



Grantmakers in the Arts  
2003 Conference

## THE EDGE

### Proceedings from the Conference

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### MEMBER REPORT

#### LESSONS FROM THE EDGE: PUBLIC ARTS

#### FUNDING 2004, OPPORTUNITIES AND CHALLENGES

The national crisis in state budgets has definitely had a dramatic impact on arts funding. In some states, the effect on state arts agency budgets has been devastating. But there are also success stories worth documenting and meaningful lessons to learn about case-making, collaboration, and coping with change in our current environment. This session will bring GIA members up to date on the latest developments in public funding across the country, detailing the scope and magnitude of changes in the states. The update will be followed by a facilitated discussion of key questions: What are the implications of these shifts in public funding? How do fluctuations in public and private resources affect each other? And what can state arts agencies – as collective grantmakers within the same funding ecosystem – glean from these challenges?

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*October 22, 2003, 10:00 a.m.*

**BARSDATE:** Welcome to our session on public funding for the arts. I'm Kelly Barsdate with the National Assembly of State Arts Agencies. My privilege is to share the stage today with Kristin Tucker from the Washington State Arts Commission and Neal Cuthbert from the McKnight Foundation.

We'll be talking today about public funding for the arts. I'll start us off with a national overview so that we can look at some of the macro trends across the country. Kris and Neal will talk about what's happening in their states and how the current environment is affecting their thinking and their decision-making.

Then we'll have a conversation amongst all of us, take advantage of this brain trust that GIA lets us put together every year, to consider what it means for us to support the arts, public and private.

Let's go quickly around the room, just to get a sense of who's here.

Do you want to start Darcy?

**HECTOR:** I'm Darcy Hector from the Robert Sterling Clark Foundation in New York City.

**SMITH:** I am Laura Smith from the National Assembly of State Arts Agencies.

**GOMEZ:** Jewelle Gomez, San Francisco Arts Commission.

**TALBOT:** John Talbot, Southern Arts Federation.

**HERNDON:** Amy Herndon, Seattle Office for Arts and Cultural Affairs.

**BARSDATE:** I'm going to make my part of this pretty high octane. I'm going to provide a fact base for today's conversation about what shifts in the funding environment mean for all of us.

Welcome. Would you like to introduce yourself?

**DAVIS:** Bruce Davis, the Arts Council of Silicon Valley.

**BARSDATE:** Defined briefly, my job is to study public funding for the arts in this country and to study the grants that are awarded with those funds. Aside from being the coolest job on the planet, it means that I am able to frame our conversation with a fact base. Right now there is a lot of partial information and old information circulating throughout the pipeline about what's happening for public funding for the arts in the country.

We're going to bring everybody up to speed with the latest intelligence and then move from there to a conversation that's more about strategy and implications and what we do with that. Everybody has handouts. There are some extras if you need them.

I'll start by positioning the government funding slice within a larger context of funding for the arts overall. On the first page of the handout, you've got all nonprofit arts organization revenue. This is circa 2000, from the Foundation Center. If you aren't familiar with this report I suggest you get a copy. They pull together a number of different resources and map the environment. There are a couple of things to notice here.

The first is that there is no slice of this pie that is recession-proof. We talk a lot about the vulnerabilities of public funding for the arts. But there are vulnerabilities also in patterns of individual contribution and consumption. There are vulnerabilities certainly in the portfolios that private funders use to make their investments. There are vulnerabilities within the corporate decision-making structure.

Looking at this reminds me of our collective challenge and our collective responsibility to take care of the small ecosystem. Changes in one of these slices affects the rest of the ecosystem as well.

Another thing that I notice is that private foundation funding and government funding are comparable in size, in the role that they play in overall arts funding. Together, they're approaching a quarter of all of the resources that are supporting nonprofit arts organizations in the country, which highlights for me the potential of synchronizing roles there. It highlights the potential of what is possible when you have complementary and synchronized and mutually reinforcing strategies taking place for investing in the arts in the public sector and in the private sector as well.

Let's look at the government slice, which is going to be our focus for my part of this, in more detail. If you flip over to the next page, there are three primary indicators of government investment in the arts that we track on a regular basis: the federal appropriation for the NEA, state legislative appropriations for all 56 state and jurisdictional arts councils (and yes there still are 56), and direct expenditures on the arts by local government. By local we mean county and municipal and regional multi-county sub-state entities. There are about 1,200 staffed local arts agencies like that across the country.



All totaled in 2003, \$1.2 billion. If you track that back over time what you see is a growth story. What you see is that local funding for the arts has increased by twenty-nine percent between 1992 and 2003. State funding has increased by 66 percent and this is even including the first couple years of the downturn that we've been experiencing. Federal funding is down on the decade but has been increasing and having moderate increases over the last few years.

The historic perspective is really important here. First of all, when we are in an environment of acute resource shortages, it's our tendency to think about things that are happening in the immediacy. It is easy to forget how much progress the arts field has made over the last decade and indeed how much progress we've made over 30 years in government funding for the arts.

Another reason that it's important to put this in historic perspective is that there is a persistent myth of the demise of public funding for the arts in this country. I came into this field in 1991 when the cultural wars were raging and this field faced a measure of uncertainty about public funding for the arts. We survived that. The speculation about the demise of public funding did not happen.

The facts do not bear out the persistent myth. We see a lot of growth at the local level. We see a lot of growth at the state level. We see growth recently at the federal level as well. You know, Twain said, "The rumors of my death have been greatly exaggerated." Certainly the facts support that for public funding as well.

If you flip the page, you notice a couple things. First, if you look at 1992 to 2001 before the downturn started, we're talking about real growth. Even when you control for inflation, these investments have increased.

If you add the first two years of the downturn, local dollars are down just a smidge. We still have significant growth on the state level as well.

So what makes it go up? What makes it go down? These things are worth looking at now, in the current context that we have because we are looking at such large changes up and down.

Public funding for the arts is inextricably linked to the overall health of state government budgets and local government budgets. Inextricably linked. Generally speaking, when those budgets are healthy, the budgets for the arts are healthy. When those budgets are in peril, the budgets for the arts are in peril. If you map it out statistically over thirty years, that is always the case.

So in the 1990s and in the early oughts, we were in a period of exceptional macroeconomic performance. The stock market was great, income was rising, everything was lovely. That in turn made for healthy government budgets. There were surplus revenues.

All of the things that states make money from – personal income taxes, capital gains taxes, corporate profits, tourism, were growing and growing and growing. States were able to cut tax rates and still realize surplus revenues. In six of the last seven years, if you go from 2001 back to 1995, states actually cut taxes but made more money during that period of time. Remember that, because that's an important set up for what's happened over the last couple of years.

Just because there's a lot of money in the system and there's availability of resources, doesn't mean that it necessarily goes to the arts. That's no done deal, it's no guarantee. So why did it happen?

It's because we were able to connect the arts to the priorities of government. We were able to offer public benefit rationale that showed how you invest in a symphony not just for the sake of the symphony, but also for the sake of the citizenry.

We were able to also increase the sophistication and professionalism of our advocacy. The advocacy networks for the arts matured greatly during this period of time. That really explains a lot of the growth that you see. If you look across other fields, if you look at health, if you look into education, if you look at the environment, the signs that you see of professionalism and advocacy began to emerge in the arts field as well. There was maturation there.

We also saw devolution in all areas of public policy. Decision-making roles were devolving from the federal level to the state level and from the state level to the local level. It certainly happened for us in the arts. It's happened in other public policy areas as well.

"Partnerships" is a shorthand term, but yes it is doing programs in collaboration. But more than that it is looking at ways to direct non-arts resources within the government system to arts programs so that you have transportation dollars, for example, invested in the arts; you have education dollars, for example, invested in the arts.

We shorthand this internally as OPM, "Other People's Money." What it does is gets across the discipline areas within the state government or within local government, it gets across those sectoral lines and brings a lot of resources to bear



rather than just the appropriations of individual agencies.

There's also a cheap date element to it as well. We talked yesterday at lunch about whether or not that cheap date approach serves us strategically well in the long-term or not. The reality is that policy decision-makers will always love a little investment that reaps a big reward. They always will. They're always looking to make a big difference with a small amount of money. The arts certainly deliver on that promise.

Coming into fiscal year 2004, an interesting contextual fact here is that state arts agency appropriations will represent .048 percent of all state spending. .048 percent, that's less than one-tenth of one percent. It's a very, very small investment. It's not enough to close anybody's budget gap, but the impact of those funds is tremendous when you think about it to scale.

Let's talk about decline drivers. Weak economy, we know it happened in 2001, the economy went south. What happens in government budgets is that there's about an eighteen to twenty-four month time lag where what happens in the general economy begins to appear in state budgets particularly, but also local budgets and federal budgets.

The federal budget by the way is a little bit different. The big difference between state and federal budgets is that the federal government can run a deficit. Constitutionally states are prohibited from doing that. So states must balance their budgets. They must balance revenue and expenses. The federal government does not have to do that. So their circumstances are a little different here.

Heading into 2002 there was what many analysts will call the "Perfect Storm." States realized the worst three quarters of consecutive revenue since World War II. They had been cutting tax rates, remember, and when less taxable activity was occurring because of the depressed economy they actually started making a lot less money. States were in declining revenue mode for the first time in a decade. That created a circumstance where they had to encounter expenditure pressures as well.

Another pie chart. If you look at all state spending, 70 percent of it goes to Medicaid, prison construction and education. This slice here? Can't get smaller. It can't get smaller for two reasons, because it's demographic-driven and it's federal mandate-driven. That means that everything else that happens here in this part

of the state budget has to take up the results of funding shortfalls.

So here you have transportation, here you have the judicial system, here you have public safety, here you have human services, here you have natural resources, here you have regulation, here you have arts and culture. As all resources get smaller, the squeeze necessarily comes what we call the discretionary part of state budgets. This is where the arts reside.

That's what happened, and that's what's shaping the crises that we're seeing right now in government funding overall, which also shapes the resource shortages available to the arts.

It's interesting in looking at these funding drivers, there are a couple things that aren't on the list that I want to call to your attention. What's not on the list is partisan politics.

**PANELIST:** It's not a factor. We've tracked it over time. We've looked at state arts agency appropriations over time when we're tracking the partisan leadership of the house, the state house, the state senate, the governors. We have found that growth occurs in bipartisan environments, growth occurs in Democratic and Republic leadership, also decline occurs. It's not a driving factor. It's about the rationale that you assert and it's about the advocacy apparatus, and it's about the effectiveness of what's being delivered and the citizen demand for that. It's really not about the partisan politics.

Another thing that you won't notice on the list is a philosophical objection to the endeavor of public funding for the arts. During the cultural wars there was a concerted effort to eliminate the National Endowment for the Arts and it did not happen. There was a check and balance and the American public wouldn't stand for it.

The same thing happens at the state level, at the local level. There are challenges certainly, culture is not uniformly within the policy consensus that government agrees it's going to spend its money on. It's not like healthcare, education or prisons. But we have found that the arts are elimination resistant. We saw it at the federal level, we're seeing it at the state level, we're seeing it at the local level as well. So just an interesting counterpoint there.

We've been talking about where we have been up to this moment. We are now entering 2004. Through the spring and summer there was a lot of speculation about what would happen for especially state funding for the arts.



I want to look at what did happen. I'll tell you right up front that this is a story that defies casual generalization. It's a complicated one.

Heading in to fiscal year 2004 among all of the fifty-six states and jurisdictions, appropriations for the arts went down by twenty-three percent. We lost about \$82 million down from \$355 million in 2003 to \$272 in fiscal year 2004.

Now it's important to understand that the losses were concentrated this year. The vast majority of those cuts happened in three states: California which dropped by 90 percent; Florida which dropped by 78 percent; and Michigan which dropped by forty-seven percent. These are three states that invest a lot of money in the arts and these three states have a lot to do with the national bottom line.

When you look outside of those three states at the other fifty-three, what you have is a decline of about eleven percent. It's still not good news, but it's really, really different than the overall twenty-three percent. Still not good news, but different.

Look at the concentration pattern at the bottom of page four. Thirty-four states took cuts. Nine of them were severe. Nine of them were thirty percent or more. But the median decrease was twelve percent. That's the median decrease. Half of the states got cut more than twelve percent, half of the states got cut less than twelve percent among those thirty-four who took cuts.

Importantly, and a story that's not getting told as much for some understandable reasons, twenty-two states maintained their appropriations or increased. Of those it was ten that stayed flat and there were twelve that increased.

Now the increases were modest in most cases. The vast majority of states in this category of twenty-two are holding the line. It's certainly a counterpoint to some of the headlines that we saw earlier in the spring about the demise of state funding as we know it. Twenty-two states in fact are holding the line or increases. Thirty-four are decreasing, and they're decreasing relatively modestly.

These aren't rosy statistics, they're certainly sobering, but the dire predictions that we saw about the wholesale elimination of state arts agencies did not actually occur. There are tragic cuts in some places. Radical cuts were isolated. We're talking about a concentration pattern here.

Another thing is that the cuts we're seeing in the arts are proportional to the cuts that we're seeing in the rest of the state discretionary budget. What

we're understanding from the statistics, and what we're understanding from the experiences of our network, is that people are facing severe fiscal constraints for sure, but they're also the exception, not the national trend. Proposals to eliminate or to radically reduce a state arts agency budget are in fact an aberration in state government. They are not the national norm.

That's a really important clarifying point. It is a lot easier to get media coverage of the extremes. But if you're making policy decisions, it's important to be informed by the norms as well as the extremes.

We've felt in our field like there's been a snowball effect happening for three years now. Got started coming down in 2002, they got worse in 2003, they got even worse in 2004. So it has felt and indeed it has been a snowball effect.

But digging a little bit deeper in the statistics, there are also some encouraging signs emerging. Overall in 2004 fewer states got cut than last year. Significantly fewer states got cut.

Also the median change figure is improving as well. If you put all the figures for how all the states changed together, the cuts and the increases, and you look at what's the measure of central tendency there, what is the median experience? It's actually improving between 2003 and 2004.

We're not saying that the situation is rosy, but we are starting to see some things that look like they're anticipating rebound. We know that early, early revenue projections for states are more encouraging now than they have been for the last two years. It will take a while for those results to show up in state discretionary budgets. We're not expecting a sharp rebound at this point in the immediate future, but we are on the lookout for the resources to increase.

I don't think I'll spend a lot of time on state arts agency grantmaking. Partly because it seems like in the room people are fairly knowledgeable about public grantmaking which has some real differences between public and foundation grantmaking.

I will just make a couple of macro-points, though, that set up some of the observations that I'm going to close with.

State arts agency grant distribution is about a very, very broad network. It's about making modest investments in a lot of places. Twenty-eight thousand grants across the country, 20,000 grantees. You've got fairly small investments.



The Foundation Center sample finds that their median grant award size is \$25,000. Compare that to the state arts agency median grant award size of just over \$3,000 and you see that contrast.

Another thing you can see is that there is a broad geographic spread to this grantmaking. Twenty percent of the United States population lives in rural areas. And 80 percent lives in metropolitan areas. For state arts agencies, they award about twenty-seven percent of their grants and thirteen percent of their grant dollars to rural areas. It is not a metropolitan concentration.

In contrast, foundations tend to focus their grantmaking in a smaller number of states or in a smaller number of areas. The spread is not as much of that model as it is necessarily for a public agency whose legislative mandate says that it must serve the needs of the entire state.

What that means strategically during times of cuts and times of growth is a couple things. One is it means you've got a large network of grantees and constituents that you need to mobilize. We're all familiar with the phrase of herding cats. When you have 20,000 grantees, you've got 20,000 grantees with their boards, with their audiences, with their volunteers, with their other donors who need to understand where that public dollar comes from and the unique role that it plays in the ecosystem of that organization and in the ecosystem of that community.

It's a tall order to convey that information and to mobilize those troops to really influence policy decision-making. But that advocacy necessity and the grantmaking strategies inform one another. That's an important point.

Another important point is that any state, even any city, has its polarities. You've got big organizations and little organizations. You've got rural groups, you've got urban groups. You have all of these polarities. A state arts agency by legislative mandate can't just pick one. What they have to do is find a policy solution and a distribution mechanism that makes everybody realize the mutual benefit of that. It's called the winning distribution strategy.

There are fifty-six state arts agencies, and there are fifty-six different flavors of what a winning distribution strategy looks like. But the notion is you've got to find a way to bring the polarizing interests together under one umbrella where they perceive the mutual benefit of advocating for one another. That's a particular and unique challenge to the public sector.

I'm going to toss out a couple of impressions that I have about what this all means. The first is adapting to change. I think change adaptation is important in our field. What does that look like for us right now? It means shorter planning horizons, it means fewer multi-year commitments. It means figuring out how to deal with cuts, responsibly and strategically and equitably. A bunch of challenges there. Adapting to change is one piece.

Another piece is the advocacy apparatus. Interesting things are happening here. I talked about the maturation of the advocacy infrastructure. I think that continues. We have heard from many states that now is really the best time to put into place what we have always understood to be necessary for our long-term survival. Now everybody perceives an urgency that they did not during times that resources were expanding. So that's an opportunity.

We're also starting to see much more interest in not just mobilizing cultural organizations but mobilizing their trustees, mobilizing their audiences, mobilizing their communities. It's a reframing of what grassroots advocacy looks like, where it is not just the members of the arts community doing the advocacy.

We're also starting to see more coalition advocacy. Not just the arts doing advocacy for the arts but arts and humanities and historic preservation and the various cultural domains, advocating together for a cultural agenda. It doesn't work in every state, it's not happening in every state, but we are seeing it being very successful in some states. It's something to keep an eye on, coalition advocacy. That's the second thing.

Third thing, I'm going to shorthand as "public value." That is, articulating uniquely what is the value of the service or product that we as a public sector are providing to the public. What is our core reason for being, and what are we accomplishing in terms of public benefits through the grants that we give, through the services that we run as public agencies.

I want to make an observation here. We talk about advocacy and then we talk about public value, and that is part of the case-making. The observation that I want to make is that both are necessary and neither is sufficient. You need to have that public value articulated; you need to have that rationale honed; you need to find a place where the arts aligns with the roles of government. You need an advocacy apparatus to work the political system, but one without the



other is not going to be as effective. They really do need to dovetail.

Seeing cross-sector work. That's another thing that the funding downturn has sharpened our awareness of. There's a growing perception among the public that there are some persistent social problems that no sector is capable of solving on its own. The public is tired of being disappointed by any one sector on its own. There's a lot of pressure on the private sector now, witness Enron. There's also a lot of pressure on the government sector. Public confidence in government is at its all-time low right now, historically. The United Way scandal of the 1980s, our field has not yet grown out of. The nonprofit independent sector still has not shed all of that baggage.

There's a growing public perception that the checks and balances of the different sectors working together is the way to solve, and perhaps the only way to solve, some of the persistent social problems that we have. That's where the public trust factor comes in. So we are seeing cross-sector work. We're starting to look at intersections between private, public, commercial, nonprofit, how that all works.

There's also a messaging challenge here. This is on some level a counterintuitive one. When you're facing the prospect of big cuts, you want to scream bloody murder, and you want to tell the story of the dire consequences of these cuts, how tragic it is, and you want to mobilize your troops and your advocates. By the same token, conversations about the impending doom of public funding for the arts legitimizes what is an aberration in state government and gives momentum to what is bad public policy decision-making.

One of the challenges for a municipality or for a state that is facing the prospect of severe budget reductions is how you get the facts and the information out to the policy decision-makers and to the public so that they understand what is at stake and they understand the seriousness of the decisions that are before them. But you also don't at the same time present it as a *fait accompli*.

You want to be a cheerleader, but you also want to be reality-based. You don't want to legitimize the incorrect notion that targeting the arts is a policy option. Because we didn't see that this year. We saw that there were a few states where the arts agencies were targeted, and it was the exception, it wasn't the norm. If you were one of the many, many, many states in which your arts agency was not targeted, you don't want your neighboring states giving your state legislators any ideas.

So the messaging piece is a challenge here. It's something that every locality and every state is going to have to invent its own solution to, based on the unique local needs and based on the needs of the decision-makers in that state as well.

So enough said for me. I think I'm going to pass the baton. Kris, are you next?

**TUCKER:** It's really great to share this table with Kelly because she collects all this data and makes it really useful to us. I'm planning to use your PowerPoint for my next presentation... [Laughter] Thank you for doing my work!

I usually tend to think of things in map terms, not that I am any great geographer, or not that I never get lost, I got lost last night in Seattle, but because I'm really interested in the connections and the relationships between things. So in that kind of metaphoric context I say that my job is at the intersection between state government and the arts.

Right now both of those are rocky roads. The arts in Washington State and in the broader system, things that are not on the Washington State map but on other sectors, are seeing real changes. Foundation earnings are down. Individual contributions are up in some ways and down in other ways. You know that whole story about what's happening in the arts.

We also know that in the arts in this state, we have invested a billion dollars in the past ten years – a billion dollars in capital facilities, capital arts investment in the Seattle area in the past ten years. Those are 1990s expectations that are meeting a new millennium.

Those organizations developed a construction plan based on the expectation that things would continue to grow exponentially. That is not happening, so those organizations are seeing some real pressures that they didn't anticipate when they made those fabulous facilities. And they are fabulous, there are several around here: Benaroya Hall, the Seattle Art Museum, Museum of Glass and Tacoma Art Museum, the new McCaw Hall for the Seattle Opera. Really, some wonderful facilities and programs and remarkable gaps in expectations and realities in a lot of those ways.

The arts road is different than we expected it would be, and same with the state government role. If my job is at the intersection between state government and the arts, I'm seeing that I need to look for different mileposts, different signals, different ways of explaining what I do and how I relate to what I'm doing.



In the state budget overall, the gap is about \$2 billion. Somewhere around ten percent of our total state budget is taken out of the middle of that, and because there's so many fixed costs – actually Medicaid costs are growing for the states – there is pressure on every other piece of that thirty percent.

We're also seeing in state government though, some pressure on the revenue side of the equation. This is really a new discussion. There's real pressure on tax collection and some of that is initiative driven. In this state we've had a number of voter initiatives that have really changed the tax collection picture. Those of you in California are nodding because you're familiar with this too. If we unpacked the statistics about the states that took the biggest cut, we could directly relate that to serious, dramatic changes in tax policy.

We're also seeing, not in Washington State, but in many states, the effect of term limits. Term limits are changing the faces at the table, so people are making decisions that they don't have this long public policy framework for making. Their constituencies are changing as well. I see that as a complex of factors that are certainly affecting our work.

Now in Washington State I work for Governor Gary Locke, who is finishing his second term and announced about three months ago that he's not running for a third term. We do not have term limits, so he could, but he's not running for a third term.

We didn't know that a year ago when the Governor, facing this budget shortfall, announced a brand new budget development process that he was calling "priorities of government" which, of course, immediately became POG.

So the POG process was launched about July of last year. It was to build the biennium budget that would be presented to the 2003 legislature. We do a biennium budget.

Typically the way we build biennium budgets is that every agency submits their request, which as Frank Hodsel would say, is history plus or minus. You take last year's budget, you blow the dust off, you cross this line off, you increase this figure. History plus or minus.

The Governor did not want to do history plus or minus. What the Governor wanted to do was start with identifying the priorities of government, and a list of nine was established. Economic development, K-12 education, higher ed, health and safety. There was mobility, not

transportation, mobility which is moving people and goods.

About halfway through a three-month process of establishing and budgeting for the state's priorities, a legislator who was part of the advisory committee said, "We're missing something on this list of priorities. What's not on this list is recreation and culture!" Recreation and culture was added as the tenth priority of government. And I got a phone call.

This is really one of those good news/bad news sort of situations. I'm called to the table half through this revolutionary process, to explain why culture and recreation should be a priority of government, and what that will mean. This isn't agency talk, this is talk about the results of state government at a time when we have a huge hole in our pie.

So we did that. At the table, about twelve of us talking about the state's priority of recreation and culture. It included about six people in the Governor's Policy and Budget office, and about six people from the Interagency Committee on Outdoor Recreation – remember this is Washington State – Historic Preservation, and State Parks and Arts. So those were the other people at the table.

Obviously missing was the State Historical Society, because they're not a state agency. At the K-12 education table, not present was the Superintendent of Public Instruction. Because she's elected, she isn't a cabinet level position.

So you can see some structural flaws in the process. The process went forward, each agency had to list everything that we do in terms of priorities. We had to sort our work in new ways. It was new-think, but it was results-think.

If the stakes weren't so high, I think it would have been a very interesting academic discussion. It was not academic. If you just project, twenty percent of everything the state does is not going to be funded, and culture and recreation wasn't even a priority until halfway through the process.

So how we prioritized those different expenditures was a very nerve-racking experience. We did it. They were wrestled with, the government proceeded with all of these established lists of "fund" and "do not fund." In December I got a call from the Governor, the only call from the Governor I've ever received, to explain to me why his budget would include a thirty-nine percent reduction for our agency.





I said, "Governor, we're one of the priorities of government!" And he said, "I know, but I didn't eliminate you." So that was supposed to be good news. With my reservations about this whole process, the legislature had even more so. Again, we're not a term limit state, so their biggest reservation was, this wasn't our idea!

I have a very good ally in our Commission, the House Majority Leader is a member of the Arts Commission, which is really a good strategic move. She spoke, she was in this chair yesterday. She had the ear of the chair of the House Appropriations Committee who listened to Lynn Kessler every day during last year's legislative session. The victory for us was a twenty percent reduction instead of a thirty-nine percent reduction.

The message is really clear, that if we go to the table saying history more or less, we're going to be in the middle of these processes, and right up against that in a way that isn't going to be translatable in a budget format.

The exciting thing about this is that we are positioned very well, the state arts agencies, to talk about our work as more than grantmaking. Grantmaking is really important, but it's not for the sake of distributing grants. We do provide grants because they achieve results that are important to the priorities of government, to the priority about increasing recreational and cultural opportunities for the state, but also in terms of the workforce, K-12 education, higher ed, all of these other things.

We've also been looking at what we think of as a values chain. Does this terminology sound familiar? A value chain says that we do this, we do grantmaking so that arts organizations are healthy; so that communities are healthy; so that we can recruit and retain an effective workforce. The challenge for us right now is to figure where that values chain can be credible and accountable at the best place and at the same time.

We have all kinds of performance measures about how many grants we give and how big they are compared to how many applications received. We can do dots on the map and we can do pie charts and we can do all these other things about grantmaking, and I think that's a really important discussion, but we also have to be able to be accountable and meaningful in other places on the value chain. That's new conversation for us.

Let me talk about a couple of roles we have that are other than grantmaking that are really important. Five years ago we reinvented our arts and education program. We had for years done a community enrichment program, which was

then a timely euphemism for arts in education. We funded main stage and touring, which meant we got kids on buses either to go to the cultural opportunities, to go to the theater, to go hear the symphony for forty minutes sometime during the school year, or we put the arts organization on the school bus and brought them into the school.

What we learned over time was that if there was a fire drill, our arts education program – that forty minutes for that kid – would not happen in that school year. We learned that it was just a fragile program.

We also learned that in terms of sustainable impact on those kids in an arts education program, the content was not deliverable in forty minutes. We had a very small contact period with a large number of kids, and that was not changing the discussion around arts education.

This forty minute discussion is not getting us anywhere. So we reinvested our arts education dollars into what we called community consortia projects. One of the things that really changed our thinking about this was based on the research from gaining the arts advantage. That research showed that the most impactful arts education happened because of community support. It didn't happen because an arts organization did it, or because a school district did it. It happened because the arts organization, the school district and the broader community were working together.

We decided that instead of giving every kid in the state forty minutes, we were going to give thirty projects across the state a larger amount of money to do something meaningful, and then do what we can to milk that. Basically it's the case study or the model program approach.

The populism part of this is a little dangerous because we have a lot of legislative districts where we're not doing arts education unless there happens to be an arts organization there that is doing it, and not because we fund it, but because it's important to their mission.

There are political risks with that. We're hoping the offset to that is that we are over five to ten years going to have some real meaningful change. We're going to have a different discussion in the K-12 community, in the arts community and in the broader community about how arts education can be done. So we're really trying to change the conversation on arts education.

Washington Mutual has given us \$80,000 this past year to research and document best practices



in arts education in a way that is meaningful to school boards. It's not necessarily meaningful to the arts community but meaningful to the education policy-makers. That to me is an indication that we're on the right track and that we are making a difference.

Community development. In September I spent part of two weekends working with some communities to talk about the arts as part of their community development issues.

One was in the downtown Bellingham area where they're doing a revitalization effort, they're calling it a downtown renaissance effort, that is based on investing some funds in capital construction – actually it's more of a remodel than a new construction plan. They see that the downtown is critical to their larger community.

It's a university town. The university is not downtown. So they're trying to bring the university community downtown as part of this. But it's a broader community discussion that has the arts at the core.

I was able to bring in some other experiences, some other examples, talk with them about sustainable cultural development, and give them some coaching. Again, that's the kind of difference that state arts agencies can make because we have a larger role in the state.

Later this week I'm going to the State Heritage Conference to talk about Lewis and Clark. Lewis and Clark spent a lot of time here 200 years ago. There's a lot of talk about how Lewis and Clark is going to provide some new conversations about cultural tourism.

My thing about this is that this isn't building a multi-million dollar Lewis and Clark history museum in every small town. Lewis and Clark did not go from Seattle to Portland. Lewis and Clark went in towns that you've never heard of, that they'd never heard of. They're not on any large tourism map now. We're not talking about big construction. How can we make the Lewis and Clark experience a meaningful experience in a sustainable way in these small rural communities?

That's the part of value that the State Arts Agency can add, not because I want any profile about this, but because I really want this conversation to be meaningful to those local communities.

Two more things that I'll talk on briefly. I learned this week that the Governor is interested in his last fourteen months in doing all of these things about culture. He has never heard the term "lame

duck" apparently, because he wants to do things that he hasn't done in the five years I've been in this job.

One of the things is to work to leverage more private support for the arts. I think this is interesting. Unless it's about saying, we're not going to fund it on the public side, so let me help you fund it on the private side. That's not a discussion I want part of.

But I do think that a broader discussion about philanthropy is very appropriate and the public sector needs to be at that table. So if the Governor can be part of that conversation, I want to help him with that.

Cultural policy is where I want to end. Pew has recently funded some work in cultural policy and in Washington State they funded a researcher, Mark Schuster, who is at MIT and the University of Chicago, and has done a lot of research in cultural policy in Europe. They funded him to do a cultural policy map of the State of Washington.

The document will be published sometime in the next few months. I'll have to say that cultural policy is not something I talk about very regularly, but I think that this is something we need to be looking at.

I learned because of this, that the State of Washington has twenty-nine tax incentives that affect the arts. I did not know that. This is cultural policy that we don't know anything about. So if the state has twenty-nine tax incentives that affect the arts, we're talking about dollars, we're talking about culture, we should be talking about philanthropy and state arts commissions and public sector funders.

We need to get smarter about stuff like that. Cultural policy really is more implicit than explicit and if we can make this discussion something that we share, we will be better stewards of arts and culture for future generations.

I was at a symposium this weekend on re-envisioning state arts agencies. At the table were state arts agency leaders as well as Jonathan Katz, the CEO of NASAA, and Anthony Radich from WESTAF. Researchers, academics, practitioners talking about what state arts agencies can best do in the immediate and the long-term. It's a really important discussion that we have.

The beauty of that was that we didn't come up with any list of what to do next. Instead we came up with a lot of varied perspectives, came home with more complex thinking than more simple thinking. That's what it's going to take. I'm more



interested in the questions than the answers right now. The future is very unknown and I think that we are agents of change and we need to take that part of our role very seriously.

Neal?

**CUTHBERT:** My name's Neal, I'm with the McKnight Foundation which is a private family foundation in Minneapolis, Minnesota. Primarily what we do at McKnight is human service funding. Ten percent of our program is dedicated to the arts, so depending on the year that's anywhere from seven to ten million dollars. We used to be a \$2-plus billion dollar foundation, now we're a \$1.6 billion foundation, mostly dedicated to Minnesota, so it's quite a resource focused on the state and it's had a very profound history in the development of the state.

Our arts program supports a wide variety of activity from very, very small grants to organizations in rural communities, to a large fellowship program for individual artists. We also work with mid-size and major groups all over the state.

We have made extensive use of re-granting. It's been one of our strategies. Our board has a belief in the foundation being administratively very lean. For our size, the kind of grantmaking we do, the amount of grantmaking we do, our peer foundations around the country generally have at least two if not three times the staff that we do. We have thirty-two people, and typically, our peers have 60 to 90 staff members.

We've made extensive use of re-granting which was done for administrative expediency years ago. I've found, looking over the history, it has had really profound impacts, because we are essentially giving chunks of money to other agencies to grant. It's this profound act of trust that people take very seriously.

One of the peculiarities of Minnesota is that in addition to having a state arts agency, it has this complementary system of regional arts councils.

Minnesota has divided the state up into eleven multi-county regions, and each one of those regions has a state-designated regional arts council that gets public funds to distribute in that portion of the state. The panels are all local, everything is done in a very local way. It was done when the public funding really started to take off twenty-five years ago, for political reasons.

The state had very powerful rural legislators, and there was a notion that all of the arts were concentrated just in the city. They didn't want

to deal with that so they made a political move of creating regional arts councils so that funds would go out to every county of the state.

It's been a very successful political arrangement up until the last few years where the power shifted from the urban core and the rural area to the suburbs. That's where we did a report a couple years ago that some of you might have heard about, called "The New Angle" which was about cultural development in the suburbs. That had a lot to do with the local political scene in Minnesota and trying to avert a head-on collision.

McKnight as a private funder, and as a funder that has used re-granting, has had a twenty-five year history of using the regional arts councils as part of our strategy. That has been a very important partnership. It's helped the state funding significantly in the legislature because there's a major commitment from the largest private foundation in the state to the regional arts council system, and it hasn't made them necessarily bulletproof, but it has maybe given them a Kevlar vest as it were, to protect them from some of the things.

Everything has been going along fairly well. The state dealt with the NEA wars and with other issues that have washed over the country. One of the big shifts, as I said, has been in the rise of this suburban powerbase.

The other thing that has created a very interesting situation in our state is the cuts that Kelly was talking about. Like the cuts here in Washington, during the legislative session they were talking about complete elimination for a while, and then they were talking about a 60 percent cut or a forty percent cut. It was going all over the map depending on who was talking and who they were trying to scare.

Minnesota has been in the top ten or twelve of state public funding for the arts for the last little while. It was one of these exit things, a legacy gesture from our governor that preceded our celebrity governor, Jesse Ventura.

This guy was a Republican and he, over the course of his term, came to appreciate and love the arts and see it as a wise and great public investment. He essentially doubled the state appropriations for the arts in his final days in office which was just amazing. For the last several years the state appropriation has been at about \$12 million annually.

We have a post-Jesse Ventura governor, a very conservative Republican from the suburbs. When the deficit rolled into town, he essentially



insisted that they were not going to raise taxes, even though, this is the pie, it's the same pie in Minnesota, and it was going to do devastating things. There was a point and a principle that he wouldn't bow to.

The result is that the State Arts Board got two different kinds of cuts, which were really interesting. Depending on who you talk to, they happened for different reasons.

The Minnesota State Arts Board exists in the legislative lines in two ways. There are programs grants and admin. The grants ended up being cut about thirty percent. The admin ended up being cut 60 percent. That is a very interesting thing for the agency to deal with.

Depending on who you talk to, the admin cut was done very deliberately. There was a feeling that the State Arts Board could be more efficient as part of reinventing government, which is one of the lines that the current government uses. The way to reinvent it is to cut the hell out of it I guess. *[Laughter]* It's like you prune back a plant and see if it lives.

At the same time that these cuts were happening, the State Arts Board entered into a strategic planning process with a firm that does a lot of political PR work. They're a firm that we've used at McKnight a few times, and they're some of the smartest people I've ever worked with in terms of strategic thinking, strategic planning and PR kinds of issues.

They had a run at the State Arts Board and came back with a strategic plan. Our State Arts Board is a lovely agency, but it defines the status quo of bureaucracy. Because of the political wars, it has to be safe, it has to not rock the boat.

But this strategic plan rolled out a series of questions that they really needed to address and try to get ahead of, because there has been mounting fear that if the State Arts Board doesn't get active with a variety of issues, other people will get active on its behalf. So it either needs to invent its own future or have it invented by others.

Some of those are simple things like looking at how the board is appointed. Or right now it's at the allocation formula. The allocations skew way over to the majors. In Minnesota, some agencies are getting \$600-\$700,000 a year through the State Arts Board, and it keeps increasing based on a formula. It's not performance-based, it just goes up evermore. There are always new groups that are trying to get in, and it's a system that needs to be examined. The strategic plan is saying, let's examine that.

The strategic plan was also asking to take a fresh look at the Regional Arts Council system. It has been around for twenty-five years and is very entrenched and has a very specific way of operating.

The population patterns in the state are very, very different. The political patterns have wildly shifted. There's one Regional Arts Council in the metro area that's serving over half the state's population, and then ten others that are serving these spread-out populations that are quite sparse. The strategic plan is saying, let's examine this, because if we don't, this is going to get looked at for us.

I got very excited by this strategic plan and thought it was the greatest thing I had ever read coming out of the State Arts Board. But it just upset everybody in the arts community. I mean everybody! There was something for everybody to hate in it, except if you were a private funder, in which case you could look at it and say, well this is great!

What ended up happening is that the cuts are coming. There's simultaneously the downturn on the private side, so at our foundation, we've had to cut about twenty-five percent of the grantmaking this year. There's suddenly a great deal of stress in our system that didn't exist before. There's a Darwinian kind of feel that's emerging in Minnesota right now that we've never, never really had to deal with.

One of the questions, as a private funder, has been, how do we respond? We've been in a long-term partnership with the public sector, it's been a very important part of our strategy, and right now the public side has taken a huge cut to grantmaking, a huge cut to admin. In terms of the services that they can offer, what it forces us to do is that, everybody on our funding list is getting cuts, except our grants to the regional arts councils.

That was one group of our grantees that we just held harmless. The regional arts councils and, therefore, the groups in greater Minnesota and rural Minnesota, have two sources of funds primarily: there's the State Arts Board and there's us. And whatever little bits of local fundraising that they can do.

If they were getting cut by the State, we said, this is unlike any other situation with any of the groups in the urban core, we have to try to hold steady with them. That's one reaction we've had.

The other thing that we've found ourselves trying to do is mediate. There is an odd thing



going on in the community where the majors are getting very upset at the thought that the formula would get altered, that would rob them of their ever-increasing hunk of the pie.

At the same time, the regional arts councils are very upset because they feel like there's a conspiracy going on to shift resources to the suburbs. There's a lot of stress and a lot of tension in a community that normally locks arms and walks together, not quite singing "Kumbaya" but smiling at least. *[Laughter]*

We're looking at what kind of a mediation role we can play. We're not wanting to see historic partnerships and historic political alliances go up in flames because people are feeling like they've got to make their own separate grabs for the money. We're doing some extra convening, we're doing a lot of behind-the-scenes things where we're bringing people together and trying to talk.

One of my big challenges has been to try to get some of the major organizations to think of themselves in this greater ecology. They are all doing capital campaigns, just like we've done here. We have about a billion dollars in capital campaigns right now. They are all thinking about themselves, and it's been an effort to get some of the larger ones to see the big picture. I thought it would be easier than it has been, but that's something that we're also working on.

The public cuts, particularly the state cuts, will hit harder next year. We've already lost several groups to the general downturn, and when the state cuts hit, there's going to be a lot of groups that are going to reel from that. Because our funding is more flexible, we're going to find ourselves in the position of having to make some strategic decisions which are going to be tough and horrible. There is going to be a sense of, well who is going to remain standing in all of this over the next two years?

Those are some of the things that we're finding ourselves having to deal with. I'm going to stop right there so we can open it up for questions and conversation. I'm curious to hear what is happening in some of your communities. The relationship between public and private I think is a very interesting one because there has been this mutual downturn.

**HECTOR:** Ultimately, what was the cut? Twenty percent?

**CUTHBERT:** The cut to the grantmaking was thirty. And the cut to admin was twenty. Our cut was about twenty-five.

**HECTOR:** I wanted to contrast what the experience has been in Minnesota with the more soothing portrayal that Kelly presented. I remember New York when we had drastic cuts to our state arts councils, it was terribly destabilizing to many of the groups.

Has that happened in other states? Obviously California and these three that sustained the biggest cuts, but has there been a lot of scrambling? I guess Minnesota's dealing with a lot of other things too.

**BARSDATE:** Absolutely destabilizing. One of the things about the arts as an industry is that it's fairly lean. Unlike other types of enterprise, there isn't a lot of middle management that you can cut out. With the business model, that's typically what gets contracted during times of fiscal stress.

The arts don't have a layer of middle management. They are close enough to the bone that when cuts come down, people lose jobs. It's tremendously destabilizing for individual organizations, when you add up a bunch of individual organizations, tremendously destabilizing for communities.

Donors who have a history of supporting individual organizations are faced with really tough choices because their available funding in a recession has declined. They have tough choices about who to invest in and who not to. It is certainly a difficult time.

It's interesting to look at some of the differences between public and private funding and how that comes down. Overall, through history, public funding is more volatile than private funding, for a couple of reasons. One is because of the way that most foundations manage their portfolios and decide on the grant allocations. Most foundations will take a three-year rolling average of how their portfolio proceeds are doing and that sets the budget for their grantmaking for the next cycle.

So, spikes in the portfolio and declines in the portfolio are smoothed out over time. In the public sector there is no such thing. This year's money is all the money that there is. So the spikes are sharper when resources increase and the spikes are sharper when they decline as well.

Looking at the pie and looking at the twenty-five percent that we comprise together, public and private, the government resources are going to, on some level, fluctuate more than the private resources are. That's another piece that's destabilizing.



**CUTHBERT:** Kelly, you talked about the decreases and also the increases, which was interesting. I actually hadn't been aware that there were increases anywhere, so I was really impressed to learn that.

But there is this sense of crisis mode which is pervasive. The big three cuts – the California, Florida and Michigan which you describe as aberrations – happened. Periodically you hear that some state agency gets zeroed out, and those things would episodically happen over time, but to have three happen during this budgetary time is significant. It seems to be the not-a-factor things might be becoming a factor. There is a symbolism to that.

Has there been some analysis of these three that you could share?

**BARSDATE:** I'd say that your characterization of big cuts throughout state arts agency history as episodic is true. It happened in the early 1990s where there were massive cuts in Massachusetts and massive cuts in New York, massive cuts in Louisiana, massive cuts in Michigan. Now it's happening again. We saw massive cuts in California and in Massachusetts last year, we're seeing massive cuts in Michigan, Florida, and in California this year.

It happens. You know it certainly had a huge effect on the national bottom line. But it also does not set the tenor for what's happening across the rest of the country.

Very importantly, there were attempts to radically reduce or eliminate several other state arts agencies this year that the legislators did not let happen, that the public did not let happen. It doesn't mean that we're not vulnerable. It also certainly doesn't mean that there aren't tragic things happening in California.

Each one of those states has an interesting story to it. For instance, California had a \$40 billion budget deficit in fiscal year 2004. All the states added up together had a \$70 billion budget deficit. California's budget deficit was half of the nation's! The California State Arts Council took a 90 percent cut. There were, I think thirty-two other state agencies that were eliminated entirely.

**AUDIENCE:** Isn't it true too that those three states also got significant increases in the past decade?

**BARSDATE:** Absolutely, absolutely.

**TUCKER:** I think that the budgets of the states that took the biggest cut also took some of the largest increases in the past decade.

**BARSDATE:** In Florida, for example, their funding source traditionally had been corporate filing fees for the arts. There was a mechanism where when corporations either filed "doing business as" or incorporated for business in the state of Florida, a portion of those proceeds were put into a trust, a portion of which funded the State Arts Council. It was what they call a dedicated funding source.

Well, on principle the Florida State Legislature said no more of those! All of the taxes that we're getting are going into the general fund. It was a public policy principle that affected the arts.

The conversation about the relative value of the arts versus other kinds of state investment did take place; and yes there were politics involved; and yes that agency does very much feel as if it had been the recipient of unfair consideration and unfair treatment. But again there is a larger public policy.

It's how the arts played a role in the pie that is uniquely invented in every state. It's really important to talk about the particulars of how the cuts and how the increases happened in any given state.

**GOMEZ:** The point that I try to keep in mind is much less about the statistics, although the statistics are really helpful in keeping the rest of my coworkers from slitting their wrists when I return to San Francisco, but how we look at it philosophically in what has happened. What the effects are of the cuts.

I was at the New York State Council on the Arts during the cultural wars and I've been in funding for twenty-three years, both state, municipal and private. The culture wars did have a major effect. They may not have resulted in the destruction of the NEA, but they had a real strong chilling effect on artists! And on funders to some degree.

That's the thing that we have to keep in mind, even though we may have not totally lost the battle.

When I was at the New York State Council, what immediately happened was this de-evolution. There was a movement toward re-granting in the boroughs, having money from the New York State Arts Council go through the boroughs, so it gave this sense that "the people" were actually being funded and doing the funding, rather than this elite group in Manhattan. This was another way of saying, we really don't want art that's dangerous or provocative, so we're going to send the funding out to the Bronx where we assume people will be really involved in folk art and really be happy about that and are not going to fund "Piss Christ."



In a way it's more insidious and more dangerous, because you start to develop a conservative mentality in the funders by that kind of a tack. It's ongoing. I don't know what's going to happen in California after CAC but I can already feel it in the artists who were funded by my program which is municipal, and funded in some cases by CAC, they're already worrying – which people did with the NEA – well, what can I submit to be funded now?

Because with money this tight, I'd better not be submitting my book about social change. I'd really better submit my book about my great grandmother which is exactly what I did with the NEA. To make a choice about what you think will be funded. Those changes are much more insidious and much more frightening.

The other thing for me is to keep in mind something that you said and I think it bears repeating. Even though the government might try to perpetuate the illusion of being fair across the board when they are doing cuts, they really can't take into consideration that a ten percent cut in an agency that has thirty people is a different thing from the ten percent cut in an agency that has a thousand or five thousand people.

That's something we, as administrators, have to keep hammering home! This has just happened to us in San Francisco, and the mayor feels really good because it's only a ten percent cut on all the agencies. I'm sorry, but losing three staff members in my agency is a bigger deal than the Department of Public Works having a ten percent cut. We can't rest, and say, oh well, it's all equal, because it's not!

But that again goes to forcing controllers and politicians to make really considered decisions, not blanket decisions. One of the ways that we can address it in a long-term way is to really look at who we involve in all levels of our decision making.

You have to start by who you're hiring as staff. You can no longer just hire someone as a staff person because they know how to add up budgets. It really has to be people with political perspectives and philosophical perspectives on funding, because they are going to have to go out and be advocates and help community members be advocates.

You have to think about who you're bringing on to your panels and how you train your panelists, who are ostensibly there to do funding review, but they are potential advocates and organizers for your foundation and your agency. How do you educate them, so that they feel invested in your agency, and when the time comes when you

have to call them, they know why they have to go to the ramparts with you.

Who's serving on your commissions? Who's serving on your boards? How do you make those choices so that you're building an army that's going to support the arts and take your case to the public?

I've been totally shocked in San Francisco how little – and San Francisco has a majorly active arts community – how little the arts have played in the mayoral and the supervisors campaigns.

Supervisors are very powerful in San Francisco. They should be nailed to the wall on the arts all the time. And they really haven't been. They toss it off that it's entertainment in their discussion, because they can come with clever things like, you know, "I have been to the Uffizi!" Yeah? And all the artists laugh and move on.

It's how we demand each of the individuals that we engage on all those levels to have a certain education in advocacy. If they don't, bring people in who we know we can educate for advocacy.

**AUDIENCE:** I learned this morning there's an organization called League of Hip-Hop Voters. I think that's a great model. I think we have suffered from a splintering off. We have this sector, so do you support the arts, don't you support the arts, becomes a campaign platform.

I don't think that we can afford to do that. I think that with public officials and other policy makers, not necessarily in the public sector, the arts have to be seen as contributing to the things that are not a separate track, like economic development, like quality of life, like leaving a legacy, like good schools.

I mean no legislator, no elected anybody, no CEO, is ever going to say, "I'm really not interested in good schools." Not going to say that!

**CUTHBERT:** Let's get rid of the parks.

**AUDIENCE:** Let's get rid of the parks. Or let's not have roads.

**TUCKER:** If that's true, then isn't this devolution a good thing? I have to say that it's not necessarily true that the Bronx artists wouldn't come up with "Piss Christ," but in general I agree with your statement that it does make things more conservative. Doesn't it also make for a stronger argument for the POG kind of track?

**DAVIS:** It makes some things easier and more apparent. In Silicon Valley, the noise was so loud the arts could not have mustered an economic



impact statement that would have gotten anyone's attention. Now it gets a lot of attention. Tourism and all of that, because things are down. So that makes it easier.

So some of the arguments are easier. *But*, I have to say this, we watched in California, despite having a governor and the governor's wife being very supportive of the arts and the Arts Council, despite having a Democratic majority in both houses that have been historically incredibly supportive, and despite having probably half the Republicans being supportive of the arts, we watched and there was no advocacy that could change the outcome. This was a big budget deal decided by three or four people.

I was very active in the culture wars, I worked for People for the American Way, we were really in the trenches at the time. I just have to say, state arts councils are not elimination proof. They're just not. And there's a vigilance here that we have to have at GIA and at NASAA and at Americans for the Arts, that is a little bit frightening. And I don't want to say, the British are coming...  
[Laughter]

**AUDIENCE:** Let's blame it on them.

**DAVIS:** Let's blame it on them.

The momentum that happened in Jersey, and then in Florida and Colorado and as California was getting ready for the big debate, it became okay to suggest eliminating your state arts council. If anything, all the advocacy did was saved the arts council from elimination. And it really did that, it really did that.

So the advocacy has to continue at a level unprecedented. That's difficult when people are running around and the competition is up.

The other thing, particularly for the private foundation sector, what I'm seeing... as larger groups and midsized groups begin to run deficits again, where the boom is not going to cover it all up, we're going to hit a problem that's going to be very difficult to deal with. You and the foundation are going to have to decide, do I bail out an organization that we've been supporting for twenty years, or do I keep the re-granting going to the RACs and to the small, mid-sized and multicultural groups? And you get another cultural war.

I'm an optimistic kind of guy, but I see some trouble down the road. The most sophisticated arts advocates, and Barry Hessenius, director of the California Arts Council, is a very sophisticated arts advocate, were completely helpless.

We weren't deer in the headlights. We weren't that. But there was nothing that could be done except save the agency. What saved the agency was that the speaker could not allow the state to lose the federal match. That was the single thing that got his attention. He said, federal match is a million, we've got to put in a million, because I will look stupid if I give the feds back a million dollars. That was the single thing that kept that budget going.

It's really frightening. For me, the saddest part of it is the Artist Residency Program, the largest artist residency program in the country two, three years ago, \$4 million a year, is gone. It went to zero instantaneously. How we gauge the impact of that, I'm not sure, because I don't think anybody's set up to do that. The State Arts Council staff has been decimated.

I'm hopeful that other states don't ever have to go through this, but this is just the beginning of what we're going through.

Now I will say, locally for us, because we are a re-granting agency, private foundations are stepping up to the plate. As the economy gets better and it's getting a bit better, the corporations are again showing interest. But there's a whole legion of things that should have prevented this from happening, and it is impossible.

I really appreciate your stewardship here in Washington.

For Neal I just want to say that "New Angle" had profound impact on my thinking. It really, really did, and actually Nancy Glaze and I are creating the Suburban Art Subversives. A little ad hoc group, because it's changed a lot of thinking. So I want to thank you for that.

**BARSDATE:** We're actually over our time. Thank you all. Thank you panelists.

END

