

## KEYNOTE ADDRESS

Speakers:

Randall Bourscheidt, president, Alliance for the Arts  
Michael Janeway, director, National Arts  
Journalism Program  
Kate Levin, commissioner, New York City  
Department of Cultural Affairs

Janeway: The NAJP brings mid-career and senior arts journalists to Columbia for several months of study and research, and we also sponsor symposia, discussions and conferences like this one, which we're pleased to co-sponsor.

It's a great pleasure to be partnering with Randy Bourscheidt and the Alliance for the Arts to talk about "Who Pays for the Arts?"—the overall climate for nonprofit cultural funding in New York.

It is Feb. 15 today instead of Sept. 20, which is when we had originally scheduled this event. And at the time, needless to say, the combination of shock and confusion and grieving and coping made it evident that it was too soon to be talking about this subject.

In the meantime, the camera has cut to the next scenes, with a new regime at City Hall, and in the wake of a very tough economic situation and the toll of the Sept. 11 attacks, and the facing of the cold new realities in terms of the City Exchequer. On the other hand, we've had the welcome news of interventions by the Mellon and Warhol—and now Carnegie—foundations, and adding to the tension of the situation, a number of major capital campaigns for arts and cultural institutions are in play or in question.

There's much fresh research and data to be brought to bear in these discussions. Speaking for the National Arts Journalism Program, it's fair to say that the press has been refreshingly alert to these issues. But we will undoubtedly today hear views expressing concern that that press attention is not sufficiently informed or adequately focused.

Bourscheidt: It is very pleasing to see all of you here, and I would like to think that this is a sign that we are well on the road to recovery from the shocks that our city and our community have experienced.

I'm just going to speak very briefly, because we have a very packed program. There are two objectives to this conference. They're really the same objectives that we had before Sept. 11; they're more urgent now. The first is to understand the economic forces affecting our cultural life. And the second is to give us the material out of which to fashion a common effort to maintain both the level and the balance of arts funding. It is that level and that balance that we're here to discuss today.

I'd like to thank Mike Janeway, András Szántó, Rebecca McKenna and the wonderful staff here at the National Arts Journalism Program. This program is a great asset to the nation, and they are wonderful partners for this kind of event. I want to thank all of you for coming.

The report, *Who Pays for the Arts?*—which I think was a somewhat whimsical-sounding title before Sept. 11 and was meant to be a little provocative—now seems to have a deeper meaning.

Both the report and this conference were made possible by generous support from the Hazen Polsky Foundation, the Andy Warhol Foundation for the Visual Arts, the Rockefeller Brothers Fund, and Phillip Aarons. JP Morgan Chase got the ball rolling with a Morgan fellow, who did the initial research. Our colleagues at the Department of Cultural Affairs opened their files and cooperated in the first extensive analysis of income structure and trends in the field. They are the ideal partners for this work, and I'm happy to say that we are actively collaborating with them and with our friends at the New York State Council on the Arts, also ideal part-

ners, on updating this research to Sept. 11 and to the present. Those results will be available shortly, but not quite today, I'm afraid.

Today, our objective is to try to understand each part of the funding picture in the context of the whole. Arts funding in the U.S. is a symphony of interdependent sources: city, state and federal government; individuals, corporations and foundations; and, of course, income earned at the box office and the gift shop and so forth. The health of the field depends on the balance of these sources; when one source falters, we turn to the others to pick up the slack. Success for the entire field, however, depends on knowing the facts. This is the purpose of today's meeting: to set out the facts and to discuss trends in funding so that we can make a better case for the whole community, to the funders who care most about the health of the community, to those in government, and to private institutional funders, foundations and corporations.

We are fortunate to have many extraordinary speakers today, drawn from the arts, research, journalism, philanthropy and government. We are grateful to them for leading us through this complex subject. Their discussion will be preceded by the Alliance for the Arts' gifted director of research, Cathy Lanier, who has worked on landmark studies of the arts since the first Port Authority study in 1983, and who is the author of the *Who Pays for the Arts?* report. Cathy will summarize the findings of this report, which is the springboard for our discussion today. Cathy is part of a great team that has worked very hard to organize our meeting today. I am very grateful to my staff and volunteers at the Alliance, to Brennan Gerard, Gina Raicovich, Erin Butler, Sue Bostwick, Alyssum Weir (who's actually a student in the Arts Management program here at Columbia and an intern with us), Sara Loughlin, and my comrade, Anne Coates.

But first, I am honored to introduce Kate Levin, our new commissioner of cultural affairs. She has been commissioner for less time than Mike Bloomberg has been mayor, but because Kate has prior experience in the Department of Cultural Affairs and a long-standing involvement in the arts, and because she's the quickest study I know, she understands the challenges facing New York's cultural organizations and is already working on their behalf. Having gone through the first difficult phase of the first Bloomberg budget, she is bravely here to talk to

us about the future of cultural funding in New York City. That is our topic today, and here is the Honorable Kate Levin.

Levin: Thank you so much for inviting me to be here, and welcome to everyone. I know Kathleen Hughes from the DCA is here. I suspect Susan Rothschild is somewhere else around, so we are of you and among you, and hopefully we can continue any kind of conversation you choose in the course of the day.

In the time allotted to me, I want to try to do two things, and one of them is not to go line-by-line through the budget and tell what everybody got. What I want to do is share with you my impressions, on Day 15 on this job for me, about the actual structure of city funding for the arts. It's not a very glamorous topic, but it is increasingly clear to me that there are some basic structural issues that need to be more comprehensively addressed than have been in public discourse in the past. And if there's time, I'd like to talk a little bit about some advocacy strategies that I've been working on with the agency.

Forgive me for surveying information that I'm sure many of you are acutely familiar with, but I just want to briefly talk about how the DCA budget is, in fact, structured. Essentially the agency is a funding conduit. Its history is that it sprung out of the head of Athena—or was Athena springing out of the head of the Parks Department back in the '70s—after a consensus formed suggesting that cultural organizations needed a different kind of sensitivity, particularly in terms of capital funding, than standard parks projects. There are many overlaps—Parks and Cultural Affairs have many shared jurisdictions over a number of cultural organizations in the city still. In fact, the ancient history of the city's cultural funding stretches back to the 1860s, when a compact was made between the city and a group of individuals that if the city built and helped maintain a physical structure, those individuals would come together and form what is now the Museum of Natural History, would maintain a collection and program it. And the Metropolitan Museum followed shortly thereafter.

The core of the DCA's budget is a group of 35 institutions known as the Cultural Institutions Group, or the CIG. Traditionally, that has taken 85 percent of the agency's budget for operating support and for capital dollars. It leaves a very small portion to fund other groups.

And nothing I say should be construed as in any way devaluing the enormous contributions—in terms of aesthetics, in terms of community, in terms of every way you can think—that this group of CIGs makes to the city. But as you can imagine, it's extremely awkward to have a cultural funder that has so little flexibility in terms of responding to emerging needs, emerging institutions, emerging aesthetic trends, etc.

Through the Program unit, we fund over 600 cultural institutions, some extremely large and well-established, some truly emergent. But again, it's a complex mix to try to advance that funding. What further complicates the picture is the fact that much of that program funding is what's called "line-itemed" into the budget. There are lines in the budget that reappear year after year that were placed in the budget by the dearly not-so-departed Board of Estimates structure, which many of you now doubt remember.

The Board of Estimates is gone; the line items remain. And again, I'm not suggesting that institutions don't deserve those line items, but I can tell you that I was shocked to find that there's a sizable portion of line-itemed organizations that have gone out of business, and yet their funds appear year after year, and they can't really be reallocated. We can do various things with them, but it's not as if new organizations can be line-itemed. So as presently constituted, we can't recognize emergent, vital groups and provide them with dependable annual support because, with the dismantling of the Board of Estimate, the line-item process has essentially been frozen in time.

The DCA has responded to this situation in a number of ways that are a little bit uncomfortably ad hoc, but that hopefully show great promise for the future. One is that in the past, capital dollars could only be given to the CIG group: to organizations that were city-owned, in city-owned buildings. That pool of dollars has been spread much more widely of late. But one of the painful things about it, when it comes to budget cuts, is that it is often the case that capital dollars going to non-city-owned institutions get lower priority. We love them less somehow, because they're not city-owned. And it's kind of obvious—the city has no long-term interest or ownership in those facilities, so should we invest dollars in things we don't own, as opposed to things we do own? That's been the argument. But it troubles me that there's a second-class-citizen status based, again, on per-

fectly sound financial priorities, but that nonetheless to date has made the city an inconsistent partner with certain kinds of organizations. Trying to find a more sure footing for the policy of being able to distribute capital dollars to more non-city-owned groups is something that we are actively trying to explore.

Otherwise, there are only two pots of money—the PDF funds and the Challenge program—by which the agency can, through a competitive process, try to address the needs of groups that have otherwise not found a way into the agency's budget. I know that when it was originally conceived, the Challenge program was the source of much dismay to many in the field. I'd like to think that the way it's being administered now, its value is more widely recognized.

But part of what I'm trying to convey to you is that while on the whole the city is an enormously generous funder—to the extent that the culturals are within the general mission of providing a public benefit, as currently constituted—it's a very unwieldy structure. I was very grateful for the fact that in this year's budget, the mayor agreed to let us make decisions on spending expense dollars in a process that will continue over the next few months, through adoption. In the past, it's been mandated that there's going to be an across-the-board cut of X percent and that's the way it's going to be. This year, we have a little more flexibility to respond to needs that continue to emerge and to change, both because of the recession and because of the effects of Sept. 11. And hopefully we'll do a good job, but more than that, hopefully it has established some sense that funding in the arts is an area where there is some dedicated expertise, where there is a dialogue that needs to be ongoing, that you can't just infantilize this community by stipulating in some sort of peculiar name of fairness that institutions that have often meaningfully different needs and different kinds of urgencies at different moments in the budget cycle—that those needs can't be recognized.

So that's the good news. Given the incredibly unwieldy structure of the city's budget process, we're trying to find pockets of flexibility. And hopefully we'll be able to think through a little bit more what, if anything, can be done about the way in which the agency's budget has, in a large sense, become kind of calcified due to certain civic structures that have withered on us and are no longer able to respond.

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The second thing I'd like to talk about very briefly is a mode of advocacy that I've been thinking about recently: to be able to present, in more detail than is currently available, statistics on the ways in which cultural dollars leverage social-service components in the city. Part of the reason I find it compelling to do that in more extensive ways than we've done in the past is that when the deals go down—and it's sort of always been thus, but it certainly was thus for the past two weeks—what happens is that people say, "Well, if it's a choice between feeding homeless kids and funding theater, how can I choose to fund theater?"

I can promise you that this administration is as sympathetic to the value of culture as any you could hope to find: and that's both the mayor and the deputy mayor [for administration], Patty Harris. But when you're stuck with those kinds of decisions, it's impossible. You box yourself into a corner. So I think we had a modicum of success this year in a very quick and dirty way in being able to say, "Look at the kinds of services that arts groups perform all around the city."

And it's not just because of an opportunistic notion of trying to reach out during the '70s and '80s, when all of the sudden, outreach and arts in education became major funding concerns in the philanthropic community. It's the extraordinary value—both in terms of economic development and, more focusedly, in terms of social services—that arts groups provide so widely. And it's extraordinarily impressive. What we've come up with so far is a census of the number of organizations who provide meaningful services (and this, aside from whatever exhibits are hanging in the halls or whatever performances are being offered to the public) in a range of areas—youth-at-risk, senior citizens, the handicapped.

Trying to pursue that agenda, both short- and long-term, will hopefully make a meaningful difference, in terms of arts advocacy. Because, again, it tends to be the social services that the arts get played off against. They never say, "DCA versus the Fire Department." But they do say "Cultural Affairs versus the Department of Youth Services... Cultural Affairs versus the Human Resources Administration." Not that I'm knocking those social-service agencies, but what's extraordinary about the cultural community is the way that what the arts does ramifies so broadly. And I think that the dialogue has been hamstrung in the past by a tendency to go

anecdotal, to talk about your conversion experience and how the arts changed your life. That doesn't really cut it when you have to numerically line up budget items. So that's definitely one kind of research agenda that I hope to pursue.

The other thing that I want to try and look at is the economic development argument that we're all familiar with, that we can all anecdotally confirm, which is that neighborhoods tend to be revived initially and most substantially by the presence of cultural organizations, by the presence of artists, and by the kinds of neighborhood axes that arts groups provide in those neighborhoods. And we've started to make some inroads with people making economic development policy that economic development and the arts should not be calibrated just in terms of the organizations that bring in the big tourist bucks. That's incredibly valuable to the City, and I think one of the few good things that has come out of 9/11 is a sense of how vulnerable New York is to a diminution of tourism. People don't come here to see the traffic—they come here to go to the theater, to see museums. But [I'd like] to try to extend that economic-development argument to value the notion that arts groups hold neighborhoods together. It's not a hierarchical structure, either, but a spectrum. There's a spectrum of economic development indicators that cultural organizations serve, frankly, better than any other single aspect of population in the city.

So those are my little research-agenda pieces, and if anybody has any thoughts on trying to work further with the structural issues that I raised in the beginning, [let me know]. The good news in many ways is that the separation between CIG and Program is getting more permeable now that we have made some attempt to spread capital money around. The bad news is that we don't yet have a really coherent policy for doing it, and I'm concerned about the vulnerability of non-CIG groups, particularly in the area of capital, because we haven't yet figured out how to rationalize that process.

I think a lot is going to depend on what the new City Council and the new borough presidents do, in terms of restoring cuts. I think that if they are perceived as being thoughtful and responsible partners in this project, it will be an enormous help. Susan Rothschild did some extraordinary calculations yesterday that showed that the level of budget cut at this particular moment in the process, with the mayor's preliminary budget. There's a 15 percent cut

that we're going to take on the expense side, and again, this year we can sort of genetically engineer it a little bit. But looking back over the past ten years, there were only three years in which there was a smaller cut, and, in fact, during some of the greatest years of economic boom in this city, '99 to '01, the cuts were above 20 percent—I think 20, 22, and 24. This isn't an editorial opinion about the respective value of the arts to different administrations. What that partly reflects, I think, is the way in which the culturals have in the past gotten caught as hostages between the executive side and the council and borough presidents. It would be wonderful to be able to avoid that by thinking through a little more carefully the way in which the agency's budget is structured, and making the adoption process more constructive this year and in the future.

So if anyone has any questions, comments, invective, I would be happy to respond or duck or whatever.

Joan Tucker, arts consultant: You've got a new CIG member, right? What are the criteria for becoming a CIG?

Levin: That's a really good question, and it shows how peculiar the agency's budget structure is. As far as we can tell, legally, the only way you become a CIG is if you have a U of A—a Unit of Appropriation—that's in a certain position in the expense budget that is part of a budget that is adopted by the council and the borough presidents. So currently there is no pass-through evaluation, there is no mechanism by which you can make any kind of judgment on an organization's mission, on its likelihood of being financial viable, on the kind of community it serves. It's a purely budgetary iteration.

Anne Pasternak, executive director, Creative Time: The first thing I want to say is that it's really nice to have a transparent new city administration, and I think we all owe you a round of applause. I'm very excited.

One of the things that came to mind, talking about neighborhoods and their relationship with arts organizations, I've often wondered why the nonprofit arts community isn't involved with the local BIDs in their neighborhoods, and I'm wondering over the long term or the short term if there's a way that we can work more closely with our BIDs, and build greater private-public partnerships.

Levin: It's definitely something that I would hope to pursue. For those of you who have the pleasure of knowing Rob Walsh, who was a major BID director, he is an absolutely extraordinary individual and has been lured back to run the Department of Business Services, so he'll be overseeing all the bids in the city, and he and I have made a date to talk about this exact issue. I know there's a nexus of arts groups in Long Island City that are talking with a business development corporation there, which is a little different from a BID, and one of their concerns is, how do they fit into that? And are there ways in which they would just be used as a front for certain economic development enterprises that they might not endorse?

But I certainly think, again, in this administration in particular, a major lever for culture is going to be through economic development, and hopefully it will be a better articulated and more sensitive notion of what economic development is. But I think the BID process is terrific. It's also the case that Richard Schwartz, the head of NYSCA, did a phenomenal thing—I'm not sure if everyone's aware of it, but he convinced the Federal Emergency Management Agency to include not-for-profits in the category of organizations that could apply for 9/11 relief. The problem is that they limited it to groups below 14th Street. One of the things that we're hoping to do with this study that Randy is working on is to use it as a lever of advocacy to try to include not-for-profits more broadly in legislation involving hopefully not only disaster assistance, but all kinds of economic development incentives that don't currently recognize cultural not-for-profits as being eligible.

Michael Janeway, director, National Arts Journalism Program: I wondered if you could just clarify the bizarre Board of Estimate situation on two points. One, I take it that money itself isn't frozen: it's the structure of the process is frozen. Maybe you could clarify that. But in any event, I'm curious why, given the crisis of this fall and winter, it wouldn't be possible to slate a reform in the situation?

Levin: The byzantine nature of the Board of Estimate defied even the Supreme Court at one point, but the fact is that they're the same thing—the line item appears, therefore, the money's there. That's how the city's budget works. You can't touch it, because the people that put it there are no longer in a position to

touch it. And again, it's bizarre. There's a way in which you've got to listen to the system. The way cultural funding has been structured in New York, it's been very, very responsive to the desire of elected officials. And you can be cynical and say, "It's about pork." On the other hand, I personally don't think there's ever a bad dollar spent on culture. There are very few Enrons in the cultural universe. And that's extraordinary. That's a real achievement and a testimony to the good will and integrity of people who pursue careers in this field. That's a really genuine thing.

Having said that, there still is friction between the knowledge that elected officials have of the needs within the geographical areas, the constituents they serve, and the sense that a centralized agency with a lot of oversight like DCA might be able to say, "You know, if you spent those dollars *here* rather than *here*, the long-term effect might be better." So again, I think in general, the system has worked very well. The unfortunate recent history of the NEA has taught us that you don't in an elective process ever really want to disengage funding from elected officials. If they feel that they have a real investment in it, they're going to be far more constructive and sensitive about spending it. But that's the problem. Can there be electoral reform? Maybe. If that's something that everybody gets behind, we could think about doing something about the line-item system. On the other hand, for the groups that *are* there, it's an enormous resource, because what all arts groups need is not just one-shot funding, but an ongoing reliable source of funding. And to the extent that the agency can explore the notion of making some of our smaller competitive grants perhaps multi-year grants, it's something I'm willing to think about. On the one hand, you want to spread the money around. On the other hand, to help stabilize organizations and really help them to thrive, one of the best single funding mechanisms is the multi-year grant.

Kathy Heins, development director, Theatre for a New Audience: I wanted to ask you if, in these

early days, you could let us know what you might know about the future of the Challenge program, knowing that it was popular with the previous administration. What is the current administration's attitude toward it, knowing you have so little flexibility to help other organizations that aren't line-itemed and aren't CIG?

Levin: From where I sit, the Challenge program is good for two reasons. One is that it has over the past couple of years allowed groups into our budget that wouldn't get in any other way, and that's just the fact of it. And some of them have been allowed in at relatively substantial levels of funding. And the bottom line is, that's great. That's what the agency's funding goal, to my mind, should be. These are public funds. We're not absolutely about redistribution, but that's the implicit understanding of what we should be doing with your dollars: giving them back. So the Challenge exists as a mechanism to do something that, as I described to you, is almost impossible for the agency to do. I also think that in the current climate, anything that helps leverage private dollars is also a good thing, and a helpful thing.

Are there ways of making the process more rational? Are there ways of making funding categories more rational? Of course. And of course, we want to hear from you about how we can do that. But I'm personally inclined to... not necessarily hold that budget harmless compared to other needs, but to try to continue and encourage the existence of that pool money. Frankly, also, the Cultural Challenge is the one area of the agency's budget I've identified where we might make a meaningful partnership with private philanthropies. I mean, that's the one thing they can put money into in our budget, or add to, or subsidize. I won't bore you with the details, but there are a lot of ways in which partnering with non-City pools of money is difficult for the agency, ethically and structurally. But this is one node where that actually might happen, and up the ante for Program Groups.

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