



Number 3

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Roundtable Discussions*

Step 1.

Read our Working Paper.

Step 2.

*Consider this idea: A decade or two
from now, the funding landscape
may have changed dramatically
because of cultural trusts.*

*Or they may be viewed as quaint,
late-twentieth century mechanisms
that went nowhere.*

Step 3.

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Working Paper

Cultural Trusts:

13 Ways of Looking At a Lump Sum

In one of his best-known poems, Wallace Stevens contemplated 13 approaches one could take in considering the phenomenon of a blackbird alighting on a branch. Here we present a similar number of approaches one probably *ought* to take in considering another phenomenon—a form of cultural funding that is increasingly visible on the national landscape.

A Discussion Paper by

Caroline Marshall
Consultant, Wolf, Keens & Company

And Interviews with

William Keens
President, Wolf, Keens & Company
Jonathan Katz
Executive Director, National Assembly of State Arts Agencies

Hurley Goodall
Former Member, Indiana State Legislature

Shelley Cohn
Executive Director, Arizona Arts Commission

Can Cultural Trusts Deliver?

Considering the Latest Trend in Raising Endowment Funds

Caroline Marshall

Consultant, Wolf, Keens & Company

Fifteen states now—or soon will—have some form of cultural trust, an entity designed to pool public and private dollars as endowment funds for cultural organizations, up from half that number just five years ago. And what began in the '70s as simple attempts to identify new sources of funding for state arts agencies, like sales of vanity license plates, have morphed into much more complex—and compelling—enterprises.

Why the burgeoning interest? There are a host of good reasons. Elected officials, pledged to reduce public spending, are intrigued by the prospect of getting the arts out of

annual appropriation cycles. Corporate and community leaders are attracted to the “donor-advised” possibilities a trust offers. And artists, administrators, and trustees are tantalized by the idea of securing “permanent” funding while the economy is healthy and the political environment relatively amenable.

But can—do—cultural trusts deliver? Only if they're approached with eyes wide open and a determination to penetrate beyond the chimera of promise to some irreducible realities, say those with whom we spoke.

William Keens

President, Wolf, Keens & Company

Counseling several arts councils on plans for cultural trusts has convinced Bill Keens of the need to ask up-front the tough questions and to see clearly the context in which one will be working:

1 Every situation is different. More than other initiatives, the success of a cultural trust depends on the unique combination of circumstances in a state. Is the governor on board? Is there legislative leadership to shepherd the enabling process? Are major institutions supportive? Is there significant “windfall” private money that can be tapped? The effort to establish a cultural trust begins by understanding what forces are working for and against it.

2 Win-win or lose. If key people and institutions don't stand to benefit, they'll be indifferent at best, and possibly, hostile. For state arts agencies, this means looking at assurances that can be offered, new programs that might be funded, under-served constituencies that should be reached, and other incentives for those whose support is essential.

3 The private sell is a hard sell. Private donors are wary of giving to public agencies for either philosophical or practical reasons. Possible responses: demonstrate the real leveraging effect of private dollars to the trust; dedicate the trust to acknowledged needs not otherwise being met (like arts education); call on major public and private figures to make the pitch.

4 God is in the details. Remember that if you can think of a question, it will need to be answered. Does the legislation authorizing the trust allow for disbursements before the entire goal is reached? What provisions are made for managing the corpus? If the trust is created to augment arts agency programs, will the agency retain control over how the money is spent? Has the body charged with creating the trust been given the authority it needs to generate additional resources?

5 Watch what you promise. Pledging to substitute income from the trust for annual appropriations may win supporters now, but it can backfire later. Legislators may be unwilling to wait until the trust is fully funded; trust restric-

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tions may not encompass all programs that need support; and demand may leave even a well-funded trust falling short. Make as few guarantees as possible; we have yet to learn what cultural trusts are capable of doing.

Jonathan Katz

Executive Director, National Assembly of State Arts Agencies

“Dollars follow relationships follow ideas,” observes Jonathan Katz. He sees cultural trusts as a fascinating strand of the dialogue that’s developing between commerce and not-for-profit interests, where one hears such terms as “amenity values” and “destination tourism.” From a participant’s point of view, there’s no reason to distinguish between a non-profit quilt exhibit and a for-profit blues club; one enjoys them both.

6 Approach it as a solution to a problem. Some arguments are tempting to make to legislatures. “But don’t promise ‘we’ll never be back,’” he cautions, “because you will be; say ‘support of the arts shouldn’t be subject to political whim.’” But the best approach is to offer a solution to a problem. “Asking for a hand-out is never a good sell,” Katz notes wryly. Besides, if funds become available and there’s no well thought out purpose, it can destabilize the environment. A cultural trust should be an integral part of long-range planning.

7 Be precise about the benefits for all involved. To be competitive in legislative debate, a trust’s benefits must be measurable and broad-based. “That means determining what the best *public* benefits are, and uniting the arts community so that everyone sees those benefits.” The process can suggest a particular revenue stream—linking the not-for-profit need with a solution from the for-profit side, in a “quid pro quo.” “In Florida,” says Katz, “the hotel-motel industry knows people are coming there for cultural pursuits, so they helped see that a portion of the tax they pay goes to culture.”

8 Balance disbursements. States have designed many ways to get broad public benefit. Delaware achieved balance simply by creating its trust. Rural groups got the lion’s share of arts agency funds, so the state set up a trust for its major institutions. Arizona is layering its pay-outs, providing endowment match and professional development funds to major institutions first, then to mid-size

organizations; a third stage will support art education. Some states have per capita per county programs. Whatever the mechanism—and whether for targeted or general use—a broad-based program for state-wide service is critical,” says Katz.

9 Where the trust is placed and how it is managed is paramount. Some existing trusts are managed by state treasurers, others, by a community foundation. Still others, like Arizona’s, combine the two forms. Incentives and administrative costs are primary considerations when thinking about management. Community foundations deal regularly with private and corporate donors; they’re already set up to raise private matches.

Hurley Goodall

Former Member, Indiana State Legislature

If crafting legislation is akin to sausage-making, as wags would have it, Hurley Goodall can claim to have helped make a fine length of it on behalf of the arts in Indiana. He recommends two approaches as being integral to success:

10 Create a framework for on-going work together. The Arts Commission launched the effort with an early—and critical—decision to work on enabling legislation first and funding later. (Five million will come from the state lottery for the next five years.) “We just wanted a framework for the trust,” he explains, “an imprimatur that would have cachet.” The rationale: creating an entity that would shield the arts from politics, capable of attracting both private and public funds for arts stabilization, could also enlarge relationships among organizations, their supporters and public officials, providing a common cause. “We didn’t get into how proceeds would be shared; that’s one of the things that we will work through in this framework,” notes Goodall.

11 Connections are critical. Working friendships Goodall developed during his legislative tenure were literal links to creating Indiana’s trust. A roommate of 14 sessions’ duration was sponsor, drafting and filing the bill; another old friend took it through committee; and finally, a friendly legislative aide from the executive branch steered it on the house floor. And meanwhile, the arts agency was contacting friendly constituents to advocate for it. “It helps if you know people,” Goodall concludes modestly.

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Shelley Cohn

Executive Director, Arizona Arts Commission

This has been an incredible ride,” says Cohn of her agency’s effort to launch a trust, which began the summer of ’95 during the brouhaha over federal funding. “Community people, arts organizations, public TV and radio—they all came together,” she recalls. “There was a lot of venting. And then we started thinking about Arizona’s strengths. In ’88 we had a major bond issue, and as a result, have some major new facilities. We needed products to bring into those buildings.” What came out of those talks leads her to this counsel:

I2 Keep your eye on the big picture. “The corporate types said ‘let’s not look in fear; let’s look to the future,’” she recalls, “and that became a rallying point. We decided to take our best thoughts and turn them into something positive for the future.” The “big picture” also included realizing that the problems at the National Endowment for the Arts were more serious as a philosophical, than a financial, threat. But their business friends drew the line on big thinking when it came to a dollar goal.

I3 Seize the moment. “No thorough, constituent-based planning process led to this,” Cohn confesses, “but this was the year to do it. We had retiring legislators who wanted to leave a legacy. They came on board in a way we didn’t expect. So there was a window of opportunity. And we jumped!” The informal conversations of summer ’95 led to legislation in ’96. Now, she admits, the agency is having to move quickly to catch up, but she wouldn’t change a thing—except to have provided administrative funds for the trust.

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