating on. We are holding vacancies and we have eliminated most temporary staff. We've cancelled the out of town board meeting, which was at the Spoleto festival. We also, of course, have cut back on staff travel, in-state and out-of-state. We do not have a freeze on travel; our state generally lets



each agency decide, most of the time, how to take cuts. And then, we've certainly cut back in our communications area. Our board was interested in having a hard copy newsletter in addition to our e-newsletter this year. But when the budget cuts started hitting they were the first to say we have to eliminate that.

Let me talk just a minute about impact and thoughts about this. Of course it is very difficult for grantees, and we surveyed grantees in August about what would happen if we didn't get our one-time money. That was drastic enough; we have not surveyed them since.

When the budget cuts started, the handwriting was on the wall – this would be a series of cuts into next year. Internally, we estimated what cuts would be throughout the year and into next year. We planned that in August, so we could make forward-looking decisions based on where we expected our budget to be now. That turned out to be a wise strategy.

As Susan said, it has taken a lot of staff time to provide all the scenarios that her state wants. That is one of the bigger differences that we see this year compared to past recessions. In the past we might get a cut at the beginning of the year and then another in the middle of year. But with this series of cuts we've faced many more requests for scenarios and reports. Ken and I are spending so much time working to prepare information that we've had to cut back on some other key things that Ken and I should have been doing this fall.

Staff, of course, is concerned. One of the things that has helped a lot is the NEA's flexibility of funds. It has really helped and I want to think NASAA for all its hard work in making that come to fruition.

We were also scheduled to launch a new long range planning process for the state next summer. We discussed whether we should put it on hold, but decided that it was more critical to do that planning than ever. So we are starting on a very significant, massive, planning effort over the next year to look at where the state wants to go with the arts. In the past, when we've had a downturn, it has made us think even more creatively and to look very critically at the future, our priorities and our strategies.

Kelly: Thank you so much, Susie and Ken. It's great for us to get the inside scoop on all you're doing in South Carolina. In hearing from both Nevada and South Carolina, it is helpful to learn how you're weaving together different strategies to position yourself in the environment right now.

This brings us to a question and answer break. I have a few questions queued up.

Let's start with Susan Boskoff in Nevada. The question for you is: You've talked about repositioning your agency as a small business administration. How is the arts field responding to that, and how are you communicating with them?

Susan: Actually we are doing that internally right now, with the board first. To inform this thinking, we talked to people ranging from the Nevada state demographer, who is a good



friend of the Arts Council, to some of our grantees, board members, and people in the business sector. This is going to be unveiled at our upcoming conference in March. I would hope that our field would respond to it well. Some of the governmental entities I've spoken with have had positive reactions. When I mention grants and the phrase "economic stimulus package" I get an

"Aha!" look from people who may not have previously understood what arts grants can accomplish. We'll be able to give you more information as this evolves.

Kelly: Another question for you, Susan: You said something about needing to help the board and staff with additional training. What kind of training do you think is going to help?

Susan: I actually don't know. I've been working in the field more than 25 years and I still wonder if it's possible to teach somebody how to deal with ambiguity. Can you teach somebody to weigh situations strategically and to negotiate what can stay and what can go? How do you develop policy acumen? Is it inherent, is it trained, do you learn it being bounced around and battered? I don't know.

Most of our critical budget cut scenarios came during the holidays. The day before Thanksgiving we got a call requiring us to put together a position paper describing what would happen if we eliminated the arts council beginning February 1, 2009. I had two days to do that. We passed that one ok. The next one came up on December 23, I believe, when we were given a confidentiality directive and had to develop a plan to cut our budget by 50%. We could not talk to staff, could not confer with anybody, and had to have that prepared by the 28th. Just my fiscal officer and I had to strategize. I don't have the answer of how you can train staff and council members to lead in these kinds of situations, but I think it is something important our field should look at, and with which NASAA could probably assist us.

Kelly: I'm going to jump forward a bit in the question queue to pick up on that council theme. This is a question for Susie Surkamer in South Carolina: How was your council involved in your changes, and what role can they play to be most helpful?

Susie: We started the discussions back in late summer and into the fall and went over the projections for the year with our council then. They were involved at that point and had plenty of questions and suggestions. They felt that their major way to be involved was to step up their advocacy with the legislature.

Kelly: We have another question, this one for both Nevada and South Carolina: What is the percentage of overall budget devoted to administration versus grant awards, before and after your cuts? Do you want to take a crack at that first, Susan?

Susan: Sure. First, I have to say that the Nevada Arts Council's budget is only .0023% of our state's total budget. Our whole department is just 1/2 of 1%, so our operations are lean to begin with. On top of that, the 50% reduction would eliminate basically all state funding except for staffing. It would also include reductions in staff and leave only a couple hundred thousand for grants and projects. As a result, all of those ratios will be very skewed for our agency.

Kelly: How about South Carolina? What is the percentage of overall budget devoted to administration versus grant awards, before and after your cuts?

Susie: I'm not sure if you want all funds or state funds.

Kelly: Whatever is easiest for you.

Susie: If we're talking all funds, our administrative budget, which includes rent and maintenance, is probably about 18%. We've taken staff cuts, but most of the staff cuts have come in the programmatic area, which would technically be considered a program rather than administrative expense. So our administrative ratio, if someone really looked at it, has likely increased.

Ken: Just yesterday I was doing an analysis of how much our travel has declined from year-toyear. For the first half of this year, although this includes program and service travel, some people would consider it to be part of the administrative picture.

Kelly: We've got time for one more question here, which is again a question for both Nevada and South Carolina. You both mentioned suspending or eliminating grants and services. How are you deciding what to cut or what not to? Would you like to take a stab at that first, South Carolina?

Ken: Because of the last downturn, our agency has fewer grant programs than we used to, so a majority of our funding is concentrated in arts education and in operating support. Those have been dealt with through across-the-board reductions. The size of the cuts to those programs is pretty much in sync with the size of cuts our overall agency has been getting, although, as Susie noted, we have not taken the entire cut out of grantees. Other reductions have depended on where we were in the specific program. If we had not made commitments already for the year, especially for shorter term programs, then we cut more deeply or suspended those funds. Our decisions hinged on what was available to cut at any given time.

Susie: Also, in some programs, we'd already made awards and achieved initial success. In some of those cases, we could suspend the remainder of the funding. This preserved the initial accomplishments of the program and kept it visible with constituents, even though we couldn't fund subsequent rounds of grants. That was another part of the consideration.

Kelly: So you are looking at a crosswalk of impact and timing and other factors when you are making those choices?

Susie: Yes, and how many constituents will be affected.

Kelly: How about Nevada, Susan?

Susan: Well, fiscal year 2009 was an anomaly. We had a one-shot supplemental appropriation and were actually able to award more money and give out more grants and use some funds to strengthen our outreach programs. This is "paying it forward" in a sense. But for our first cuts for fiscal years 2010 and 2011, we started realigning and re-envisioning some of our grant making programs. We believe in our grants, but we also know that our outreach programs deliver cultural activities to our far flung communities, and that's very important.

We always cut our challenge grant category first, which is a facilities development category with a 3:1 match. Just a couple of organizations usually receive that funding via three-year grants. Since the recipients are major organizations, we figure we can use their advocacy clout to help us restore that money.

For the rest of the programs, we go program by program, and we look at each one to determine its impact and priority. The news of the proposed 50% cut is fairly new, so we're playing it one day at a time, focusing on preserving our core services and commitments to the public and our grantees, and planning to serve as well as we can in fiscal year 2010.

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Lessons Learned from Prior Recessions

Kelly Barsdate, Chief Program and Planning Officer NASAA

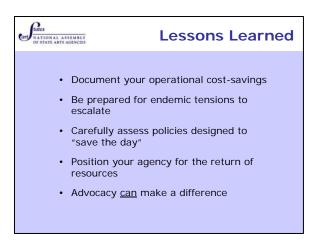
It's at times like this that I am so impressed by how nimble the state arts agency field actually is for state government.

We are going to have our next presenter, NASAA Legislative Counsel Tom Birch, here in a moment. As we're moving toward his presentation, I want to flash up some lessons learned from previous recessions that I think are echoing what Susan and Susie and Ken have all shared with you. I won't go into details about all of them, but I do want to pull out a couple of items.

The first is quick turnaround. Resource contractions force you to clarify your thinking, but you have to think *fast*. You heard Nevada and South Carolina talk about that – about the need to plan ahead and start weighing your options in advance.

Another "lesson learned" I want to emphasize is carefully assessing policies designed to save the day. During recessions, NASAA receives a lot of calls asking about things like relocating arts agencies within state government, dedicated revenue sources, external revenue mechanisms and other things like that. All of these are valid





strategies that have worked in some states to accomplish some very specific goals. But, in the 40year history of state arts councils, we have yet to see a magic bullet that automatically "recession-proofs" any agency, regardless of its structure or funding. We encourage you to think about what right timing looks like for your state, and call NASAA for information to help you weigh the options.

I also wanted to call your attention to a potentially counter-intuitive item, but one that is important. During the poll we took earlier, you saw that some states are actually expecting increases. NASAA CEO Jonathan Katz talks a lot about this – about positioning your agency for when resources return. Whatever the outcome, a strong case for resources can plant seeds that can take root in the future. There are several agencies pursuing that route right now.

Last but not least, advocacy can make a difference. For more on this, I'm going to hand things over to Tom Birch, NASAA's legislative counsel. Tom?

Advocacy Advice for Tough Economic Times

Tom Birch, Legislative Counsel NASAA

Thank you very much, Kelly. It is a pleasure to be part of this conversation. I want to spend the next few minutes sharing some ideas on how to focus our advocacy strategies when the economic indicators are down and the budget forecast looks grim.

First, I want to stress that it is important to remind ourselves that even during difficult economic times like these, our elected officials continue to support the arts, especially when they understand the tangible benefits the arts bring to their constituents and their communities.



We do best when we are flexible and creative, by aligning our priorities with legislators' budget priorities and their political realities. We know from our experience at the federal level, and you know in the states, that government spending in the arts fairs best, in any economic climate, when legislators understand how the arts can help them address a range of civic concerns and advance their own policy agendas. Just as an example, consider this the rationale that has been given for including the NEA in the economic stimulus package that is making its way through Congress here in Washington this week and next. Fifty million dollars has been added to the NEA's funding in the House version of the stimulus legislation, and the draft legislation says this, "The arts community throughout the United States has been heavily impacted by recent funding reductions due to philanthropic retrenchment after the past year's stock market declines and by reductions in state and local support because of revenue shortfalls in a depressed economy. And further, the National Endowment for the Arts is positioned to allocate funding quickly to these nonprofit organizations to retain jobs." Now what we have here is the arts funding in federal legislation attached to two federal legislative policy decisions. One, to shore up shortfalls in state revenues. And two, to protect jobs from being lost in the nonprofit arts. So, let me run through some ideas for arts advocacy in tough times that I hope will be helpful to you.

First, put the arts on the public policy agenda. It is important to show how public funding for the arts is timely for a state facing tough economic conditions. Remind your elected officials that the arts generate jobs, tax revenue, and consumer spending. Work with your legislators



and your governor to make the arts a part of your state's economic recovery plan.

Link your arts funding to priorities in public policy, such as economic and commercial development, education, social concerns and health care. We often talk about arts and economic development. We have considerable experience showing how a small investment in the arts can help build the economic strength of a community, whether it is by promoting tourism, revitalizing a commercial district, attracting businesses to an area or expanding the local job opportunities.

When we talk about the arts and education, we present the academic research which shows that children who study the arts demonstrate stronger overall academic performance. We remind our public officials that businesses, if they are going to thrive, demand the problem solving and creative skills that arts education cultivates.

On another policy concern, we have research findings to help show that the creativity involved in participation in the arts offers an innovative solution for addressing the rising costs in healthcare and Medicare insurance for an aging population. Research has found that engagement in the arts for older people supports better overall physical, mental, and emotional health. Fewer doctor's visits and reduced use of medication, among other benefits, help states to keep down the cost of healthcare for seniors, which is a major concern

for legislators today.

So, our message should be clear: public arts funding serves a public purpose. Understand what matters most to your elected officials, whether it is the economy, education, or healthcare (as I've outlined here) and put the arts in the middle of that policy concern.

Second, let's look at how we can demonstrate our service impact as well as our economic impact. We've always had the economic impact



of the arts as one of our strong arguments for justifying public arts funding. And during tough economic times that remains an important tool to show how the arts contribute to the economy and how the arts stimulate economic growth. Just as important in times of economic distress, however, is to highlight the public funding support that goes, for example, for reduced or free admissions to museums or to public art performances offered to students or community groups. Emphasize the kind of community services and programs that are provided by arts organizations in your state. Try to show how community needs are hurt by funding cuts to arts programs, so that the service impact resonates as importantly as the economic impact.

Going onto the consequences of some of these cuts, it is important to collect the data from your constituents to be able to document the consequences of program closings and staff cuts. For example, when a theater company is forced to close its doors, workers lose jobs. In a time when politicians are focusing on job creation and retention, remind your policy makers that arts organizations participate in the local economy by providing jobs, purchasing goods, and purchasing services. This again was part of the rationale used by the House Appropriations Committee this week to justify funding the NEA in the stimulus package, along



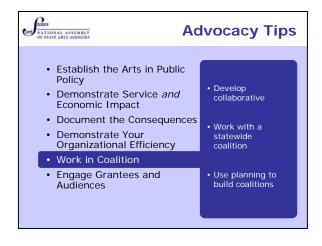
with the recognition that charitable giving is down across the country and government can step into help fill the gap.

Another argument that I think can be very useful, and we've already heard about it a little today, is to demonstrate your agency's efficiency as a steward of public funds. Help your elected officials understand the role public dollars play in helping leverage additional funds, providing equitable access to resources, fostering good business practices and ensuring accountability among your grantees. Show how your agency is a judicious steward of public dollars. Susie Surkamer has given us some good examples of these already operating in South Carolina. Your elected officials and budget officers, as they are putting more emphasis on



efficiency and downsizing, need to be able to identify the measures you are adopting to conserve your resources and streamline your system.

We've talked a little bit about coalitions already, and I'd like to address that now as well. Especially in times of adversity, groups tend to come together in coalition, and it is an important tool that we have. Develop collaborative lobbying strategies with other advocacy groups, not only alliances between arts advocates, but also with non arts advocates, whether they are teachers' organizations or the travel and tourism groups in your states, historic preservation, organizations serving youth, chambers of commerce or business groups. At the same time, work in relationship with your statewide coalition of arts advocates to bring visibility by organizing events locally and on the state level. Take advantage of convening opportunities to build coalitions and broaden your constituency. Examples might include something like the Big Hug Tour in Massachusetts, as mentioned earlier by Kelly Barsdate, or the Nevada



meetings with local groups as described by Susan Boskoff. You want to be able to develop a statewide network of grassroots arts advocates that combines the clout of the state arts leaders with arts audiences to lobby for an arts budget that serves everyone.

Finally, let's look at some ways to engage your grantees and their audiences to communicate your message. Open the lines of communication to promote cooperation on advocacy. Make sure everyone is talking together and sharing information. Persuade your grantees to rally their members and audiences to advocate for the arts. Help your grantees explain the importance of public funding for the arts that they present and you fund. This is a good time to step up your on-

line communications efforts. If you are contacting your supporters once a month by email, think about contacting them twice a month, or even weekly if necessary. Optimize your on-line advocacy opportunities on your Web site by making the process as easy as possible for your supporters. Include a prominent advocacy button on every page. Our recent issue of the <u>NASAA Advocate on e-advocacy</u> has some good ideas on how to expand and improve upon your communications for advocacy. And, coming your way shortly is a new issue of the Advocate with more about <u>advocacy strategies in</u> the economic downturn.



I hope the points here will give you ideas on strategies that can work in your own state.

Kelly: Thank you so much, Tom. We have time for one quick question at this point: I'm sure that elected officials are overwhelmed with everyone clamoring about their needs right now; how can arts advocates differentiate themselves?

Tom: Well, I go back to the first point I made here. I think we surprise elected officials in how we attach to so many issues they are trying to address. We are actually part of the solution they

are looking for and we are a part of the puzzle that is going to provide the answers that they need.

Kelly: Absolutely, a couple of people have also asked where they can find more information on arts in the federal economic stimulus package right now. Can you guide people on where to look?

Tom: Sure, we've put out information on NASAA's Web site, and it will be coming your way in the next issue of NASAA Notes. We sent out a Legislative Alert just this past week with information. The update right now is that the House appropriations committee marked up their bill yesterday and it will be coming out on the floor for a vote next week. I checked right before this call, and the details have not been revealed just yet. But we're looking at \$50 million dollars in that package on top of current funding for the NEA.

Kelly: And your Legislative Alert also tells people how they can help through their Congressional delegation.

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Additional Resources

Kelly Barsdate, Chief Program and Planning Officer NASAA

I want to wrap up by showing you some new resources that are available to you via the NASAA Web site. If you go to the front page of our site you will see a link that not only talks about the

<u>economic stimulus package</u> that Tom mentioned, but also has new resources, posted today, for state arts agencies <u>contending with economic</u> <u>uncertainty</u>. The slides of this seminar are posted there already, and you can to get additional research and talking points from this site.

I also want to encourage everyone to check out the <u>state strategy sampler</u>, which has examples from a variety of states. <u>Jesse Rye</u>, NASAA's policy and program associate, put it together, and it's a "living document" that we'll update over time. So as you ramp up your own strategies, please let Jesse know about them. His contact information is included there.



We'll also be adding information about the internal strategies states are adopting. We want to make sure your constituents learn about those things from *you*, first! So we're storing this information in the "members only" section of our Web site. That means you'll need a user ID and password to get in. If you need a password reminder, contact <u>Dora Shick</u> and she'll help you out.

All this has been about information, but NASAA is helping states out in other ways, too. We're spreading the word about the importance of the arts in the new <u>National Governors</u>



<u>Association report</u> that just came out, and doing the work to open up new arts resources with the new administration and Congress, like Tom just mentioned.

Please be on the lookout for more resources from NASAA in the months ahead – not just on this topic but on other policy and program topics, too. We know that budget cuts are foremost on your minds right now, but we also know that you are more than the sum of your cuts. So NASAA will be continuing to provide you with information and assistance with other issues, too – through more Web seminars, our Web site, the Notes e-newsletter and other services.

That concludes our agenda for today. I'd like to thank our presenters again – Angela, Susan, Susie, Ken and Tom. And I also want to thank all of you for participating in NASAA's biggest Web seminar to date. Please be sure to give us your feedback on today's session.

Also, please keep us posted on what's happening in your state, and don't hesitate to contact the NASAA office for assistance any time. Thanks again for tuning in.