

Honolulu, Hawaii

OCT 14 2009

RE: Senate Ad Hoc
Committee: State
Foundation on Culture
and the Arts

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Senate Ad Hoc Committee, to which was referred:

"THE SENATE'S REVIEW AND ASSESSMENT OF THE IMPACT ON THE
COMMUNITY FROM THE REDUCTION IN GOVERNMENT SERVICES DUE TO
BUDGET RESTRICTIONS AND LAYOFFS AND FURLOUGHS OF CERTAIN
STATE EMPLOYEES,"

begs leave to report as follows:

BACKGROUND

On August 4, 2009, Governor Linda Lingle announced that the State would immediately begin delivering written layoff notices to the approximately 1,100 state employees who were previously notified their positions could be eliminated. In addition, the Governor announced the furlough of approximately 900 "exempt excluded" non-union state employees for three days per month effective September 1, 2009. These 900 employees were not covered by Judge Karl Sakamoto's order barring the Governor from unilaterally implementing furloughs for union employees.

In response, you assigned the Senate Vice-President the responsibility of coordinating the Senate's review and assessment of the impact to the community, economy, and environment from the reduction in government services due to budget restrictions and layoffs and furloughs of certain state employees, and announced formation of a Senate Ad Hoc Committee. For this purpose, the Vice-President was appointed chair of the Ad Hoc Committee, with



the Committee to be comprised of senators interested in gaining more information about the proposed reductions in services.

As such, the Ad Hoc Committee conducted an informational briefing to gather information relating to the potential impacts on the community and the State Foundation on Culture and the Arts, arising from the significant reduction in staffing and the consequent reduction in services.

INFORMATIONAL BRIEFING

Your Committee conducted an informational briefing on September 30, 2009, in Honolulu, Hawaii. In attendance were Russell S. Kokubun, Chair; and Senators Carol Fukunaga, Brickwood Galuteria, Norman Sakamoto, and Brian T. Taniguchi.

Prior to the informational briefing, a subpoena commanding appearance and testimony before your Committee was served on the Executive Director of the State Foundation on Culture and the Arts.

Written testimony was received from the Executive Director of the State Foundation on Culture and the Arts; Department of Accounting and General Services (DAGS); University of Hawaii at Manoa Art Gallery; Hawai'i Arts Alliance; Alliance for Drama Education; Hawaii Youth Symphony; Hawaii Youth Opera Chorus; Chamber Music Hawaii; Kaua'i Historical Society; Kalihi-Palama Culture & Arts Society, Inc.; Hawaii Museums Association; IONA Contemporary Dance Theatre; Tau Dance Theater; The Arts at Marks Garage; Holualoa Foundation for Arts and Culture; The Socrates Institute; Monkey Waterfall; One Heart Massage; Diamond Head Theatre; Kennedy Center for the Performing Arts; Kumu Kahua Theatre; Kahilu Theatre Foundation; Storybook Theater of Hawaii; Historic Hawai'i Foundation; Hawaii Theatre Center; Ballet Hawaii; Maui Arts & Cultural Center; Maui Academy of Performing Arts; Windward Arts Council; Moanalua Gardens Foundation; Hawaii State Art Museum; Dennis Kamakahi Productions/Naukilo Publishing Company/Na 'Oiwi Productions; Tim Bostock Productions; Kauai Society of Artists; Honolulu Printmakers; Pomaikai PTSA; Kapiolani Community College; Leeward Community College Theatre; Helemano Elementary School; Hawaii Land Company; Bare & Core Expression; Youth Speaks Hawaii; The Magic Storyteller; and approximately seventy-five individuals, many from the arts and culture



community. Video links of the briefings and selected testimony are available on the Legislature's website.

The Hawai'i State Foundation on Culture and the Arts (SFCA) was established by the Legislature in 1965, to promote, perpetuate, preserve, and encourage culture and the arts, history and the humanities as central to the quality of life of the people of Hawai'i. Initially, the SFCA was placed within the Office of the Governor, then in the Department of Budget and Finance, and in 1980, was transferred to the Department of Accounting and General Services.

One of the original SFCA programs - the Biennium Grants Program - has provided millions of dollars to arts and cultural programming statewide. In 1967, the Legislature established the Art in Public Places Program within the SFCA, the first such program in the nation created to help local artists. It established a separate method of funding the arts by accessing one per cent of the construction cost of new state buildings. Additional SFCA responsibilities include: the Artists in the Schools Program, which provides opportunities for K-12 public school students to work with professional artists (established in 1970); the Folk Arts Program, initiated through a grant from the National Endowment for the Arts, to promote and perpetuate traditional folk arts throughout the State (1983); the Works of Art Special Fund, which created a non-lapsing fund allowing for the long-term planning and completion of public art projects (1989); the Individual Artist Fellowship Program to recognize and honor exceptionally talented visual and performing artists (1993); and the Hawai'i State Art Museum, which opened in the fall of 2002 with three galleries featuring artworks from the Art in Public Places Collection.

The SFCA also plays a significant role in arts education, convening the Hawaii Arts Education Partners in 2001, to "fully implement the terms of the Hawaii arts education strategic plan" (Act 306, Session Laws of Hawaii 2001), as part of the national criteria for a vital arts education program.

In 2008, SFCA grants comprised \$249,000 in state general funds and generated matching funds of \$1,026,000 from private, federal, and other sources. Artists in the Schools received \$215,000 in general funds and \$225,000 in private matching funds. ARTS FIRST received \$640,391 in state funding and \$1,828,963 in private and federal funds. These three programs alone generated



\$3,079,963 in non-state revenue to match \$1,104,391 in state support. It is estimated that these grants partially funded more than 2,300 tax-paying jobs and resulted in arts organizations attracting more than \$12,000,000 to the State's economy.

SFCA is the designated arts agency for partnership with the National Endowment for the Arts (NEA), and in its 44-year association, SFCA has consistently met the NEA criteria to receive and distribute federal funds. If the proposed layoffs jeopardize the SFCA's ability to satisfactorily meet federal requirements, the SFCA would be in danger of losing its status as the NEA partner and eliminate the largest source of public funding for arts in the State.

Currently the SFCA has 28, full-time staff; layoff notices were issued on August 4, 2009, for ten staff, and on September 21, 2009, were rescinded for the Executive Director and Administrative Services Assistant.

PRIORITY CONCERNS

Overall, the potential savings of approximately \$500,000 from the proposed layoffs are far outweighed by the negative economic impacts. Based on the information and testimony received, your Ad Hoc Committee has identified the following priority concerns.

- Reducing the SFCA fiscal and clerical infrastructure would compromise the ability to conduct business effectively and efficiently. After elimination of the Accountant IV and Account Clerk III positions, the remaining Account Clerk III, currently funded by the Works of Art Special Fund, would be overwhelmed with the responsibility for processing \$7,000,000 from multiple funding sources through multiple contracts for all SFCA programs mandated by chapter 9, Hawaii Revised Statutes, including Art in Public Places, Hawaii State Art Museum, Biennium Grants, History and Humanities, Arts Education, Folk Arts, Individual Artist Fellowships and Awards, and Community Arts.
- Since the mid-1990's, the SFCA has lost three of six clerical positions, and the proposed layoff of the Secretary II and Office Assistant III positions would result in only one clerical position (Clerk Stenographer II) serving a staff of 20 and a commission of nine members. Responsibilities for purchasing, data entry, database maintenance, support to the



SFCA Commission and the Executive Director would be compromised.

- Three of the positions are funded with 50 per cent Special Funds and 50 per cent general funds, and a request has been made to the NEA to convert these positions to half special and half federal funds instead of eliminating them completely.
- The SFCA has been advised that the NEA will freeze the federal funds, including ARRA stimulus funds, for FY 2010 if layoffs of administrative and fiscal positions occur. This freeze is based on the fact that Hawaii would not have "skilled professional staff to lead the agency, develop and implement programming consistent with the agency's state arts plan," and that these circumstances "would jeopardize the Foundation's ability to retain its Partnership Agreement".
- The SFCA-NEA Partnership Agreement must comply with the following:
 - ✓ Meet the following "legal Requirements", as outlined in the NEA guidelines.
 - ✓ Be designated and financially supported by its state government.
 - ✓ Maintain sound fiscal and administrative procedures.
 - ✓ Provide for fair funding decisions that take into account artistic excellence and merit, as determined primarily through a panel process.
 - ✓ Have its own board, council, or commission.
 - ✓ Carry out a planning process that effectively involves the full range of arts constituents and the public.
 - ✓ Make the public aware of programs and make programs available in underserved communities throughout the state.
 - ✓ Provide leadership in arts education.



- ✓ Provide information on agency-supported activities in accordance with federal reporting requirements.
- The responsibilities assigned to the abolished positions specializing in grants administration, history and humanities, individual artist fellowships and awards may be reassigned to the federally funded positions through a staffing reorganization. However, there are serious concerns over the capacity of three staff positions and their ability to implement all of our various grants (Biennium Grants, Artists-in-the Schools, Folk Arts Apprenticeships) and mandated (History and Humanities, Arts Education, Individual Artist Fellowships, Community Arts) programs satisfactorily.
- Positions funded by the Works of Art Special Fund are restricted to working under the Art in Public Places Program and Hawaii State Art Museum.
- The Department of Accounting and General Services does not consider the SFCA one of its "core functions", and the Comptroller has testified that "the impact of the RIF of State Foundation and Culture and the Arts [*sic*] (SFCA) general funded positions has less adverse impact on services we provide, the functioning of government, and the health and safety of the public and State employees, than RIFs in other areas." Furthermore, he could not provide specific criteria as to why the initial ten staff were issued layoff notices or why the Executive Director and Administrative Services Assistant were reinstated.

RECOMMENDATIONS

To address these priority concerns, your Ad Hoc Committee has developed the following recommendations.

- Require the Department of Accounting and General Services to provide no later than twenty days prior to the Regular Session of 2010, how DAGS and the SFCA will address the concerns raised by the NEA in letters dated August 18, 2009, and August 27, 2009, to ensure the continued receipt of NEA and American Recovery and Reinvestment Act of 2009 (ARRA) funds.



- Refer the findings of the Ad Hoc Committee to the Senate Committee on Economic Development and Technology and the Senate Committee on Ways and Means to:
 - ✓ Determine which state agency would provide the best support for the SFCA, given statements by the State Comptroller that indicated a condescending view of the SFCA and its role within DAGS.
 - ✓ Consider the efficacy of expanding the use of the Works of Art Special Fund to provide additional support to the SFCA.

Respectfully submitted on
behalf of the Senate Ad Hoc
Committee,



RUSSELL KOKUBUN, Chair

