

CITIZENS LEAGUE REPORT

Careful Use
of Public Money
for Private
Leisure-Time
Activities

Specific Proposals Relating to the Arts, and General Guidelines for Other Activities,
including Professional Sports, in the Twin Cities Metropolitan Area

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March 17, 1976

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INTRODUCTION

As this report is issued, the Minnesota Legislature is debating policy toward leisure-time and self-improvement activities that are operated in the private sector but where the public interest is of considerable importance. Actually the debate is focused more narrowly: whether to give more public funds to the arts and whether to build a new publicly-supported stadium for professional football and baseball.

These issues are important, and much of our report concerns them, particularly those involving arts funding and to a more limited extent, professional sports. But our report places these issues in a larger context, because the stadium-arts bill is not the last piece of legislation that will be considered by the Legislature in the areas of private leisure-time and self-improvement activities.

It may be helpful to remind ourselves that the world of leisure-time and self-improvement activities is much larger. Football, baseball, and arts, of course, are but a few types of such activities. The actual list can go on and on--to many other types of recreation, relaxation, and education, from speed skating to stamp collecting.

The current legislative debate touches only one component of arts, football and baseball--the viewing of excellence being performed or displayed. *Viewing* is important. It enables an individual to be entertained and to appreciate an outstanding performance or display in his field of interest.

But *viewing*, to be really successful, is dependent on two other components: *learning* and *doing*. All three re-enforce each other.

Unless individuals *learn* how to appreciate a given activity, they'll not really have much interest in *viewing* or *doing*.

If individuals participate, that is, *do* an activity themselves, as beginners or in some advanced stage, they will have desire to *learn* more and to *view* excellence.

If individuals *view* an activity, they will probably want to *learn* more and have a desire, perhaps, to *do* the activity.

We think our report is a start in the direction of recognizing the mutuality of viewing, learning and doing. We, too, place much of our emphasis on the viewing side. But we recognized, and tried to give attention to, the learning and doing side as well.

While the report discusses arts in great detail and sports to some extent, it does not speak to the immediate questions of stadium cost, design and location. The arts and stadium issues are tied together in the legislative debate. They were not so tied together when our committee began its work in September 1975. We were assigned to work mainly in the area of the arts but to place the arts in the context of other leisure-time and self-improvement activities. The arts issues proved to be immensely complex and took most of our time. We just could not, in addition, get into the detailed stadium questions.

SUMMARY OF MAJOR IDEAS . . .

1. While urgent, immediate issues confront the Twin Cities metropolitan area on public policy towards professional sports and arts, we need to remember the larger context. The public's enjoyment and appreciation of professional sports and arts are but a part of the entire world of leisure-time and self-improvement activities.
2. Government support for leisure-time and self-improvement activities can be considered:
 - If an activity is generally recognized as an asset to the community which provides the support.
 - If an activity serves a public purpose and would not otherwise be carried out.
 - If the public's access to an activity is improved.
 - If it is desirable to spread costs more evenly across the public at-large.
3. But care must be exercised in such support to make sure:
 - That such support not control or direct the nature of a leisure-time or self-improvement activity.
 - That the recipient be held accountable to accomplish results as intended with the support.
 - That the need for government officials to make allocation decisions among competing private activities and groups is minimized.
 - That any government support for an activity or group not be automatically renewable or permanent.
4. The Twin Cities area has a very healthy cultural environment, although early warning signs indicate the area's cultural health and national reputation may be placed in jeopardy unless action is taken to overcome emerging problems.
5. But the answer is not simply trying to erase deficits in major arts organizations. Some organizations can "afford" to have deficits because other sources of revenue are available. Other organizations without such sources of revenue may show no deficits but may have more serious problems.
6. The real way to help arts organizations is to help broaden the artistic activity of the entire region by encouraging and supporting individual artists and would-be artists, by more programs of art appreciation, by making greater use of television and radio for reaching remote audiences and, by reaching new persons to attend performances.
7. Arts organizations must increase their non-governmental revenue sources: earned income and contributed income. The non-governmental sources will continue to be the main financial support for the arts.
8. This means encouraging more individual giving, through such programs as employers' matching their employee contributions and permitting payroll deductions for contributions. In addition, it means that arts organizations in the Twin Cities are needed to undertake a variety of individual and cooperative efforts, for example, looking at such possibilities as offering persons the opportunity to make general gifts to the Twin Cities arts community and cooperating on admissions and ticket sales. The Twin Cities Metropolitan Arts Alliance should assume responsibility of stimulating discussion of such cooperative efforts.

9. Government support for the arts is justified, if the public at-large receives the main benefit. The public at-large would benefit if funds are used to broaden public access, to give public bodies the opportunity to purchase artistic services, to support participant as well as spectator arts activities, and to stimulate increased earned income and increased contributed income.
10. State aid to the arts is just beginning to become a subject of public policy debate. Many possibilities need to be tried. Over the years some approaches will be discontinued and others will start up.
11. Two new approaches of state aid for the arts should be added now to the one type (project grants distributed by the State Arts Board upon application) already in effect. They are:
 - Providing state funds to expand the purchasing power of buyers and consumers of artistic services, thereby stretching the impact of their investment and giving the buyers/consumers a direct voice in allocation of state funds.
 - Providing state funds for general operating purposes to certain exemplary arts organizations which are making particularly outstanding contributions to the artistic quality of the state.
12. State funds should be apportioned in approximately equal amounts among these three forms of aid. An increase in state funds for the arts from the present level of \$500,000 annually to \$1,500,000 annually would be reasonable, by appropriation from the state general revenue fund.
13. The major professional sports teams are an asset to the Twin Cities area and merit public policy support. If it is not possible for them to generate adequate revenues here, they are likely to move to other locations where revenue potential is greater.
14. On the assumption the increased revenues for the teams will come from seats in a new or expanded stadium, it follows that a stadium is necessary. Public policy support in the form of government assistance for physical facilities is appropriate. The public interest must be protected, which means:
 - The likelihood of televising local games should not be reduced.
 - Large contributors or seasons ticket holders should not be the only ones given preferential seating.
 - Stadium facilities should be made available to amateur groups at reasonable rental fees.
 - Part of the cost of a publicly supported stadium should be recovered by a rental fee for commercial telecasting.
 - Teams with long-term stadium leases should be required to make public annual audited financial statements.

F I N D I N G S

I. Leisure-time and self-improvement activities are a rich and diverse element of human experience -- Leisure-time and self-improvement activities include, but are not necessarily limited to sports, heritage preservation, dramatics, music, dance, literary arts, visual arts, scientific appreciation, learning, reading, community festivals, public communications and gardening.

A. Consumer expenditure patterns reveal the diversity of interests -- The Survey of Current Business, a publication of the U. S. Department of Commerce, reports annually on how consumers spend their disposable income. The following table indicates how consumers were spending their recreation dollars in 1973:

Radio and television receivers and repair,	27.9 cents
records and musical instruments	
Non-durable toys and sports supplies	14.7 cents
Wheel goods, durable toys, sport equipment,	13.4 cents
boats and pleasure craft	
Magazines, newspapers, sheet music	9.6 cents
Books and maps	7.2 cents
Commercial participant amusements	4.3 cents
Clubs and fraternal organizations	2.6 cents
Pari-mutual net receipts	2.5 cents
Motion picture theaters	2.5 cents
Legitimate theaters and opera and entertainments	1.9 cents
of non-profit institutions (except athletics)	
Spectator sports	1.2 cents
All other	8.4 cents

B. Broadly speaking, self-improvement and leisure time activities divide into three components: participation, education and performance -- Most such activities have (1) a participant component (2) an education component and (3) a performance or display component. The participant component involves the spectators or doers of an activity. The education component involves a variety of programs whereby participants learn about and gain appreciation for an activity. The performance or display component involves the organizations or institutions which are presenting the activity. Such organizations or institutions will come within the scope of this report if they are privately managed or owned and if they are available to the general public, that is, they are quasi-public in nature.

1. Participant activities rank high in giving creative or artistic satisfaction -- A national poll by the Louis Harris organization¹ in 1973 asked respondents to list the two or three things from which they receive the most creative or artistic satisfaction in their leisure time. The results:

reading:	38%	cooking, baking:	5%
gardening:	27%	home decorating:	4%
handiwork (sewing, etc.):	20%	playing musical instru-	4%
		ment:	

participating in sports:	16%	going to movies:	4%
arts and crafts:	14%	participating in perform-	
carpentry:	14%	ing arts:	4%
listening to music		church activities:	4%
(stereo, radio):	14%	playing cards, games,	
fishing, camping, hunt-		puzzles:	4%
ing:	12%	appreciating nature,	
watching TV:	10%	animal life:	4%
socializing, seeing		social dancing:	3%
friends, eating out:	8%	playing with children:	3%
attending concerts		walking:	3%
(folk, rock, classical):	7%	hiking, driving, cycling:	3%
attending, watching		going to meetings, clubs:	2%
sports events:	6%	writing (letters, poetry,	
traveling:	5%	fiction):	2%
		antique hunting:	1%
		visiting museums,	
		galleries:	1%

The above figures can be misinterpreted. It should be noted that respondents were asked which things give them the *most* artistic or creative satisfaction in their leisure time. The figures do not indicate how extensive the general public participates in an activity. For example, more of the public attends movies, not just the 4% who indicated that they derive the most artistic or creative satisfaction from going to movies.

2. Spectator activities are popular, too -- The Harris Poll revealed the following extent to which respondents attend spectator events some or a great deal of the time:

Go to see things like art shows, museums, historical houses or antique, craft or furniture shows:	49%
Attend the theater, movies, ballet or modern dance performances; opera, the circus or other pageants:	48%
Attend spectator sports such as football, baseball, tennis, hockey, baseball, soccer or horseracing:	47%
Attend musical performances such as rock, jazz, folk, symphony or chamber music concerts:	37%
Attend lectures, take adult education courses, spend time at the library doing research or studying:	34%

3. Participant and spectator activities re-enforce each other -- An individual who enjoys doing a leisure time activity himself can learn how to improve his own work by having the chance as a spectator to view others who excel in his interest area. Simultaneously, spectator activities are helped because such individuals are a source of audience-building. The Harris Poll revealed that persons engaged in an activity as participants are stimulated to become spectators. About 80% to 90% of the participants in such activities as woodworking, pottery, painting, sculpture, poetry, singing, playing musical instruments, dancing or theater said their activity stimulates them to see other's works.

- C. Public support for these activities is strong in the Twin Cities area and in Minnesota -- Ambitious open space acquisition and development programs, community and regional libraries, the start of a major zoological garden, the presence of several nationally-known cultural organizations, a wealth of amateur theaters, instrumental, choral and dance groups, and a large network of participatory and spectator sports are indicators of the commitment of this region and state to support individual's leisure-time and self-improvement activities. Located where it is, somewhat separate from the other major industrial and trade centers of the nation, this area may have sensed a need to be particularly energetic in working for offsetting amenities.

An in-home survey of 621 persons from throughout Minnesota conducted in October 1975 by Peter D. Hart Research Associates, Inc., for the Greater Minneapolis Chamber of Commerce revealed that citizens have a high regard for the Twin Cities area because of the availability of such activities here.

Respondents were asked to list the two or three things which they believe makes a metropolitan area first rank. The results:

Cultural activities, educational opportunities	30%
First class sports teams, spectator sports	29%
Sightseeing, historic sights	25%
Participation sports, outdoor recreation	23%
Entertainment, restaurants, hotels	20%
Environment, clean city, good climate	14%
Industry, business, employment opportunities	12%
Lots of activities, something for everyone	12%

- D. Leisure-time and self-improvement activities are supported in many ways --

1. Some activities are fully self-supporting (including both capital and operating expense) --

Participant -- When demand is sufficiently great, commercial enterprises have emerged, with participants paying the entire cost. For example, the gardening supplies industry, book publishing, art supplies, and the participant sports equipment industry all are supported by individual participants.

Spectator -- Many attractions, including commercial movies or prize fights, are wholly funded from the box office and related user fees.

2. Others are self-supporting for operating purposes only --

Participant -- Parks and open spaces often are provided at public expense for such privately-financed activities as fishing, boating, swimming, hiking, biking, skiing or snowmobiling.

Spectator -- The public may provide a facility within which commercial entertainment takes place. For example, the public may build the stadiums, auditoriums and civic centers within which private entertainment events are scheduled, such as professional sports, rock concerts or Broadway theater productions.

3. Others may receive support for both operating and capital expense --

Participant -- Reading, a popular leisure time activity, is helped by the capital and operating assistance provided to public libraries.

Spectator -- Included here would be a publicly-supported zoo or rose garden or a museum, theater, orchestra or opera which receives general support.

- E. Financial support is shared jointly by private and governmental sources -- Of an estimated \$80.6 billion in revenues of private, non-profit organizations in 1974, about \$57.4 billion came from private sources and about \$23.2 billion from government funds, according to the Commission on Private Philanthropy and Public Needs.² The sources of the \$57.4 billion were contributions, \$25.3 billion, and earned income, \$32.1 billion.

It is incorrect to infer that the \$23.2 billion in government funds represents the extent of government support for private activities. That figure is limited exclusively to government support for private, non-profit organizations. It would not include, for example, government investment in parks and open space, libraries, stadiums and auditoriums, all of which provide assistance to private leisure-time and self-improvement activities.

- F. The importance of leisure-time and self-improvement activities is likely to increase in coming years -- The length of the average work week declined over the past decade, from slightly less than 39 hours to slightly more than 36 hours, according to the Bureau of Labor Statistics.³ With the exception of recession years, per capita personal income in real terms (after discounting for inflation) has continued to rise, according to the Survey of Current Business.⁴ In 1974, real per capita personal income nationally was \$3,689, up from \$2,482 in 1959. The availability of more time and more discretionary income combine to increase the importance of leisure-time and self-improvement activities, which, in turn, will increase pressures for private contributions and governmental support.
- G. No coherent policy is evident as to the appropriate roles for the private sector and the public sector in private leisure-time and self-improvement activities -- The Minnesota Legislature has been turned to increasingly in recent years to provide assistance. The 1976 session is no exception, with major proposals pending for capital support for professional sports and operating support for the arts. But no overall policy can be discerned as to whether, under what circumstances, in what manner and from what sources aid should be provided.

II. The Twin Cities area is a national center for spectator arts activity --

- A. Several organizations of national stature are located here -- The Guthrie Theater, Walker Art Center, Minnesota Orchestra, Children's Theater, St. Paul Chamber Orchestra, Minneapolis Institute of Arts and Minnesota Opera are among those organizations with national stature.

Not infrequently, national publications will highlight the Twin Cities area's arts institutions in describing the quality of life here. "If Manhattan Island ever gets washed out to sea, and we're seeking an alternate site as the cultural center of the United States, this may be the place", wrote the National Observer in December 1974.

- B. National study ranks area high -- A Ford Foundation study⁵ published in 1974 generally ranked the Twin Cities area above average in exposure to the arts among 12 metropolitan areas. Other metropolitan areas surveyed included Atlanta, Boston, Chicago, Cincinnati, Houston, Los Angeles, New York, Philadelphia, San Francisco, Seattle and Washington.

Respondents were polled on their exposure to various art forms during the previous year, whether on television, radio, records and tapes, a live amateur production or a live professional production. With all these forms of exposure taken together the results were as follows:

	Percent exposed during the past year <u>Twin Cities</u>	<u>All respondents</u>
Movies	99%	96%
Jazz, rock or folk music	88%	81%
Broadway musicals	55%	60%
Symphony	55%	51%
Theater	39%	31%
Opera	28%	27%
Ballet	21%	25%

The Twin Cities area seemed to rank particularly well in theater, with 32% exposed to live amateur theater, highest of all 12 cities, and 19% exposed to live professional theater, behind only New York.

- C. The arts have a significant economic impact on the Twin Cities area -- Minnesota Citizens for the Arts, an advocacy group organized to encourage understanding of the financial needs of the arts, estimated that in fiscal 1974-75, approximately \$53 million in capital and operating expenditures were incurred by arts organizations in the Twin Cities metropolitan area. (This included some \$35 million in actual construction costs for that year, which may be

unusually high because of the completion at that time of the new Orchestra Hall and the building for the Minneapolis Institute of Arts and Children's Theater Company). The Citizens for the Arts reported that for 1974-75, payroll for these organizations was approximately \$8 million; plant operation, \$2.2 million; printing, advertising, legal and accounting services, \$3.6 million; instrument upkeep, movers, scenery, costumes, and exhibition construction, \$2.3 million; and taxes, \$.5 million.

The above figures do not include the secondary effect on the economy from arts expenditures. The National Committee for Cultural Resources⁶ estimates that the positive economic side-effects of the performing arts alone are 1½ times the ticket costs, because of the additional expenditures by people for transportation, hotels, restaurants, retail purchases and other people-related services.

- D. Arts attendance is holding its own -- Accurate figures for attendance at all arts organizations in the Twin Cities area have not been compiled, either in total for one year or for years in the past. Nevertheless, some indicators are available. A State Planning Agency survey⁷ of 12 arts organizations in the Twin Cities are revealed a cumulative attendance of about 3 million for a recent 12-month period. Selected major organizations have reported large increases in attendance in recent years.

Over the past decade, on a national basis, consumer expenditures per \$100 of disposable personal income have remained virtually constant for the arts, according to the Survey of Current Business.⁸ Meanwhile, consumer expenditures per \$100 of disposable personal income for movies and spectator sports have declined. In actual total personal consumption expenditures, the arts rank between movies, which are higher, and spectator sports, which are lower.

- E. But spectator arts activity in the Twin Cities area, while relatively high in comparison to other metropolitan areas, ought not be overstated -- The above-mentioned Ford Foundation study revealed that, for the Twin Cities area, 19% had attended a live professional play the previous year; 10%, a live professional symphony; 2%, a live professional opera, and 3%, a live professional ballet. As recently as August 1971 (apparently the latest date for which such a poll is available), the Minneapolis Star's Metro Poll showed that 55% of Twin Cities area residents described their artistic involvement as "nil" and that 67% were satisfied with their present level of artistic involvement.

Nationally, a relatively low--but nevertheless, stable,--level of spectator arts activity is evident. Americans spend about \$1 for every \$1,000 of disposable personal income on admissions to arts performances, according to the Survey of Current Business.

- F. Certain segments of the population are more active in the arts than others -- The Ford study revealed that in the Twin Cities area as with the rest of the nation the percentage of the population exposed to spectator arts activity increases in direct proportion to income and to the amount of formal education. (As real income rises, it is possible that the proportion of the population exposed to spectator arts activity will rise, too).

Geographically, spectator arts activity is higher in some areas than others. A Citizens League study⁹ of the members, subscribers and contributors to major arts institutions in the Twin Cities area revealed large sections of the area (particularly in the northern and southern suburbs) with very low coverage. Moreover, the study indicated that even in geographic areas where arts activity was more concentrated, the actual numbers involved were a very small proportion of the total population.

III. The exact nature and extent of financial problems of arts organizations is difficult to determine --

An accurate overall picture of the financial situation of arts organizations in the Twin Cities metropolitan area is very difficult to assemble. Central reporting of revenues and expenditures on a consistent, regular basis is very limited. Until recently, the only information has been an annual survey by the Bush Foundation of 11 arts organizations. But records are kept in different ways by the organizations, which hinders efforts at making comparisons. In early 1976 the Governor's Commission on the Arts received a status report from Touche Ross & Company which provided for the first time combined, unaudited revenue-expenditure statements for 10 performing arts groups and museums. Figures were assembled for fiscal 1974 and fiscal 1975.

- A. Some organizations report their current income (earned and contributed) is insufficient to meet current expenses -- Some organizations are finding a growing gap between their annual expenses and what they can raise during the same year. The above-mentioned report to the Governor's Commission revealed total expenses in 1974 of about \$11 million, with income falling short by about \$450,000. In 1975, the report showed, expenses were about \$13.7 million, with income falling short by about \$1.3 million. The gap is not distributed proportionately. Some organizations have no gap whatsoever. The gap is largest for the Minnesota Orchestra, the Children's Theater Company and the Minneapolis Institute of Arts.
- B. But the income-expense gap may not be the best way of fully understanding the financial problem -- Organizations must find funds to pay their bills or go out of business. Organizations which report deficits may have access to other revenue sources, such as principal on endowment or borrowing. Organizations which do not report deficits may have even more severe problems, but may not have access to other funding sources and, therefore, have no option but to cut back on services to balance the budget.
- C. The reasons for funding difficulties are varied -- The non-profit sector has been in financial trouble for years, according to the report of the Commission on Private Philanthropy and Public Needs. Plunging stock prices eroded endowments; recession inhibited private giving. Meanwhile inflation has sent expenditures soaring. Another factor is that arts are labor intensive. Well over half of arts organizations' budgets go for personnel costs. Labor costs in general have risen faster than other prices in recent decades.

IV. Arts organizations can affect their own financial situation through earned income and private contributions (on the revenue side) and through efficiencies and other cost-cutting efforts (on the expenditure side) --

A. Issues related to earned income -- In the aggregate, earned income is the dominant revenue source of arts organizations. A Ford Foundation survey revealed that approximately 57.8% of the revenue of 166 arts organizations came from earned income in 1970-71. Among issues:

1. Whether organizations are or should be co-operating in such efforts as joint season tickets -- Performing arts organizations in the Twin Cities area indicated they work essentially independently of each other. The concept of a group of theaters, for example, giving customers the opportunity to buy season's tickets for selected plays in all theaters has not been tried. According to one viewpoint, persons familiar with the more popular theaters, such as the Chanhassen or Guthrie, might be stimulated to attend some of the less-popular theaters, too.
2. Whether certain organizations should have an admissions charge at all -- This issue is particularly immediate for museums, which traditionally have been free in the Twin Cities area, except for certain special shows or for strategically-placed counters which accept "suggested" contributions. The Science Museum of Minnesota contemplates moving to an admissions charge when its currently-planned new building is open. The Society of Fine Arts has been contemplating an admissions charge for the Minneapolis Institute of Arts, although some persons close to the Society believe such a charge should not be imposed if further governmental assistance is provided to the Institute. The question of whether the prospect of government funding should affect an organization's decision on an admissions fee is a further issue.
3. Whether ticket prices can be increased -- This issue involves questions of keeping prices low enough so that the broadest possible groups in the population have opportunity to attend. It also involves, however the question of what constitutes a fair price. Little is known about the impact of changes in ticket prices, although a recent survey was undertaken of persons on the mailing list of the Minnesota Orchestra relative to their preferences. Results still are being verified, but preliminary indications are that Orchestra attendance would not be harmed by price increases.
4. Whether a newly-inaugurated voucher program, undertaken in the fall of 1975, supported by private foundations and businesses, can be successful in attracting new audiences and, thereby, more earned income -- Under terms of the voucher program, administered by the Twin Cities Metropolitan Arts Alliance, eligible individuals purchase the vouchers for \$1 each and then may redeem them at any of 57 organizations' box offices for \$2.50 off the price of a ticket. Currently, eligibility is limited to retired persons, teachers, union members, community agencies and the institutionally-related. As of late February 1976 a majority of vouchers had been redeemed at the Guthrie Theater, the Children's Theater or Orchestra Hall. It is too early to tell, however, the extent to which the voucher program

is reaching new audiences. Persons buying vouchers were asked to fill out questionnaires. An informal tabulation by the Citizens League of a sample of these questionnaires revealed a high proportion of the individuals already were attending arts events.

A voucher program may not have significant effect on the finances of an organization which already sells almost all of its seating capacity.

5. Whether greater emphasis should be placed on contract-for services income -- Under this approach an arts organization might contract with a school for a performance or a special museum tour. A key issue is whether the full cost of such a service should be assessed against the recipient group. Now many such services are free or considerably-subsidized out of an arts organization's own budget. This issue is related to whether school districts can impose fees on students or must pay for such services out of their own budgets.
6. Whether more emphasis should be placed on obtaining revenue from audiences not physically present -- Traditionally, persons physically present for the "live" performance have constituted the principal market for earned income. Only 1.6% of the total income of 166 arts organizations in the Ford Foundation survey in 1970-71 came from recordings, films, radio and television combined.

New developments in cable television or pay television may open new markets. Lincoln Center in New York City announced in late 1975 that it has now developed the techniques necessary to televise a performance without disturbing the artistic atmosphere normally enjoyed by the performers or audience in a theater or concert hall.

7. Whether more merchandising can help -- This applies particularly to the potential of museums to sell products which bear some relationship to the arts works which are exhibited.
 8. Whether art organizations have developed comprehensive marketing strategies -- All of the above named issues of earned income relate to the extent to which arts organizations understand and are applying marketing techniques adequately.
- B. Issues related to contributed income -- The above-mentioned Ford survey of 166 performing arts organizations indicated the following distribution of some \$47.7 million in contributed income in 1970-71: individuals, 37.1%; business, 13.0%; combined united art funds, 9.7%; local foundations, 12.8%; national foundations, 17.2%, and other local contributions, 10.3%. Among issues:
1. Whether business contributions in total should or are likely to increase, and whether arts are likely to receive significant portions of an increase -- Up to 5% of a corporation's pre-tax income may be given for educational and charitable purposes with such income not subject to tax. Some corporations in the Twin Cities area are at the 5% level. The vast majority nationally are far below. In 1974, according to the American Association for Fund-Raising Counsel, Inc., corporations nationally were giving .83% of pre-tax income. Chambers of Commerce in Minneapolis and St. Paul both have programs under way to encourage higher levels of corporate giving.

In 1972, about four cents out of every dollar of corporate contributions was given to culture, according to the Conference Board, Inc.,¹⁰ a business organization. The extent to which additional corporate dollars would be made available to arts and culture is speculative. It is clear that many other organizations, particularly social service bodies which have felt the impact of declining governmental support, are seeking business contributions, too. Another example of the competition for business contributions is the commitment made by business to buy the land for a new sports stadium in Minneapolis, which may affect the extent business will contribute to other activities.

2. Whether business should improve on its policies of distribution of funds -- Although many corporations may have systematic approaches for evaluating fund requests, in some cases the personal desires of the chief executive officer may be the determining factor.
3. Whether business should encourage or assist its own employees in increasing their levels of giving -- Some corporations have policies of matching employee contributions to certain organizations. In other cases, corporations may facilitate fund raising by arts organizations, as certain St. Paul companies have begun to do by allowing a payroll deduction by some of their employees for contributions to the Saint Paul-Ramsey Arts and Science Council.
4. Whether contributions should be channeled increasingly to arts organizations for program purposes rather than capital fund drives -- Some businesses have begun to state publicly they are de-emphasizing commitments to capital fund drives because such drives tie up too large a portion of the corporate contribution dollar for too many years, thereby limiting a corporation's flexibility in giving. Persons who support a continuation of capital giving point out that a capital contribution will end in a few years, while a contribution to a program, once begun, is very difficult to reduce or terminate.
5. Whether contributions should be handled in a united fund approach or in the more wide-open "free enterprise" system -- Some businesses prefer the united approach because it enables them to delegate the difficult questions on allocation of funds to some other body. Others argue that the overall level of corporate giving is less under a united fund approach than it is when each organization is seeking funds on its own.

A related issue is whether a united fund approach permits certain fund raising techniques to operate, such as the payroll deduction, which would not be possible otherwise.

Minneapolis and St. Paul operate distinctly differently. Cultural organizations based in Minneapolis operate more on the "free enterprise" model; those in St. Paul operate more on the united fund model. In fact, the one case of central fund raising in Minneapolis, the Society of Fine Arts, which has handled fund raising and other administrative responsibilities for the Minneapolis Institute of Arts, the College of Art and Design and

the Children's Theater, has made arrangements for the Children's Theater to go independent. In St. Paul, the Arts and Science Council handles fund raising for several organizations. At least one of the member groups, the Science Museum of Minnesota, is seeking a new relationship with the Arts and Sciences Council which might give it more autonomy in fund raising. Generally, smaller organizations are more supportive of the united fund approach.

6. Where foundations should place their emphasis in coming years -- Foundations have played a very major role in assistance to the arts. Although they are expected to maintain a strong commitment in their field, it is unlikely they will be a source of expanded financing to the extent they have in recent years.

Foundations have provided funds to the arts in innovative ways, such as challenge grants, which stimulate recipients to improve their fund raising from other sources, and in supporting experiments such as the voucher program of the Twin Cities Metropolitan Arts Alliance.

One issue relates to foundations' general preference for start-up grants rather than sustaining grants. Start-up grants may sometimes leave unanswered the question of who is to step in when the foundation's grant expires.

7. Whether giving by individuals can be expanded significantly -- Charitable contributions by Minnesotans, which include all contributions taken as itemized deductions on federal income tax returns, range from 2.3% to 2.5% of federal adjusted gross income in the broad income categories from \$10,000 to \$50,000, according to a random sample of 1972 returns prepared by the Internal Revenue Service.¹¹ Perhaps suprisingly, the figures for Minnesota are slightly below those of the nation as a whole, 2.4% to 2.9%, in these same income categories.

Giving has not kept pace with inflation. According to a study prepared for the Commission on Private Philanthropy and Public Needs, giving by individuals as a proportion of personal income dropped by 15% between 1960 and 1972. The Commission said that giving has fallen off most in the \$10,000 to \$25,000 income range. The Commission recommended several changes in tax laws to encourage further giving: (a) that persons who take the standard deduction be allowed to deduct their contributions on top of that amount (b) that families with income below \$15,000 a year be allowed to deduct twice the amount of their giving, and those with incomes between \$15,000 and \$30,000 be allowed to deduct 150% of what they contribute.

8. Whether private giving from business, foundations and individuals should be earmarked for endowment funds -- Some arts organizations seek to develop substantial endowment funds, so that the interest on such funds can be a source of ongoing operating support. This effort encounters some opposition from those who believe a voluntary organization should not receive funds automatically. According to this viewpoint, the need to request funds on an annual basis prompts a higher degree of accountability.

C. Issues related to efficiencies and cost-cutting efforts --

1. Whether aspects of a performance can be altered without substantial damage to quality -- This issue involves such questions as the costs incurred in making a stage setting and costumes for a play as authentic as possible. It also involves the question of the number of musicians needed in an orchestra.
2. Whether facilities are used to the fullest -- This issue involves the availability of auditoriums and other facilities for use by other organizations as time is available.
3. Whether selected operating costs can be reduced -- Some controversy exists over whether the temperature settings in some institutions can be altered without damage to the works of art.

V. Government support for the arts, traditionally a relatively small factor, has assumed much greater importance in recent years --

Among the 166 organizations in the Ford study, total government grants totaled only \$1.8 million in 1965-66. By 1970-71, this had grown to \$8.3 million. The bulk of this growth is attributed to the creation of a federal agency to give money to the arts, the National Endowment for the Arts, in 1965. This agency, in addition to its own contributions, has stimulated state governments to provide funds, too. The creation of the Minnesota State Arts Board was one result. Currently, the Arts Board distributes about \$600,000 annually in state and federal funds. Another \$1.3 million in federal funds is distributed directly to individuals and groups. In selected cases at local levels, government support has a long history, particularly in the support of museums. For example, the local tax levy which provides part of the support for the Minneapolis Society of Fine Arts has been in effect since 1911.

A. Financial problems apparently are not fully appreciated by the general public --

A 1973 Harris Poll revealed that only a minority realizes that cultural organizations suffer financial difficulties, and a substantial majority of the public sees most professional theaters as making profits. The Poll also indicated that the public is more likely to favor government support for libraries, parks, history museums, science museums, public recreation areas, hospitals, and zoos than for symphony orchestras, non-commercial professional theaters, ballet troupes or opera companies. Likelihood of favoring government support for art museums falls in between.

B. Minnesotans are divided on a tax subsidy for arts -- The Minnesota Poll of the Minneapolis Tribune reported in April 1975 that 47% approve and 46% disapprove of tax aid for non-profit arts entertainment. The Tribune said that Minnesotans in their late 30s and 40s come out slightly in favor, possibly because of the benefits to children. Approval is found to be stronger in Minneapolis, St. Paul and Duluth and weaker in rural areas. Support for tax subsidies to the arts rises as income and education increase. The findings generally parallel the 1973 Harris Poll, which also showed support greatest among the younger, the higher income and the urban residents. The Harris

Poll said overall 34% believe cultural organizations should pay their own way, 38% believe they should receive government funds, 14% said it depends, and 14% were not sure. However, the Poll found that 64% of the respondents would be willing to pay an additional \$5 a year in taxes for the arts; 47% would be willing to pay \$25 more, and 36%, \$50 more.

- C. The legal basis for government support has been subject to some concern -- Use of government funds is constitutional if a "public purpose" is served, according to past court decisions in Minnesota. Apparently, the definition of "public purpose" can be quite broad, particularly if the Legislature outlines the public purposes to be served by a given aid program, according to an informal opinion from the Minnesota Attorney General's office.

VI. Many issues emerge in the debate over whether and how government aid should be provided --

In some respects the question of *whether* has been answered. Issues of eligibility, distribution and accountability are alive now, because they relate to government aid which already has been approved. On the other hand, the amounts thus far have been relatively small, so that the debate on the desirability of public funds is still paramount. Following are major issues we have found in the discussion so far:

- A. The issue of need can be approached from several directions -- One, is the matter of the need of the individual arts organizations. This is most commonly expressed in the size of the gap between current expenditures and the revenue raised through earned income, contributions and present government support.

Another is the matter of need of the general public, irrespective of the financial condition of a given arts organization. That is, the Governor and Legislature could adopt a public policy to broaden accessibility of the general public to the services provided by the arts organizations. Or they could adopt a policy to assist individuals' participation in arts activities in their own communities.

Third, an organization may seek additional funds to innovate and grow in new areas. Fourth, government assistance may be needed to keep organizations which are important to the quality of life of the area.

- B. If government funds are deemed desirable, the next set of issues relate to (a) which level or levels of government from (b) which sources of tax revenue in (c) what amounts and (d) the relative emphasis on low-interest loans or outright grants -- The state and federal government now make funds available to a broad range of arts organizations in support for programs. Property tax funds in Hennepin and Ramsey Counties are earmarked for certain arts organizations. Even at the city government level some assistance is provided--through the Minneapolis Arts Commission, for example. A proposal now has been made to add funding from the metropolitan level, too. Sources now in use are the general revenue of the federal and state governments (mainly income tax) and the property tax at the county and municipal level. The amounts so far are an estimated \$2 million annually in Minnesota from

the federal and state governments combined and an estimated \$2 million annually from the country and municipal governments. Only grants, no loans, are provided now.

- C. Closely related to the above issue is the broad method by which funds would be made available -- The options first fall into two broad categories: (1) funding directly to the arts organizations, which could be accomplished by direct appropriation for general purposes, by grant to carry out a specific project as proposed and by a fee for service, (2) funding to the audience, the contributors and the participants which will benefit the arts organizations more indirectly.

The second option would include voucher programs in which government funds would subsidize tickets and changes in the tax laws covering contributions to arts organizations, and assistance to private individuals to help them develop their own artistic interests.

- D. Depending upon which of the above broad methods is selected, a structure for administering the funds must be picked -- In some cases the responsibilities could be strictly mechanical, for example, distributing an amount of dollars annually pursuant to a specific law. In other cases, discretionary decisions may be made, such as those made by the State Arts Board in apportioning state and federal funds based on applications from arts organizations. The role of regional task forces in assisting the Board is a related issue, particularly in the Twin Cities area.
- E. Objective categories for eligibility must be determined -- These categories undoubtedly will differ based on the broad method by which funds are made available. For example, organizations eligible for direct appropriation for general purposes might be more limited than those eligible to make applications for funding specific projects. An objective category might relate to type of art (such as performing arts or visual arts), to the geographic area of interest (such as neighborhood, regional or state), to the relative permanence of an organization (such as its professional or amateur status or its length of existence), to an organization's use of other funding sources (such as its past growth of earned and contributed income, to the number of persons served by the group, or the relative size of its endowment.
- F. Conditions for receipt of funds becomes another major issue -- This issue involves such questions as representative nature of an organization's board of directors, its demonstrated ability to follow recommended accounting procedures, the openness of its board meetings, the availability of its facilities for other groups, or its demonstrated outreach to the community.
- G. Guidelines for distribution are among the most difficult, and significant, issues -- Some guidelines may be very specific, thereby making the distributional decisions fairly simple and straight forward. For example, such a guideline

might be that funds would be used to pay the costs of money-raising in the private sector, up to a certain amount. Other guidelines might be less specific, but still limiting flexibility, such as a requirement that funds be used exclusively for program purposes or exclusively for capital or building maintenance.

Beyond these come the more subjective guidelines, such as quality, uniqueness, range of services provided, importance of the services and advancement of local works of art.

- H. Accountability is another major issue -- Whatever method of accountability is employed, the question arises whether its extent should relate to the amount of money distributed. Certain relatively-small grant requests, for example, are said to require enormous person-hours of work in filling out forms.

Accountability may differ depending upon the general method in which the aid is given. Some methods of distribution may have their own form of accountability built in, such as a fee-for-service or a voucher.

An issue is whether recipient organizations ought to be incorporated into the budgetary system applicable to regular operating departments of government, much as, for example, the State Historical Society is built into the state Legislature's appropriation process through the semi-state appropriation bill.

Mass media, through their reviews of art performances and exhibits, have a major existing and potentially-large role to play.

- I. Potential negative side effects of government funding also arise -- First is a question of whether groups would or should be allowed to fail and go out of existence. That is, would certain forms of government funding make such a possibility more or less likely? If, for example, there may be "too many" theaters in existence at one time to justify giving all of them governmental support, what kind of mechanism would assure that the laws of supply and demand could continue to operate?

Second is a question of the impact of governmental funds on wage demands of arts employee unions. If, for example, funds are provided to ease the financial crunch of a major arts organization, to what extent is it likely that the funds would simply be absorbed by the next set of union contracts, with no net change in the financial crunch?

FOOTNOTES TO FINDINGS

1. Americans and the Arts, Research conducted by the National Research Center of the Arts, Inc., an affiliate of Louis Harris and Associates, Inc., for Associated Councils of the Arts, New York. 1975
2. Giving In America, Report of the Commission on Private Philanthropy and Public Needs, 1975.
3. The Employment Situation: November 1975, U. S. Department of Labor, Bureau of Labor Statistics.

4. Survey of Current Business, U. S. Department of Commerce, Bureau of Economic Analysis.
5. The Finances of the Performing Arts, The Ford Foundation, New York, 1974.
6. National Report on the Arts, National Committee for Cultural Resources, 1975.
7. A Report on Funding the Arts, Minnesota State Planning Agency, 1976.
8. Survey of Current Business, U. S. Department of Commerce, Bureau of Economic Analysis.
9. "Zip Code Maps of Members, Subscribers and Prospects of Arts Organizations in the Twin Cities", unpublished staff memorandum to members, Quasi-Public Activities Committee, Citizens League, 1975.
10. Biennial Survey of Company Contributions, The Conference Board, Inc., New York, 1973.
11. "Individual Contributions to Non-Profit Organizations, 1972", unpublished staff memorandum to members, Quasi-Public Activities Committee, Citizens League, 1975.

CONCLUSIONS

I. Government support is acceptable for certain types of leisure-time and self-improvement activities under certain conditions --

A. Government support (whether through direct financial aid or policy) can be considered:

- If an activity is generally recognized as an asset to the community which provides the support.
- If there is a need for assistance, that is, if government determines that an activity serves a public purpose which would not be carried out in the absence of such support.
- If the public's access to an activity is improved with such support.
- If it is desirable to spread the costs more evenly across the public at-large.

B. Extreme care should be exercised in providing government support to make sure:

- That while such support should not control or direct the nature of a leisure-time or self-improvement activity, the recipient should be held accountable to accomplish the results as intended with the support.
- That the need for government officials to make allocation decisions among competing private activities and groups is minimized. These are largely voluntary activities, subject to the diverse interests of individuals. From a public standpoint, there is no general agreement that any one type of activity is inherently more important than any other.
- That any government support not be automatically renewable or permanent. This will help maintain the essential free-market nature of private leisure-time and self-improvement activities so that new groups can be created and others can go out of existence from time to time.

The most pressing questions of public policy in leisure-time and self-improvement activities in the Twin Cities area today involve sports and arts. Consistent with our above conclusions, neither sports or arts inherently merits special attention over any other activity. Nevertheless, for quite legitimate reasons, public attention now is focused on them. The Legislature is debating issues relating to the performance component of professional and collegiate competitive sports. In the limited time we had available it was not possible for us to treat sports in as much detail as arts. Although our conclusions are more limited in length for sports, they are no less important.

II. Government support for professional sports facilities is acceptable, provided the public interest is protected.

- #### A. The major professional sports teams are an asset to the Twin Cities area and merit public policy support.

- B. As private enterprises, the teams need growing revenues. If it is not possible to generate adequate revenues here, they are likely to move to other locations where revenue potential is greater.
- C. On the assumption that revenues for the teams will come from seats in a new or expanded stadium, it follows that a stadium is necessary.
- D. Public policy support in the form of providing government assistance for physical facilities is appropriate. It minimizes governmental involvement in on-going operations of sports teams while still making an important contribution.
- E. If government support for facilities is provided, the public interest in access must be protected. For example, the public throughout the metropolitan area now has the opportunity to see Minnesota Vikings home football games on TV when the games are a sellout. If too many stadium seats are built, this could reduce the likelihood of a sellout which, in turn, would reduce the likelihood of games being televised, thereby reducing the extent of public access. If taxpayers, directly or indirectly, are called on to provide support, they should not lose access. If anything, access should be improved.
- F. If government support for facilities is provided, large private contributors or past season ticket holders should not be the only ones given preferential seating. Some of the best seating should also be reserved for the general public, in recognition of its investment.
- G. Sports stadiums and auditoriums frequently are used as "studios" for commercial radio and television stations which broadcast events. The public ought not be expected to provide such "studios" free of charge.

III. The problem facing the arts in the Twin Cities area today is not just finances of the big organizations. It relates to all components of artistic activity: participating, learning, and watching/listening.

- A. The Twin Cities area, compared to other metropolitan areas around the nation, has a very healthy cultural environment. The area is becoming recognized increasingly as a national cultural center, largely because of the tremendous growth of high-quality arts organizations over the past 10-15 years. In the aggregate, arts activity appears to continue to grow year-to-year.
- B. But early warning signs indicate the area's cultural health and national reputation may be placed in jeopardy unless action is taken to overcome emerging problems.
- C. The arts are facing financial problems in the Twin Cities area, although the problems probably are no more serious than those confronting other voluntary efforts which are highly labor intensive, heavily dependent upon contributions for financial support, and for which an increase in productivity is difficult to accomplish or measure. It is difficult to develop an accurate picture of the overall financial situation of arts organizations because they have not developed comparable financial reporting practices.
- D. Particularly urgent financial problems are facing certain large organizations which were in the midst of multi-million-dollar construction programs at the

same time the nation was experiencing severe inflation and recession. Some of these organizations are showing growing deficits.

- E. But the answer is not simply trying to erase deficits. Deficits can be caused by many factors. It is undoubtedly more than coincidental that the organizations with the largest deficits also have the largest endowments. In effect, some organizations can "afford" to run a deficit in some years. An organization with an endowment may not be forced to reduce its program or increase its revenues in any given year. Other organizations have no choice but to balance their books even if it means cutting back on important services, or they will go out of existence. Thus an organization without a deficit may have more serious problems than an organization with a deficit. Moreover, simply funding the deficit does nothing fundamental to redress the imbalance between revenues and expenditures.
- F. If necessary services are being cut, this is more of an indication of serious problems than the existence of a deficit, for example, the reduction of hours the Minneapolis Institute of Arts is open to the public.
- G. A part of the answer always must be to review and determine whether certain programs or services no longer justify financial support. Some services should be phased out from time to time.
- H. But the larger part of the answer is more people: more people participating, more people learning, more people giving, more people attending. Despite gains made by several organizations, the fact remains that a large segment of the population of the Twin Cities area has not been reached.
- I. Involvement of more people usually leads to more earned income, more contributed income and a greater degree of support for whatever governmental assistance may be needed.
- J. Really significant gains in broadening exposure to and participation in the arts in the Twin Cities area will not be realized simply through the conventional concept of increasing the size of the in-person audience (although that component is important). As a practical matter, even if every seat were filled for every arts performance in town, the proportion of the total population attending still would be relatively small.
- K. What needs to happen is far greater emphasis on (1) encouraging and supporting individual artists and would-be artists, amateur and professional, which will result in more individual participation, (2) more educational efforts in art appreciation, (3) making greater use of television and radio for reaching remote audiences and, of course, (4) reaching new persons to attend performances. In effect, the real way to help the arts organizations is to help broaden the artistic activity of the entire region.
- L. Private arts organizations, heavily reliant upon private contributions, box office receipts and other earned income to maintain their own operations, cannot be expected to subsidize the audience, the learners or the artists, whether beginners, amateurs or professionals, if such a subsidy is needed to upgrade the artistic activity of the entire region.

IV. Arts organizations must continue to increase earned income (that is, income from the box office and sale of services and goods) and contributed income (gifts from individuals, firms and foundations). Within guidelines as set forth below, government support is a third source of funding. But earned income and contributed income should--and will--continue to be the main source of support for the arts. Our specific conclusions about these three sources follow.

A. Earned income

1. Earned income is a strong indicator of consumer, or market, acceptance of a given arts endeavor. Its importance must not be downgraded.
2. Arts organizations should adopt pricing structures which make tickets available at widely differing prices, to attract persons over a broad income range. However, the arts are not welfare agencies. If certain groups cannot afford tickets, and if it is deemed sound public policy to give them the opportunity, public funds should be made available to them to purchase tickets within the normal pricing structure.
3. Museums, like other arts organizations, must continue to increase earned income. But museums pose particular problems. Museums traditionally have been free in the Twin Cities area, although one museum makes a voluntary contribution strongly obligatory on the part of a visitor, and most museums impose charges for special shows. Moreover, museums are not well suited to charging a fee every time a visitor comes through the door, because the length of a visit may vary from a few minutes to an entire day. Also, some persons believe that a fee might reduce access, particularly from lower income persons. It would be inappropriate to require a fee from every visitor every time he enters a museum. But that is not the only alternative to free admission. Museums have failed to explore fully the potential of other ways of revenue-raising, particularly ways which might involve more co-operation among them, such as a season's pass (not dissimilar to a state park sticker) to all museums, science, history and art. The Minnesota Zoological Garden, a "live" animal museum, will charge admission. Other museums have not explored the potential of joint passes with the zoological garden.
4. More buyers and new types of artistic services must be identified. To date arts endeavors have marketed their services, at retail, mainly to individuals and mainly for performances. Largely untapped is the potential for services to be sold, at wholesale, so to speak, to schools, communities and other large buyers. Such services would be more than performances. They would include, particularly, education services tailored to certain groups.
5. New ways of reaching larger audiences must be found. Organizations must be ready to take advantage of public television, pay television and other technological developments. In the next few years public television is more likely to be the main vehicle for arts organizations. The market for pay television is emerging initially as a source of earned income for activities which already have support broadly throughout a community--such as popular movies and some sporting events. That is

because pay television currently requires the customer to buy all the programs offered on a channel. Even for the events that have great appeal to mass audiences, the potential of pay television may not yet be fully appreciated. It is likely that the full potential of pay television as an audience-builder and income source for the arts and other entertainment which attracts more selected audiences will have to await the emergence of systems which enable persons to pay-by-the program. For the time being the "buyer" of television time for the arts is more likely to be the general public, through government, or businesses or foundations, using the channels of public television.

6. Arts organizations need vastly improved marketing programs. Organizations are not fully co-operating with each other on reaching potential audiences.
7. A pilot program of partially subsidizing ticket prices through vouchers is an exciting concept and deserves continued support. The program is funded by private firms and foundations in the Twin Cities area. Better publicity is needed along with renewed efforts at attracting new audiences. Despite efforts to make the vouchers available to non-arts-attenders, experience so far indicates that persons already attending arts events may be the main purchasers of the vouchers. Other ways of distributing vouchers need to be explored.

B. Contributed income

1. Traditionally, the arts have obtained their contributions from a narrow base of the population. This base must be broadened. Present patterns of charitable giving reveal that considerable potential exists for increasing contributed income, particularly from individuals, private professionals, such as doctors and lawyers, and from business organizations.
2. While there are indications that foundations may not be able to provide increased support to the extent they have in the past, they should continue to be a major source of contributions. They can play a particularly helpful role in making imaginative grants, such as matching grants for increasing contributions or financing voucher programs.
3. The almost unique opportunity which small foundations have possessed to make contributions to risky, perhaps controversial, art endeavors, has been eroded by changes in federal income tax laws which discourage the formation of small foundations. Small foundations have a greater degree of freedom in giving than larger, more public sources.
4. The arts in the Twin Cities area are not well prepared to solicit large numbers of small contributions from a broad range of individuals. With the exception of the opportunity to give to several St. Paul area arts groups through the Saint Paul-Ramsey Arts and Science Council, individuals are not given an opportunity to make a general gift to the arts, with the funds then distributed in to some systematic fashion. In addition the potential for receiving large numbers of small contributions is hindered because of the general absence of an on-going mechanism for receiving such contributions. Again, the exception is the new payroll deduction arrangement adopted by 11 St. Paul firms for their employees'

contributions to the Arts and Science Council.

5. Many arts organizations, particularly the largest ones in the Minneapolis area, have consistently opposed united funding for the arts. Each wants to be free to solicit major businesses and other large contributors on their own, believing this represents a greater revenue-raising potential than if the businesses were asked to give through a united fund. We have no objection to this, in fact, it probably is an effective way to stimulate more charitable giving by business than otherwise would occur. However, opposition to a united fund by these organizations has also impeded the ability to reach large numbers of small contributors. The potential of broadening the base of individual giving to the arts is considerable. It should be possible to organize to solicit large numbers of small contributions and still preserve the arts organizations' desire to approach major giving sources of their own.

C. Government support (Our concept of government support encompasses direct and indirect methods. Direct methods include actual financing of certain arts endeavors with government money. Indirect methods include public policy changes designed to assist the arts, such as changes in the tax laws.)

1. We conclude an increase in government support is justified, provided the public at-large gets the main benefit, because the public at-large is the source of government support in the first place. The public at-large would benefit if the funds were used:
 - To broaden access to members of the public and thereby help preserve the high level of vitality that exists in the arts community.
 - To give public bodies, such as education institutions, the opportunity to purchase artistic services from artists and arts organizations.
 - To support participant as well as spectator arts activities.
 - To stimulate increased earned income and increased contributed income.
2. Extreme caution should be used in distributing government support so that:
 - Arts endeavors don't become dependent upon government funding for their continued existence.
 - Normal economic pressures continue to bear on organizations, including the desire to avoid deficits. Government funding ought never be the "reward" for deficit.
 - Government funding is not used to give one organization a competitive advantage over another organization which may not be receiving government funds.
 - Creativity is not stifled.
 - Groups which have outlived their usefulness are not kept alive artificially.

- Apportionment of funds to private organizations is accomplished in some manner other than through line-time appropriations by elected governmental bodies.
 - Government support is not automatically renewed nor necessarily permanent.
3. The public must have confidence in the openness of the governing boards and operations of private groups which receive public funds. It is not necessary that elected public officials personally serve on such boards. In fact, such public officials are not likely to participate actively, because of other demands on their time, meaning their "representation" could be largely a sham. Whatever is done, a private organization receiving public funds needs to demonstrate, in its structure and operations, its larger responsibility to the community.

R E C O M M E N D A T I O N S

I. Increase earned income and contributed income for the arts.

- A. We recommend that arts organizations undertake a variety of individual and cooperative efforts to increase income from their two main traditional sources, earned income and contributed income. While organizations have worked hard in these two areas, there is still considerable potential for further expansion.
- B. We recommend that Twin Cities area arts organizations expand their potential base of contributed income by making it possible to solicit relatively small gifts for general support of the arts from a broad base of individuals, in addition to present solicitation efforts on behalf of each organization.

The arts organizations should consult with groups which have an established record in seeking support from a broad base, such as the United Ways of Minneapolis and St. Paul. They should consult with the Saint Paul-Ramsey Arts and Science Council which has begun a major new program to broaden giving among individuals by means of payroll deduction. They should also review experience with cooperative funding elsewhere in the country. (For further discussion see page 35.)

- C. As a method of raising funds cooperatively, we recommend that arts organizations explore offering individuals the opportunity to purchase membership in the Twin Cities arts community, which would be akin to individuals' becoming members of specific organizations except the membership fee and the benefits an individual receives would be distributed among all participating organizations.
- D. We recommend that Twin Cities area arts organizations offer individuals season's tickets covering performances by several different organizations. For example, in addition to the chance to buy a season's ticket to only one organization's events, buyers should have the opportunity to buy season's tickets to selected events from many different organizations, including dance, opera, orchestra and theater.
- E. We recommend that museums of the Twin Cities area explore together the possibility of charging admissions. This should include the possibility of charging an annual fee to give buyers access to all museums at any time, in addition to the possibility of a fee for one-time visitors or reduced fees for repeat visits to the same facility. We urge they work with the Minnesota Zoological Garden in coverage of any such annual fee. They should also explore ways to make sure that persons who cannot afford to pay a fee are not denied the opportunity to attend. (For further discussion see page 36).
- F. Each of the cooperative efforts in (B) through (E) above requires that leadership be taken by some individual or group to initiate discussions. We recommend that the Twin Cities Metropolitan Arts Alliance assume that responsibility. (For further discussion see page 36).
- G. We recommend that corporations increase their charitable contributions up to the level of the maximum allowable income tax deduction (5% of taxable income).

- H. We recommend that as part of increasing their contributions, employers encourage more employee contributions by agreeing to match a limited amount of each employee's contributions for non-sectarian charitable purposes and to permit payroll deductions for contributions.
- I. We encourage and support a variety of other ways for arts organizations to increase their earned income, including intensified promotional and marketing programs. For example, museums should sell artifacts, slide shows and other practical items that relate to their exhibits, a move pioneered by the New York Metropolitan Museum of Art.

II. Increase government support for the arts

- A. We recommend that the Legislature provide assistance to the arts in a variety of ways, not just for one purpose or to one type of group. State aid to the arts is just beginning to become a subject of public policy debate. Many possibilities need to be tried. It is important to recognize that over the years some approaches will be discontinued and others will start up. Flexibility in methods of funding must be maintained. (For further discussion see page 37).
- B. We recommend a three-part program of state assistance for the arts.
 - 1. We support a continuation of present project grants, fellowships and other approaches used by the State Arts Board to distribute funds on application by individuals and groups.
 - 2. We recommend a major new emphasis of state assistance that could be available for almost all types of artistic endeavors, with the actual distribution of funds dependent upon the preferences of the buyers and consumers of artistic services, that is, the public. (Relates to paragraph C below).
 - 3. We recommend a major new emphasis of state assistance for general operating support that would be available on a very selective basis only to particularly **exemplary arts organizations with at least statewide impact**. (Relates to paragraph D below).

We would support an approximately equal distribution of state funds among the three parts. We believe an increase in state arts funds from the present level of \$500,000 annually to about \$1,500,000 annually would be reasonable, with approximately one-third available for each of the three parts.

Paragraphs (C) and (D) below outline our recommendations about the two new programs of state assistance in greater detail.

- C. We recommend state funds to expand the purchasing power of buyers and consumers of artistic services. State funds would be used in a variety of ways to match the dollars invested by the buyers/consumers, thereby stretching the impact of their investment and giving the buyers/consumers a direct voice in the allocation of the state funds. The amount of state match would vary. In some cases it might be 50-50; at the extremes the match might be as high as 90-10 or as low as 10-90. The following types of programs to expand the purchasing power of buyers and consumers should be provided:

- To stimulate donor-choice contributions from a broad base of individuals, each individual's contribution to a non-profit Minnesota arts endeavor would be matched by the state in some proportion. A limit on the amount of each contribution subject to state matching should be small, say, \$25, to help encourage contributions by a broad range of individuals. The state match would apply to new or increased contributions, not to present levels.
- To assist schools and community organizations to buy artistic services from whatever sources they may choose, the state would provide matching funds. If, for example, a school pays three professional musicians to conduct a clinic, the state would provide some matching funds to help defray the costs. The school, not the state, would decide whom to hire.
- To help individuals buy tickets to performances they choose to attend, the state would expand its assistance to a voucher program administered by the Twin Cities Metropolitan Arts Alliance which enables certain categories of individuals to obtain tickets at reduced prices.
- To help state and local government agencies buy works of art for placement in public buildings, the state would provide matching funds to assist the agencies in the purchases they themselves determine.
- To help arts organizations and artists rent better space where they desire for specific performances and exhibitions, state funds would pay part of the cost of renting better space than an organization or individual could otherwise afford. This approach also would benefit those arts organizations with physical facilities which need to be utilized more efficiently.
- To help non-commercial television and radio buy arts performances as they choose, the state would match part of their costs.

The State Arts Board would be responsible for administering the matching programs. This means the Arts Board would allocate a certain portion of its matching-fund appropriation to each of the matching programs. But the Arts Board, while involved in the administration, would not influence the priorities on the selection of artistic services which would be supported. Those decisions would rest with the buyers/consumers. (For further discussion, see pages 37 and 38).

- D. We recommend state funds be given to certain exemplary arts organizations which are making particularly outstanding contributions to the artistic quality of the state. The funds would be used by the recipient organizations for general operating purposes. Our recommendation in more detail:
- The State Arts Board would be responsible for making the decision on exact distribution of funds.
 - The State Arts Board could not take action without first receiving recommendations from a broadly-representative advisory panel, appointed by the Arts Board. The panel should include persons knowledgeable about finance and accounting, representatives from business and labor, representatives of the general public, and persons interested in the arts. However, no member of such an advisory panel should be an employee or director of an organization which is a potential recipient of general operating support or have been an employee or director of such an organization within the 12 months preceding his appointment. Steps also should be taken to assure that major

donors to arts organizations do not sit on such an advisory panel and that members of other advisory panels to the State Arts Board do not sit on this panel.

Members of the advisory panel should be named in an open nomination and selection process. That is, the Arts Board should provide for persons to be self-nominated or nominated by others. In addition, of course, the Arts Board should be free to add names of its own for consideration. Before the Arts Board names the panel, it should make public the list of all persons nominated.

- The advisory panel would issue its recommendations annually. The panel would be instructed to disregard how much an arts organization may have received in operating support in previous years. Each year's distribution should stand on its own merits.
- To be eligible to apply for operating support, an organization first would have to satisfy the following eligibility requirements:
 - * It should demonstrate the openness of its operations and membership to the public.
 - * It should demonstrate that it has a process for ascertaining public needs and evaluating how well it is meeting these needs.
 - * It should demonstrate how it is making its services accessible to the general public.
 - * It should demonstrate a high level of fiscal responsibility.
 - * It should make annual audited financial statements available to the public.
- Among the organizations eligible to be considered for support, the following criteria would be used to determine whether, and how much, support should be given:
 - * General artistic quality level.
 - * Extent to which the organization is recognized as a regional resource.
 - * Existence of new and innovative artistic programs.
 - * Extent to which the organization is raising funds from other sources, including earned and contributed income, and trends in the amount from these sources over time.
 - * Size and trends of membership, attendance and other measures of numbers of persons affected by its services.
 - * Cooperation with other arts organizations in furthering the general well-being of the Minnesota cultural climate.

While all of the criteria should be used in evaluating how much support an organization should receive, we acknowledge that it probably isn't possible for every organization to rank high in every single category.

-- The size of a deficit does not measure an organization's worth to the community. An organization's existing or projected deficit should *not* be a criterion for fund distribution.

- E. We recommend an appropriation by the Legislature from the state general revenue fund to finance an increase in state arts funding. If the Legislature determines that additional taxes are needed for the general revenue fund, it would have to look to a variety of possible revenue sources. We have not explored whether it is preferable to increase the sales tax, the income tax, or some other, more selective tax, such as the cigarette tax. Whatever tax is used, the revenue should be placed in the general revenue fund and not dedicated for one purpose, such as the arts.
- F. We believe that a distribution of state funds for the arts must treat all parts of the state fairly. The State Arts Board should take steps to assure adequate geographic distribution of funds under parts (1) and (2) as discussed on page 30. That means the metropolitan area and the outstate regions both would receive assistance for the project grant program of the State Arts Board and our recommended purchasing-power grant program to the buyers/consumers.

Organizations most likely to qualify for general operating support, our third recommended program of assistance, are heavily concentrated in the Twin Cities metropolitan area. These organizations are valuable resources of statewide importance and merit state support even though concentrated in the metropolitan area.

But the state, in arriving at an equitable geographic distribution of funds, should not reduce aid to the Twin Cities area from parts (1) and (2) to offset a concentration of general operating support, part (3), in the Twin Cities area. General operating support should be justified as an aid program on its own, regardless of where the organizations are located. If the Legislature decides that general operating support is not a statewide program, then perhaps the Legislature should provide that the general operating support be financed by some tax within the metropolitan area alone.

- G. We recommend that the State Arts Board report to the Legislature on whether the state should treat all arts organizations essentially the same or whether the particular circumstances of some organizations call for special treatment. For example, the Arts Board should review whether organizations which place prime emphasis on preservation of arts and artifacts for future generations should be more closely related to other public bodies which also have a charge to preserve the cultural heritage of the region and state, such as public and university libraries or the historical societies.
- H. We recommend that the State Arts Board continue to provide support for an inventory of facilities for arts endeavors in the Twin Cities area, including stage and seating capacity, size and rental fees, as currently carried out by the Arts Resource and Information Center of the Minneapolis Institute of Arts. We recommend that the State Arts Board also arrange for a study of the extent to which existing facilities are being utilized and of the ability of artists

and arts organizations to find performing and exhibition space. The Board should report to the Legislature on any public policy changes deemed desirable to make facilities available to arts endeavors.

- I. We recommend that the State Arts Board develop standardized financial reporting forms for the purpose of gathering comparable revenue-expenditure data for arts organizations on an annual basis. The board should consult with professional accounting associations in the development of such forms.
- J. While our emphasis has been on state funding for the arts, we do not preclude an important financing role for the arts that can be played by cities and counties in areas where the state is not providing assistance. The cities and counties might be particularly able to be catalytic agents in expanding interest in the arts in their respective communities.

III. Protect the public interest in support for sports

- A. We recommend public support for professional sports facilities provided the public interest is protected.
- B. After a certain number of tickets have been sold, we recommend that a decision on whether a sports event shall be televised locally be made by the public stadium authority, which is best equipped to balance the public interest and the revenue interest. For example, if a new stadium is built, the public authority responsible for the stadium would decide whether pro football games would be televised if, short of a sellout, ticket sales exceed, say 90% of stadium capacity.
- C. We recommend that a publicly-supported stadium be recognized as the public's stadium, meaning that its facilities should be made available at reasonable cost for amateur sports. It would be reasonable for the stadium authority to impose a fee to such groups which covers the marginal costs of operation. The availability of the stadium for amateur sports should be widely publicized throughout the region.
- D. We recommend that some of the cost of a publicly-supported stadium be recovered by a rental fee for commercial telecasting. The size of the fee would be determined in negotiations between the stadium authority, the sports teams and the television stations.
- E. We recommend that any professional sports team which enters into a long-term lease to use a publicly-supported stadium be required to make public its annual audited financial statements on an on-going basis.

DISCUSSION OF RECOMMENDATIONS

This section of the report deals with questions that are likely to arise in a reading of the recommendations.

1. A popular idea to encourage more contributions is to make modifications in the tax system. Was such a possibility investigated?

Yes. We looked at giving a limited income tax credit for anything taken as a charitable deduction. We also looked at increasing the value of the charitable deduction, such as, for example, doubling its value for lower income persons.

Such approaches would reduce the revenue raised by the income tax but with only uncertain impact on increasing contributions. They might serve mainly to reduce taxes for persons already making contributions.

Moreover, if individuals were encouraged to make more contributions, there is no guarantee that they would emphasize the arts over other types of deductible contributions.

We do not want our position to be misunderstood. It is possible that a study of the income tax might result in a call for changes in deductions and/or credits for charitable contributions. But for the relatively narrow purposes of this report--arts funding--we could not support tax law changes.

We also looked at whether the taxpayer should be given the option of dedicating a portion of his taxes for arts support--much as taxpayers already can designate taxes for political campaigns. We rejected this option because it would set a dangerous precedent. If taxpayers are permitted to designate a portion of their taxes for the arts, it is not unlikely that a swarm of additional proposals would be forthcoming to do the same for education, mentally retarded, pollution control, transportation, or what-have-you.

2. How would arts organizations stimulate large numbers of relatively small contributions?

We aren't sure, but there are a variety of possibilities.

First, some way is needed for individuals to make contributions to the arts in general, and to delegate the decision on allocation of funds to someone else. Not everyone would want to take this approach, but at least the option should be provided.

Second, a more automatic collection system for voluntary contributions is needed, perhaps payroll deductions.

Some arts organizations have been reluctant to explore these possibilities because of fear that they would lead to a united fund for the arts. These organizations fear that a united fund might result in a reduction in total contributions. They fear that a large contributor might end up giving one gift to a united fund which would be less than he would give in total if separate gifts were made to different organizations.

We believe ways can be found to limit any cooperative fund-raising efforts to the smaller contributors. The challenge lies with the arts organizations at least to begin talking about ways to reach these contributors more effectively. It is unlikely that

such an effort will be really successful in reaching large numbers of persons who are not now giving if each organization operates wholly independently of the others.

3. Shouldn't museums continue to be free to the public?

If possible, yes, but it does not seem likely that contributed income and whatever governmental support is forthcoming will be sufficient. The Science Museum of Minnesota intends to charge admission when it moves into its new building. Newspaper reports have quoted officials of the Minneapolis Institute of Arts as saying that an admission charge is being considered seriously.

We believe the museums of the metropolitan area, which would include at least the Science Museum, Minneapolis Institute of Arts, Minnesota Museum of Art, and the Walker Art Center, should face the question of admission together. A separate admission charge at every museum could have a discouraging effect on attendance.

But it is possible that museums could turn an admissions charge into an advantage, if planned well. For example, museums might choose to sell joint season's passes, which would admit the purchaser to any and all of the museums. This could stimulate someone who formerly attended only the Science Museum to go to the Institute and vice versa, for example.

In talking with each other, museums should expand their horizons. The Minnesota Zoological Garden, a "live" museum, will open in 1977. Although heavily supported by state funds, the zoo will charge admission. Perhaps the other museums and the zoo could work out some sort of a joint season's pass.

An admissions charge, however imposed, inevitably will discourage some persons from attending. A charge would be particularly burdensome to low income persons. Perhaps a certain day of the week could be set aside as "free". Or a voucher program financed with state funds could be set up to reduce the cost to low income persons.

4. Is the Twin Cities Metropolitan Arts Alliance the appropriate vehicle to stimulate arts organizations to co-operate on increasing earned income and contributed income?

We think it is worth a try. The Arts Alliance is a very young organization, but it is the only group that is seeking to be broadly representative of the Twin Cities area arts community. The Alliance is administering a ticket voucher plan, which is a pioneering program of bringing arts groups and individuals together in a common endeavor.

The Arts Alliance gives one vote to every member, regardless of whether that person represents only himself or a large organization. In that sense the Alliance has a "united nations" structure.

No other organization seems any better. The State Arts Board does not believe its own role is to encourage private giving or increased earned income. Another possibility might be the regional task forces mandated to be set up by the Arts Board in a 1976 law. But they will be heavily governmentally-oriented.

If the Arts Alliance itself is not able to be the vehicle through which organization cooperate on earned income and contributed income, the Alliance at least could help keep the cooperative idea alive until a better structure emerges.

5. Would emphasis on contributions for general support for the arts erode the strength of giving to specific organizations?

Not under our proposal. Our recommendations do not call for replacing contributions to specific organizations with contributions to the arts in general. We encourage and expect arts organizations would continue to increase their own membership roles. Our point is that a very large segment of the population in the Twin Cities area does not identify with any particular arts organization. The emphasis on encouraging contributions to support the arts in general is designed to reach that segment.

6. What is the thinking behind the recommendation for a variety of types of aid for the arts?

There are two main reasons. First, there are many different objectives for state aid. No single approach could meet all the objectives. Some objectives, for example, are related to financing institutions; others, to financing artists; others, to financing audiences.

Second, Minnesota has had only limited experience in state aid for the arts. We are not yet sure which approaches to state aid will work better than others. They need to be tested. Without a doubt, the state's financing of the arts will be more sophisticated 10 years from now than it is today. By way of comparison, over the past decade the state's formulas for aid to cities, school districts and counties have been considerably refined from year to year, beginning with straight per capita distributions and moving on to very careful distributions based on need and ability to pay.

7. How would the recommendations on expanding the purchasing power of buyers and consumers be implemented?

The State Arts Board would have administrative responsibility for apportioning the funds among the various recommended types of programs in which the decisions on purchase of artistic services would be delegated to the buyers/consumers. The Arts Board would have a set appropriation for this purpose. It would then have to decide how much to allocate to each of the recommended purchasing-power programs: (a) stimulating donor-choice contributions, (b) assisting schools and community organizations to buy artistic services (c) helping individuals buy tickets to performances (d) helping state and local government agencies buy works of art (e) helping organizations and artists rent better performing/exhibition space, and (f) helping non-commercial television and radio buy arts performances as they choose. Because of limited funds the State Arts Board may emphasize certain purchasing-power programs in one year and then emphasize other programs the next year.

For each program the State Arts Board will decide on the extent it will provide matching funds, whether 50-50, 10-90, 90-10 or something in between.

Within each program it is likely requests will exceed the dollars available.

In some cases this means that the amount of state match will have to be reduced proportionately. For example, the Arts Board might set a goal of matching every new \$25 contribution to an arts endeavor with \$10 of state funds. But if the total cost of such a match would exceed the amount originally set aside for this purpose, the amount of state match for each contribution could be reduced proportionately, meaning that, for this example, a \$25 contribution might be matched by only \$5 of state funds.

In other cases where requests exceed dollars available, it may not be feasible to reduce the amount of state match, for example, in the case of assisting schools to buy artistic services. Unless the match is at least 50-50, a school may not be able to afford the cost. In such cases, in order to stay within the dollars available, the State Arts Board may have to select the recipients at random from the list of applicants.

8. Doesn't the State Arts Board already have programs that give purchasing power to buyers/consumers?

Yes. In some cases the Arts Board distributes the funds to the buyers/consumers and does not influence the choice of artistic services to be purchased. But in many cases where the buyers/consumers are given funds, the State Arts Board influences the decision on the exact nature of the artistic services to be purchased.

We believe the State Arts Board must be involved in matters of artistic quality. In effect, that has been the traditional role of the Board. We do not want to remove that component.

Our recommendations simply give formal recognition to another dimension, in which the Arts Board gives purchasing power to buyers/consumers without becoming involved in artistic quality judgements, thereby giving the buyers/consumers a stronger role.

9. How should the Legislature apportion state funds for the arts among the broad categories of aid?

At this relatively early stage in the development of state aid to the arts, we are recommending an equal distribution of funds among the three broad categories of assistance we recommend: project grants for specific purposes with the State Arts Board making the decision; purchasing-power grants from the State Arts Board to buyers/consumers to let them decide how to apportion funds, and general operating assistance to selected exemplary organizations, with the final decision on apportionment resting with the State Arts Board.

Nothing is necessarily permanent in that distribution. It indicates our general interest in giving all three approaches a chance to prove themselves.

Perhaps the area of greatest concern is how much money the Legislature should set aside for the third category, general operating assistance. There is a risk that the appropriation would be decided as a specific percentage of the total budgets of the recipient organizations. If such were the case, it is possible that the general operating assistance would end up being distributed to each organization on that basis only.

A State Planning Agency report estimated that operating budgets for 12 professional arts organizations in the Twin Cities area for 1975-76 total about \$15 million. If these organizations received all of the recommended \$500,000 in operating support, the aggregate percentage of state operating support of their budgets would be slightly more than 3%. Of course, the total amount of state funds for the arts for all purposes is considerably greater, because of other aid programs. The total amount of governmental funds would be more than that, because of federal and some local governmental funding.

General operating assistance should not be given to each institution as a percentage of its operating budget. The distribution to each institution should be based on criteria as we list in our recommendations.

Aside from the question of the total appropriation for operating assistance, we discussed whether the state should set a limit on the amount of aid to an individual organization. One suggestion advanced was that the aid never should exceed 10% of an organization's budget. Such a limit is appealing, provided it not be misinterpreted that every organization eligible for operating assistance should receive 10% of its budget.

10. What are the longer-range implications of general operating assistance for arts organizations?

On the positive side, such assistance can demonstrate the public's support for the high quality arts institutions which have developed in this region. This can be a stimulus to the institutions to strive to maintain their excellence. It can encourage large private contributors to maintain and increase their levels of support, because their own respect for these institutions will be re-enforced. It can stimulate larger numbers from the general public to participate in arts activities themselves and to show greater interest in the institutions which are receiving public funds.

But some other possibilities need to be thought about. Unless extreme care is taken in following our recommended criteria for distribution, it is possible that the Legislature will be called on to fund annual increases in operating budgets of these institutions. Such an eventuality would become more likely if employee representatives in arts institutions sensed that a new route for higher wages were through greater operating assistance from the Legislature.

Another concern we have is that general operating support not be given to ossified organizations, while young, vital organizations are denied the opportunity to break into the funding program.

We also are deeply concerned that an organization's deficit might become a factor in the level, or formula for distribution, of general operating assistance. That would be a serious mistake. Unfortunately, much of the discussion about the need for such assistance has related to the existing or projected deficits of some organizations. If funds were distributed on this basis, some organizations would be penalized for not having a deficit, and others would be rewarded for having one.

It will not be easy to determine an equitable plan for distribution of general operating assistance. As of March 1976, we have yet to see the State Arts Board distribute \$200,000 of general operating support already appropriated by the Legislature. The state should be cautious about committing too large a portion of funds to general operating assistance until we have had more experience in distribution.

11. Why should an advisory panel make recommendations on general operating assistance to the State Arts Board?

Under our proposal the State Arts Board would make the final decision on apportionment of general operating assistance, but it would act after receiving the recommendations of a broadly-representative advisory panel, named by the State Arts Board in an open nominations-selection process.

Under present state law, members of the State Arts Board are selected for their interest in support for the arts, although no more than four of the 11 members may serve on board of arts organizations and on the State Arts Board concurrently.

Unlike project grants, the decisions on general operating support must consider broader taxpayer interests than simply questions of artistic achievement. Thus we have recommended an advisory panel to the State Arts Board to represent the larger interest. The State Arts Board will retain full authority to apportion funds as it decides, but it will have to take the advisory panel's recommendations into consideration.

It is possible that the State Arts Board will have considerable pressure, once general operating assistance is provided, to give each organization at least as much as it received the year before, even though a given organization may not deserve that much based on the criteria. The advisory panel--because it won't be as close to the arts community--may be better equipped to render an independent judgment on whether grants should increase, decrease or remain the same from year to year, or, for that matter, whether organizations should be added to the list or others dropped.

11. What kinds of arts organizations would be eligible for assistance?

All types of non-profit arts organizations qualify under the traditional project grants offered by the State Arts Board and also would qualify under our proposed program of giving state assistance to increase the purchasing power of the buyers/consumers. Only selected non-profit arts organizations would be eligible for general operating assistance.

Buyers/consumers conceivably could choose to purchase works of art from for-profit galleries or artistic services from for-profit organizations. We would not want to limit the buyers'/consumers' freedom of choice.

12. How would an arts organization demonstrate the openness of its membership to the public?

A requirement for eligibility for general operating assistance would be, under our recommendations, a demonstrated openness of membership in the organization to the public. One way this could be accomplished is that an organization permit anyone to join upon payment of minimal dues, for example, \$15 or \$25 a year. Any member who has paid his dues then could be eligible to participate in the nomination and election process for the board of directions of the organization.

COMMITTEE ASSIGNMENT

The following charge was approved by the Citizens League Board of Directors, August 20, 1975:

Among the Twin Cities area's most valuable assets are the activities which, while privately owned and/or privately operated, contribute substantially to the overall strength and quality of life of the region. They include both spectator and participatory activities in the fields of the arts and sports attractions, community festivals, public communications, and state and community history.

This assignment will have two main parts: First, we will take a general look at the overall financing of such activities in total, including user revenue, private contributions and governmental funding. We will review existing precedents for governmental funding, current proposals, and possible future extensions. We will develop public policy on how priorities for funding should be established among such activities.

Second, we will review the questions of financing the arts in greatest detail and reach conclusions on the priority which should be attached to financing the arts relative to other important community activities. Related questions will include (a) whether, and how, past levels of private giving would be sustained if public taxation were added as a revenue source, (b) accountability and governance of private groups receiving public support, and (c) whether such support--if justified--should be channeled to institutions, performers, the audiences or in some other manner.

COMMITTEE MEMBERSHIP

Initially, 83 persons signed up for this committee. A total of 29 persons participated actively in the deliberations. Committee chairman was Allan R. Boyce, Roseville. Other active members were:

Kenneth J. Andersen
Donald D. Anderson
David T. Bennett
Duane C. Bojack
Pierce Butler
Charles H. Clay
Scotty Gillette
Roger Hale
Sandra Hale
Randy Halvorson
Mina Harrigan
Glenn L. Hendricks
Joe Imberman
Katherine King

John B. Lilja
Ron McCoy
Ken Meter
Betty Nowicki
Solveig Premack
Rosemary Rockenbach
Sandra Roe
Edie SansSouci
Dana Schroeder
Glen Skovholt
Mary Swanson
Tom Triplett
Bob Wallace
Fred Weil, Jr.

The committee was assisted by Paul A. Gilje, Citizens League associate director; Margo Stark, research associate; William Blazar, research associate, and Paula Werner, clerical staff.

C O M M I T T E E P R O C E D U R E S

The committee met weekly from its first meeting September 4, 1975 to its final meeting, March 15, 1976, a total of 30 meetings. Beginning in early January the committee scheduled double sessions, beginning in late afternoon and continuing into the evening in order to bring its work to completion. As with other League committees, meeting locations were alternated each week between Minneapolis and St. Paul, to be as convenient as possible for members, whose residences are widely dispersed throughout the metropolitan area.

From early September to mid-December the committee received extensive back-grounding on issues relating to arts and other quasi-public activities in the Twin Cities area. In early January the committee began working on preliminary draft of findings, which laid out the factual background and the issues in controversy. In early February the committee moved to a preliminary draft of conclusions, which represented its value judgments about the findings. Then in late February the committee began discussing alternative recommendations.

Staff members of the Minnesota State Arts Board, Governor's Commission on the Arts, and the Minnesota State Planning Agency were extremely helpful in providing information.

A number of background memos with valuable information were made a part of the committee record. Unfortunately, space does not permit their inclusion in this report. However, limited copies are available on request to the Citizens League office. They include:

1. Comparison of consumer expenditures for various recreational activities, 1963-1974.
2. Income and expenditures of ten arts organizations in fiscal year 1974.
3. Zip code maps of members, subscribers and prospects of arts organizations in the Twin Cities area.
4. Methods of finance used in constructing and maintaining facilities for either quasi-public institutions.
5. Summary of Ford Foundation report "The Finances of the Performing Arts".
6. Summary of public opinion surveys regarding financial status of the arts.
7. Summary of public opinion surveys regarding participation in and attitudes towards the arts.
8. Comparison of Twin Cities area with other large metropolitan areas in exposure to the arts.

Detailed minutes of meetings were taken and distributed to members and non-members following the committee activities. A few extra copies of minutes are available upon request.

Following is a list of resource persons who met personally with the committee:

Harold Adams, executive director, Minnesota Charities Review Council
Richard Anglim, analyst, Ramsey County Administrator's Office
Lee Bjorklund, visual arts co-ordinator, State Arts Board
Robert Bonine, associate director, Northwest Area Foundation
Jim Borland, managing director, Chimera Theater
Marlow Burt, executive director, St. Paul-Ramsey Arts and Science Council
Jerry Catt, associate director, Minneapolis Foundation
Melisande Charles, executive director, Minneapolis Arts Commission
Alan Cooper, director, United Way of Minneapolis
Robert Crawford, president, Twin Cities Metropolitan Arts Alliance
Kenneth Dayton, member, National Endowment for the Arts and Minnesota State Arts Board
Humphrey Doermann, executive director, Bush Foundation
John Donahue, director, Children's Theater
C. P. Driscoll, director, Minnesota Children's Museum
Donald Engle, president, Minnesota Orchestral Association
Myron Falck, music co-ordinator, State Arts Board
Leo Filippi, Minnesota sales manager, Northwestern Bell Telephone Company
Russell Fridley, director, Minnesota Historical Society
Martin Friedman, director, Walker Art Center
Charles Fullmer, general manager, Minnesota Opera Company
Michael Gallagher, assistant attorney general
E. Peter Gillette, executive vice president, Northwestern National Bank of Minneapolis
Gary Gisselman, artistic director, Chanhassen Theater
Meri Golden, representative, Alive and Trucking
Clark Griffith, Minnesota Twins
Tom Homme, representative, Alive and Trucking
James Howland, general manager, St. Paul Chamber Orchestra
David Hozza, president, St. Paul City Council
William Jones, music director and administrator, Greater Twin Cities Youth Symphonies
Mary Rae Josephson, dance coordinator, State Arts Board
Sister Angelita Kramer, theater co-ordinator, State Arts Board
Steve Kulczycki, manager, University Community Video Center
Molly LaBerge, former literature co-ordinator, State Arts Board
Mike Lynn, general manager, Minnesota Vikings
Rick Michaels, president, North Star Cablevision
Lee Munnich, alderman, Minneapolis City Council
Marvin Miller, vice president, Science Museum of Minnesota
Jane Nones, vice president, Minnesota Youth Symphonies, Inc.
Robert North, State Senator
Fred Norton, chairman, House Appropriations Committee
John Ondov, assistant director, State Arts Board
Viki Sand, staff member, Minnesota Historical Society
Donald Schoenbaum, executive vice president for Operations, Guthrie Theater
Stephen Sell, executive director, State Arts Board
Bill Semans, managing director, Cricket Theater
Jon Shafer, manager (Telecommunications Study), Metropolitan Council
William J. Smith, executive vice president, United Way of the St. Paul area
R. C. Stassen, St. Paul Civic Center Theater
Edwin Stein, chairman and president, Minneapolis Society of Fine Arts
Mike Steele, arts critic, Minneapolis Tribune
Thomas E. Ticen, Chairman, Hennepin County Board
John Wood, staff member, Minnesota Historical Society
David Youngdale, assistant director, Project Responsibility, St. Paul Chamber of Commerce