



The Impact of the Recession on Arts and Cultural Organizations in Alaska

May 2010

INTRODUCTION

Leaders of arts and cultural organizations in Alaska are operating under challenging conditions. While the economic recession that started in December 2007 has definitely had an impact, they are also navigating social, economic and technological trends that are having dramatic and unpredictable effects on cultural production, distribution and consumption. In February 2010, the Rasmuson Foundation commissioned Helicon Collaborative to conduct a scan of the impact of the economic recession on arts and cultural institutions in Alaska. This scan involved an online survey (see Appendix B for survey protocol) of 81 arts and cultural organizations from across the state as well as interviews with 21 cultural organization leaders. (A full list of interviewees can be found at Appendix C) The goal of this work is to assist the Rasmuson Foundation, the Alaska State Council on the Arts and other funders with their planning for the future.

Our research confirmed that the recession has certainly had an adverse effect on many cultural organizations in Alaska, but that many of these challenges preceded the recession. In fact, many interviewees asserted that the effects of the recession in Alaska have been less severe so far compared to the “lower 48.” Employment data confirms that Alaska gained jobs in the first nine months of 2009 while the rest of the country was losing them. The high price of oil and strong federal and state government spending (including stimulus money) helped to keep the state economy strong. But reports indicate that the Alaskan economy is starting to slow down and the state is likely to end this year with net job losses. Tourism has already decreased, directly impacting arts and cultural organizations that depend heavily on earned income from seasonal visitors. In addition, corporate and government sectors, major sources of contributed income for Alaskan cultural organizations, are projected to see revenues decline this year.

Though this paints a challenging picture for Alaskan cultural organizations, there are some bright spots. Most cultural leaders we spoke to are realistic about these conditions and committed to finding creative ways to continue to serve the people of Alaska. The prevailing attitude is one of optimism, efficiency, and collaboration. One person told us “Alaskans are strangely suited to this challenge because of the physical environment we live in. We are naturally adventurous and creative in the face of obstacles.” In that spirit, many organizations have already taken steps to reassess their programs, refine their missions, cut unnecessary expenses and explore mutually beneficial partnerships with others. As a result, we encountered a motivated, yet bare-bones field that is primed for an infusion of good ideas and support that can help them adapt successfully to their current conditions and face a more sustainable future.

This report presents the results of Helicon Collaborative’s findings about the state of the arts and cultural sector in Alaska at this moment in time. While recommendations were not within the scope of work of this project, a few suggestions for funders are identified at the end of the report. While arts and cultural organizations are highly motivated, they are *extremely* under resourced and overwhelmed. Therefore, any action by funders to help cultural organizations in the state should:

- Require little, if any, additional staff time, particularly from the executive leadership
- Identify very clear, simple and proven action steps
- Focus on short term, manageable wins
- Talk loudly about successes
- Commit to long term investment in the sector, not a temporary “quick fix”

Although the tone of this report is hopeful, this should not mask what is a very critical situation for arts and cultural organizations in Alaska. As the 2008 ArtsMarket report found, the cultural field in Alaska is “severely under-resourced.” This has gotten worse, not better, since that report was published, and the adjustments that cultural leaders are making to survive—shifting to more commercial programming, taking fewer risks, cutting the scope of their services, etc—are substantially contracting and changing the character of the arts in the state. Perhaps this is an appropriate shift, but for Rasmuson and others with stated goals of supporting a vibrant cultural community, it would be worth assessing the impact of these shifts on the arts ecology in the state.

This report was written by Alexis Frasz and Marcy Hinand Cady of Helicon Collaborative.

RESEARCH HIGHLIGHTS

The majority of Alaskan cultural leaders we spoke with seem to be realistic about the current economic situation and are taking proactive steps to make their organizations more sustainable in the future. People see the economy and the other external trends impacting arts and cultural organizations (many of which were exacerbated by the economic recession) as inevitable and permanent. Leaders are adjusting fundraising strategies, challenging underlying revenue assumptions, and taking a hard look at programs for relevance and profitability. Only a few people we spoke with during the interviewing process are considering the economic downturn and its aftermath as temporary. One stated he was “weathering the storm and hoping it will come to an end,” while another commented that her organization’s philosophy these days is that they just need to “buckle down and hope things will change.”

Some key takeaways from the research include:

- A majority of organizations are seeing these economic challenges as long-term shift in the resource base for the cultural sector and are preparing to operate leaner, more opportunistic organizations in the future. Only a couple of organizations are considering growth as a possibility in the coming years.

- Organizations are cutting all activities and personnel that are not critical to the essence of their mission. Many organizations consider themselves to be under-resourced for the scale of their operations and more than a quarter (28%) are run exclusively by volunteer or part time staff.
- Many organizations are open to more radical restructuring, but are uncertain of sustainable models. Models from other industries, such as journalism or broadcasting, may be instructive.
- Many organizations are interested in programmatic and administrative partnerships, but lack the time and capacity to pursue them.
- There is concern about increasing skepticism from local and state public officials, and Alaskans generally, about the value of the arts.
- Individuals are the only contributed income source where cultural leaders see opportunity for growth in the future. However, to take advantage of this requires nurturing a “culture of individual giving” and developing more sophisticated fundraising approaches.
- As a result of the challenges that they are facing, many organizations are pursuing more commercial programming to increase earned income. Many cultural leaders are worried about what this means for their ability to push beyond the cultural mainstream and reach underserved communities.

CONTEXT: ASSESSMENT OF ARTS MARKET REPORT

In addition to the original research conducted for this scan, Helicon was asked to review the April 17, 2008 ArtsMarket *Report to the Rasmuson Foundation: Evaluation of the Arts and Culture Program* and connect it to the research findings. The ArtsMarket evaluation found that the arts and cultural field in 2008 was a “severely under-resourced nonprofit sector.” The first key finding of the report is that:

The profile of Alaska arts and cultural organizations suggests a field that has become more fragile, with fewer resources available for core programming, and more resources invested in the task for fundraising [from 2003-2008]. Thirty-six percent of the sample organizations had shortfalls on their last reported fiscal year. Forty-three percent of the state’s arts and cultural organizations have decreased expenses [since 2003], though overall fundraising expenses have increased by 53%...Despite this investment in fundraising, however, overall income grew by less than 10%, and 34% of the donors that have been attracted to these organizations only give in-kind.¹

The same report determined that real growth within the arts and culture field has been about 1%, far less than inflation, indicating that in real terms the field has actually shrunk. The report raises concerns about all revenue sources: individual donors are limited, corporate support is shrinking fast, government support is subject to political

¹ “Report to the Rasmuson Foundation: Evaluation of the Arts and Culture Program.” ArtsMarket. April 17, 2008. p3.

winds and unlikely to increase, and 73% of the field receives grants from only one private foundation, the Rasmuson Foundation.²

In 2008 the way that cultural organizations had begun to adapt to these constraints led some to worry that “many Alaska arts and cultural organizations have become extremely cautious about taking risks either artistically or developmentally – i.e. expanding staff or services – in the wake of several years of financial cuts and budget imbalances.”³ This may in fact be prudent, necessary and desirable, but begs the question of what best serves the Rasmuson Foundation’s long term goals for a vibrant cultural community and what infrastructure is needed to support those goals.

There are five areas identified by the ArtsMarket report that we think are particularly pressing to address at this time:

1) *Time and money spent on fundraising*

Alaskan arts and cultural organizations were committing substantial resources to fundraising in 2008, at the expense of other functions, jeopardizing overall organizational health. Over the time period of 2003-2008, they increased their expenses committed to development by 53% but their budgets only grew by 9.71% during the same period, inclusive of capital campaigns. The ArtsMarket report suggests that to allocate more to fundraising, organizations are making severe cuts to programming and other critical operational functions. In 2008 Alaska arts and cultural organizations were

...slipping in their ability to provide the same levels of programming and services as they did in 2003, and despite gains that have replenished some lost assets, they have continued to cut expenses, particularly in the very types of administrative functions that would help them stabilize and generate earned income – for example dedicated marketing positions. Organizations are spending more resources on going after generally small and in-kind contributions, and are prioritizing this function over developing artistic capacity.⁴

2) *Difficulty attracting qualified administrative staff to Alaska*

Cultural organizations are finding that it is increasingly difficult to attract talented administrative staff to Alaska. The cost of living is high, and cultural organizations are unable to offer competitive salaries and benefits to attract the caliber of experienced leaders needed to navigate the challenging situation at hand.⁵ In addition, there is high turnover of executive staff, which increases organizational instability.

3) *Limited potential for revenue growth*

Many organizations are chronically under-capitalized for their current size. Government, foundation and corporate sources are seen by many as fully extended. The report states: “organizations are in desperate need of new revenue, and the respondents are all aware that the only real opportunities for growth are earned income and individual

² p 3

³ p 15

⁴ p 20

⁵ p 20

contributions.”⁶ While organizations can see growth potential in individual donations, most organizations do not have the level of development expertise to expand their reach in this area, nor do most organizations have sufficient funds to spend on marketing to attract new audiences. This suggests a need for widespread contraction or development of new revenue generating capacity.

4) *Time consuming grant system*

There is demand for a standardized grant and data system that simplifies application and reporting procedures. The Pew Cultural Data Project might be one way to streamline the grant system while obtaining comparable sectorwide data. This would simplify annual grant proposals to multiple funders, making it easy for Alaskan organizations to expand their grant requests beyond Rasmuson. In addition, it would aggregate information on the budgets, deficits, and operating numbers of the participant organizations, which will provide up-to-date information about the field on an ongoing basis.

5) *Rasmuson Foundation’s goal of organizational stability*

The ArtsMarket report suggests a number of revisions to the Rasmuson Foundation’s Organizational Effectiveness grant category. In light of the current financial realities, “stabilizing” organizations as stated in the evaluation report does not seem feasible, even if revenue streams are reconfigured. Instead, the field needs to develop strategies for cultivating “adaptability,” which is the capacity to grow and contract as revenues ebb and flow. Organizations that have the ability to self-regulate and adjust to external conditions, whether consumer behavior or funding patterns, will be better equipped to stay relevant and in healthy balance with their environment. To do so requires developing new skills and a new mindset that embraces and moves toward change.

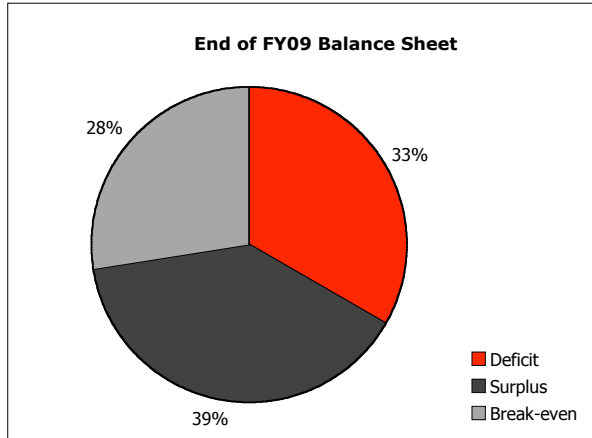
RESEARCH RESULTS: FINANCIAL SITUATION

Balance Sheet

Deficits

A third of organizations surveyed ended FY09 with an operating deficit. For one in four of those, the deficit was over 10% of their total expense budget. Of those who ended with a deficit, one in four expect a deficit this year as well. Encouragingly, a slightly higher percentage of organizations ended the year with a slight operating surplus (39%). Of these, a majority expect to break even or have a surplus in FY10 (73%). This may suggest that some organizations are making adjustments that are allowing them to stabilize their budgets.

⁶ p 22

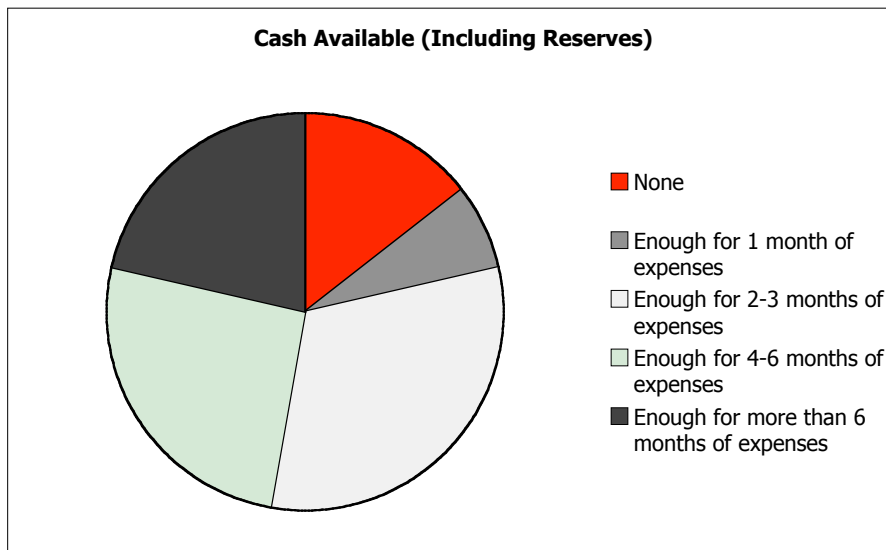


Endowments

Prior to the stock market downturn many larger organizations were heavily reliant on their endowment draws to make up the gap between revenue and expenses. Now that the value of their endowments has declined, these organizations are experiencing deficits and questioning how they will fill the gap going forward. One organization plans to aggressively control costs until the endowment builds back up to pre-recession levels, but most are re-considering their reliance on the endowment, as they do not expect to be able to rebuild it to comparable levels in the near future. Organizations who do not have endowments but had planned to build them prior to the economic downturn are now questioning whether this is still realistic.

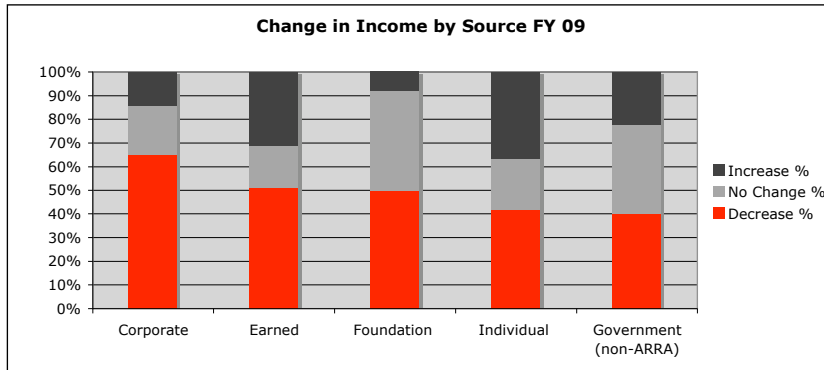
Cash Reserves

One in five organizations (21.4%) have enough cash for one month or less of expenses, including 14.3% who have none.

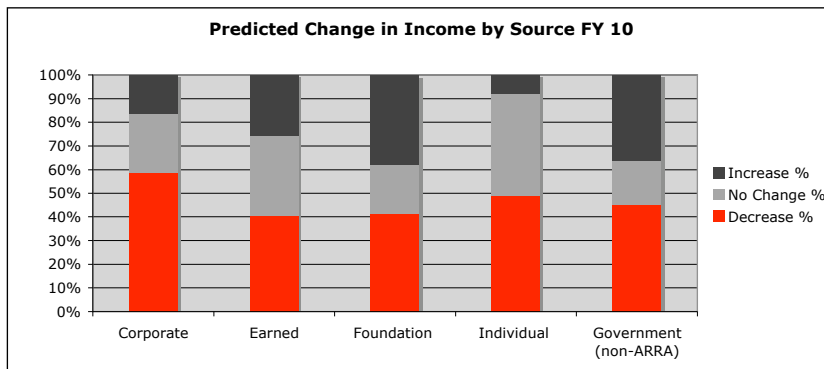


Income

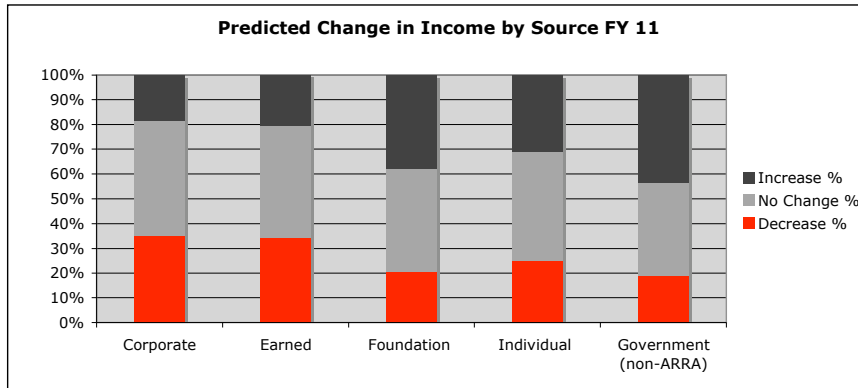
More than two thirds of organizations surveyed reported decreases in income from at least one source in FY09. Corporate support was hit the hardest, with 65% reporting declines, followed by foundations (50%) and earned income (51%). Some organizations saw their income increase, most notably in individual (35%) and earned (28%) income areas.



In FY10 many organizations expect to see continued declines in revenue. The most notable difference from FY09 is in individual giving, where almost half (47%) expect to see a decline and only 8% expect an increase. Some organizations are anticipating increases in government (34%) and foundation (38%) income this year.



In FY 11 declines in all categories are expected to taper off, although a minority of organizations expect to see increases. Government (43%) and foundation (38%) sources are the two areas that organizations think have the most potential for growth in FY11. This survey finding contrasts with the interviews, where cultural leaders expressed concern and doubt about the degree to which these two revenue sources have growth potential.



Relative Importance of Revenue Sources

To contextualize the findings about revenue results last year we asked organizations how significant various income sources were to their operating budget.⁷ Results reveal that earned and government income are the most significant sources of revenue for the vast majority of organizations. Although many interviewees told us that individual giving is not as strong as they think it could be, the survey indicates that it is indeed a significant or primary source of revenue for the majority of organizations. Very few organizations consider foundation or corporate support as a primary source of income.

	% of Organizations Saying Revenue Source is "Significant" or "Primary"		
	Combined %	Significant %	Primary %
Foundation	40	34	6
Corporate	46	40	5
Individual	67	49	39
Government (non-ARRA)	73	43	30
Earned	76	39	37

Corporate

Of all income sources corporate support has declined the most, with two-thirds of survey respondents reporting declines in FY09 (65%). Interviewees reported that corporations in Alaska have been shifting their funding and sponsorship priorities away from the arts for several years, though this may have been accelerated by the recession. Organizations report that businesses are moving out of town / state, giving only in-kind support, decreasing frequency of sponsorships or discontinuing support altogether. While there are some who are seeing increasing levels of corporate support, those are the exception. Most cultural organizations expect to see corporate support continue to decline or remain constant at relatively low levels. While the declines in corporate

⁷ Respondents were given the following options: "not a revenue source", "minor revenue source", "significant revenue source" or "primary revenue source." We realize these categories are subjective and may mean different things to different people. This question was merely to give us a gauge for assessing the relative impact of changes in income by revenue source addressed in question 5.

support may be dramatic, this is not a significant revenue source for a majority of organizations.

Government

Government support is a significant revenue source for three-quarters of organizations surveyed. While declines in government support have been less severe than from other sources (40% saw declines in FY09), these declines may actually have a larger impact on organizations' budgets overall. Many interviewees expressed concern that there is increasing skepticism from local and state public officials, and Alaskans generally, about the value of the arts. Some are worried that if local and state government revenues decline as they are expected to this year they will be facing additional cuts. Many interviewees reported uncertainty about city funding, even though we are several months into the budget cycle.

One in four organizations surveyed received one-time appropriations as part of the American Recovery and Reinvestment Act (ARRA). While these funds have helped organizations retain staff and programs temporarily, two-thirds of those who received these funds do not expect to be able to replace it from other sources. While organizations appreciate the help, it only postponed the inevitable cuts they will have to make.

Opinions are split about the fate of government funding for the arts in the future. Some organizations expect cuts in revenue from government sources this year (45%) and next (34%), yet a significant number project they will see increases this year (34%) and next (43%).

Foundation

Rasmuson is the largest funder of cultural organizations in the state of Alaska, and many interviewees mentioned how critical this support is to their organizations. Yet for over half (60%) of the organizations surveyed, foundations are not a significant revenue source. For those that do receive foundation funding, half saw it decline last year. Some interviewees noted that foundations have shifted their funding focus away from the arts and towards social services. Even those that have maintained their funding levels have experienced cash flow problems as a result of delayed grant payments. Over a third of organizations (38%) expect foundation funding to grow in FY10-FY11.

Earned

Earned income is the most significant type of revenue for cultural organizations in Alaska with three-fourths saying it is a significant revenue source and 37% saying it is their primary revenue source. While the recession may have hit Alaska late in terms of employment, the impact on tourism was already being felt strongly last year. This in turn has had a substantial impact on ticket sales, with half of the organizations reporting a decrease in earned income in FY09. Though some organizations see high growth potential in this area, others anticipate continued drops in FY10 (45%) and FY11 (34%).

Our interviews revealed mixed views on the influence of the recession on arts and cultural spending. People frequently mentioned the phenomenal success of the *Lion*

King production, which brought 75,000 people to downtown Anchorage and virtually sold out, even though the tickets were relatively expensive. Many felt that local audience declines cannot be attributed to the economic recession, but rather are a result of more fundamental trends affecting arts organizations everywhere such as shifting consumer tastes, aging audiences and a greater variety of entertainment options available. In fact, most survey respondents expect both local and visitor attendance to increase or stay the same over the next two years.

That said, most interviewees experienced declines in tourist traffic last year. One major organization reported that tourist attendance, and the corresponding dollars, declined by 50% between 2008 and 2010. Due to the seasonal nature of Alaskan tourism, many organizations are waiting to see what the tourist market looks like this summer. Some organizations worry that increased government taxes and fees on certain types of tourism (such as the cruise lines) will hurt their earned income prospects going forward.

Individual

Although cultural leaders express great hope that there is more potential in individual giving, very few expect an increase in this category in FY10. In fact, almost half (47%) expect a decrease in FY10. Still, other than increasing the number of grant applications, increasing individual giving is the strategy cultural leaders are pursuing most frequently in response to the current situation.

WHAT CULTURAL LEADERS ARE DOING

Overall the arts leaders who we interviewed were forward looking, realistic and hopeful. In sharp contrast to the people interviewed in Puget Sound shortly after the fall of the stock market in early 2009, most of the people we spoke with in Alaska were viewing the current challenges facing the arts sector as a “new normal,” rather than a temporary storm to be weathered until they can return to business as usual. As a result, the majority were making long-term adjustments, rather than taking stopgap measures. While none of the people we spoke with were thinking about actually changing their mission, many were involved in rethinking how the mission is realized. People referred to “getting back to the essence” of the mission and “letting go of what isn’t working.”

Although many expressed their weariness, the overall attitude of cultural leaders was one of resilience and commitment to finding new, more sustainable business models. For many, this means a perspective on organizational development that does not assume growth and may not be entirely not-for-profit. One interview referred to the not-for-profit model as “clunky and antiquated.” Interviewees referred frequently to “efficiency” and “unity” as core values moving forward.

Alaska’s arts and culture leaders are experimenting with a variety of strategies for adaptation. Survey respondents were asked to select from a list of actions that they have taken or plan to take between now and FY11. The table below shows their responses in order of frequency. The interviews expanded on some of the strategies cultural leaders are pursuing, some of which we address in more detail below.

Frequency	Action	Responses
Frequent	Increase number of grant applications	52
	Make additional asks to individual donors	50
	Host additional special event fundraiser(s)	47
	Engage board more frequently	44
	Rely more heavily on volunteers and in-kind donations	41
Somewhat Frequent	Develop a "worst-case scenario" contingency budget	34
	Raise prices for services	32
	Discontinue or scale back programs	32
	Pursue more commercially successful programs	29
	Barter services with other individuals / organizations	29
	Use reserve funds	29
	Consolidate organizational functions	28
	Reduce employee benefits or hours	26
Infrequent	Increase marketing spending	20
	Collaborate to share administrative costs with other organizations	19
	Increase rentals of your space	18
	Freeze retirement matching or merit increases for employees	14
	Reduce or refinance space costs	13
Rare	Seek short term financing (additional lines of credit, loans, etc)	9
	Decrease prices for services	9
	Delay payments to vendors	7
	Sell assets such as building or securities	7
	Change mission or vision	7
	Renegotiate terms of existing grants with funders	5
	Merge with another organization	3

1. *Cultivating Individual Donors*

Individual giving is already a significant source of revenue for two-thirds of organizations, but cultural leaders feel that there is substantially more potential. One called individual giving “the last untapped frontier” for arts funding in Alaska. While there is substantial individual wealth in Alaska, many interviewees referred to a “lack of a culture of individual giving,” meaning both an absence of a giving tradition on the part of wealthy individuals and the relatively underdeveloped strategies for donor cultivation on the part of organizations. Many organizations say they are looking to develop this muscle by increasing solicitations, instituting more flexible giving categories, and engaging the board more actively in fundraising, as well as pursuing longer-term strategies like planned giving and endowment campaigns. A few suggested that there are some things that might be done on a statewide level to stimulate giving to the arts overall and make it easier to do so (e.g. streamlining programs like “pick, click, give” that allow Alaskans to donate their dividend check).

2. *Reducing Staffing*

Most cultural organizations in Alaska have relatively small staffs: two-thirds have three or fewer full-time employees (65%) and one-quarter (28%) are run entirely by volunteer or part-time leadership. Of those with full time staff, 31% cut at least one staff member in FY 09. Only two organizations surveyed cut more than two staff members, although this may be a significant proportion of their total staff. Stimulus funds from the National

Endowment for the Arts may have temporarily allowed organizations to retain existing staff, but going forward a number of organizations expect to have to cut staff in FY10 (22%) and FY11 (15%).

Our interviews provided some nuance about what organizations are doing to cut staff costs beyond reducing staff numbers. At the most extreme end, one organization has laid off half of its staff, furloughed other employees and changed compensation agreements by raising health insurance premiums and deductibles and limiting retirement contributions. In general, organizations are trying to avoid laying off existing staff, but most are not hiring to fill empty positions, even if this means operating below full functionality. In many cases, current staff members are simply picking up the additional duties, and a number of executives are worried about burnout. Others are using more independent contractors and part-time laborers and relying more heavily on volunteer help. Most organizations have suspended raises and bonuses.

3. *Rethinking Programming*

Given the tough financial situation in which cultural organizations find themselves, many are seriously rethinking their programming in terms of relevance to their community and financial return. Financial viability of programs has become a must, one interviewee told us, “the era of supporting things that are not supportable is over.” Yet this does not necessarily mean cutting the programming budget overall. In fact, according to the survey, a majority of organizations expect to *increase* programming expenses in FY10 (54%) and FY11 (59%), making it the only functional budget area where organizations expect to increase expenses. Our research indicates that many cultural organizations are actually *changing the business*, by shifting towards more commercial programming in an attempt to make earned income an even larger proportion of their budget going forward.

Rather than cutting programming expenses, organizations are focusing on changing the programming mix to become more financially viable and appeal to a wider range of consumers. This includes reducing or eliminating programs that are artistically risky or expensive to produce. One organization has cut all programs that “lose” more than \$25,000. Many organizations are focusing on more popular programming that will ensure bigger ticket sales. Some are broadening the parameters of their genre to include programming that is more popular, such as jazz or well-known authors. The Anchorage Opera is expanding its scope beyond traditional opera to include musical hits like South Pacific. Others are bringing in well-known traveling exhibitions.

Some organizations are looking for ways to make their programming budgets go farther. One has insisted that the artistic staff cut production values to the absolute minimum. Others are focusing on presenting artists from Alaska to reduce fees and travel costs. Several organizations are changing schedules to realize efficiencies, such as reducing the number of programs in a season or changing runs less frequently. One festival is considering a more spread out programming calendar that will allow it to avoid saturating its own market by offering too many options at once.

By and large we found that cultural leaders in Alaska were willing to experiment with relatively dramatic programming changes to remain viable, even when they were the only ones doing so or it meant coming into conflict with their own boards. Yet even as

they make these changes, many cultural leaders worried about what this means for the arts in Alaska. Experimental and challenging programming is being cut across the board, as is programming that serves communities that can't pay the cost of providing it. In addition to providing entertainment, the arts play other important functions in a vibrant cultural community such as "research and development" for new forms of artistic expression, challenging the status quo, exposing people to new perspectives and experiences and giving underserved populations access to culture. In a new cultural ecology that depends primarily on earned income, these functions may be at risk.

4. Deepening Community Relationships

Many organizations we spoke to are working on deepening their relationships with their communities. While this often does not yield vast financial returns, these organizations view it as critical to remaining relevant and engaged. A number of organizations are looking to expand in to new geographic areas, in order to broaden their audience and donor base. One urban presenter is developing partnerships with social service organizations in interior Alaska to embed performers in these communities so a broad cross-section of Alaskans see the arts as part of their lives. This has expanded their reach and increased the number of stakeholders. Turning the tables on traditional not-for-profit behavior, this organization "passes the hat" at performances for social service charities even though it is struggling itself. This engenders good will in the community and makes audience members feel like they can enjoy the arts while supporting pressing community needs.

5. Strengthening Partnerships

Repeatedly we heard that people were interested in more organizational partnerships for programming and possibly shared administrative functions. Unfortunately, chronic under-staffing precluded the intensive legwork that was required to form those partnerships. Only public broadcast organizations were engaged in a multi-organization conversation about a potential large-scale permanent partnership.

6. Deepening / Changing Board Involvement

In light of the major changes that many organizations are making, effective communication between board and staff is critical. Many interviewees referred to convening boards more frequently and being candid with them for the first time about the instability of the underlying financial model of the organization, not just the temporary budget challenges. A few interviewees referred to the need for board development to strengthen the fundraising function. Mostly executives were positive about the help they were receiving from the board in thinking strategically about cuts and new revenue opportunities. However, a few leaders mentioned frustration with board members that are unwilling to face the reality of the current situation and are resisting efforts to become more sustainable, such as reducing budget sizes or shifting to more popular programming.

IDEAS FOR FUNDER ACTION

The field was under-capitalized and fragile in 2003 when Rasmuson began its \$20 million arts grantmaking program, and despite the benefits of that program this is still the case. External trends including changing consumer behavior, shifting funding priorities, and increased competition from a proliferation of cultural options have placed additional pressures on cultural organizations. There are several key areas where Rasmuson and other funders can provide assistance to the cultural sector:

1) Advocacy

Arts and cultural leaders expressed a desire for assistance articulating the value of arts and culture to government officials, other funders, potential individual donors and the general public. For example:

- The impacts and value of the arts to Alaska's communities are not well articulated, and the arts are always low on government funding lists. New taxes on tourism are expected to have an adverse impact on the economy that is fed by arts programming. Rasmuson could help articulate the economic and social benefits of the arts to government and the general public.
- Alaskan arts and cultural organizations do not get substantial foundation support. Rasmuson could be an advocate with other foundations inside and outside of Alaska about the benefit of supporting arts and culture. They might convene information sessions for national funders or mentor small family foundations.
- Individual donors are seen as a potential revenue growth area, but there is not a strong culture of individual giving to the arts. Rasmuson could help educate individual donors on the value of giving to the arts and work to make changes in policy and process that increase the ease of giving.

2) Facilitation of leadership issues

An inordinate number of arts organizations in Alaska have undergone leadership transitions in the last two years. A number of interviewees requested outside facilitation of conversations around leadership issues, especially as many are dealing with extraordinary challenges and attempting to manage quite radical changes in the way their organizations operate. Many organizations need help with board development, transitioning boards that have typically functioned in an operational or advisory role into strategic or fundraising boards. Organizations that have successfully made transitions might also serve a role in mentoring others.

3) Showcasing alternative business models

Many cultural organizations in Alaska are finding that the nonprofit business model does not adequately fit their needs and are actively experimenting with new ways of supporting their work. Analyzing and sharing the successes and failures of these experiments could have educational benefit for the entire sector. Additional research on

alternatives business models being pursued elsewhere would help inform these activities.

4) *Building adaptive capacity*

Over half of the organizations in the survey said that they would like help with financial scenario planning (62%), tools to communicate their financial picture to board and / or funders (62%) and assistance analyzing their current financial situation (52%). Rasmuson could help organizations assess their current finances as they relate to their programs and mission, and develop realistic strategies for moving forward. It is likely that the future will be more about nurturing flexible and dynamic networks than sustaining large and growing institutions. Cultural organizations and funders elsewhere are beginning to talk about “adaptability” rather than “stability,” referring to developing the capacity to shift and change in response to the environment. Cultural organizations in Alaska need help understanding what sustainability looks like going forward and developing the tools and skills they need to achieve it.

Alaskan arts and cultural organizations are already pursuing some adaptive strategies such as:

- Partnering with non-arts organizations to achieve larger community goals
- Reconsidering the balance between commercial and experimental programming
- Questioning sacred cows such as the subscription series and the traditional “high arts” canon.

Rasmuson might provide support for other adaptive actions such as supporting operating reserves instead of endowments; incentivizing partnerships, facilitating mergers and collaborations and providing seed funding for hybrid business models.

APPENDIX A: METHODOLOGY AND SURVEY SAMPLE

In February 2010, The Rasmuson Foundation commissioned Helicon Collaborative to conduct a study on the impact of the economic recession on arts and cultural organizations in Alaska. The study had two primary components: an electronic survey of arts and cultural organizations and interviews with cultural leaders. Helicon also completed a comparative review of the 2008 evaluation of the Rasmuson's arts program conducted by ArtsMarket.

Survey

The electronic survey was developed and administered by Helicon Collaborative with input from the Rasmuson Foundation and the Alaska State Council on the Arts. Public broadcasting stations were considered cultural organizations for the purpose of this survey.

The survey was created using SurveyMonkey and distributed by the Alaska State Council on the Arts to its list of arts and cultural organizations under the following cover:

Dear Colleagues: Like other sectors, the arts have been experiencing the effects of the economic recession for over a year now. It is becoming apparent that some of the shifts may outlast an economy recovery, and some have suggested we are moving toward a "new normal." The Rasmuson Foundation and the Alaska State Council on the Arts are conducting this survey to assess how arts and culture organizations are adjusting to current conditions and their expectations for the future. The results will assist funders in understanding and responding to current realities.

Please click on the survey link below and submit your survey responses by March 16.

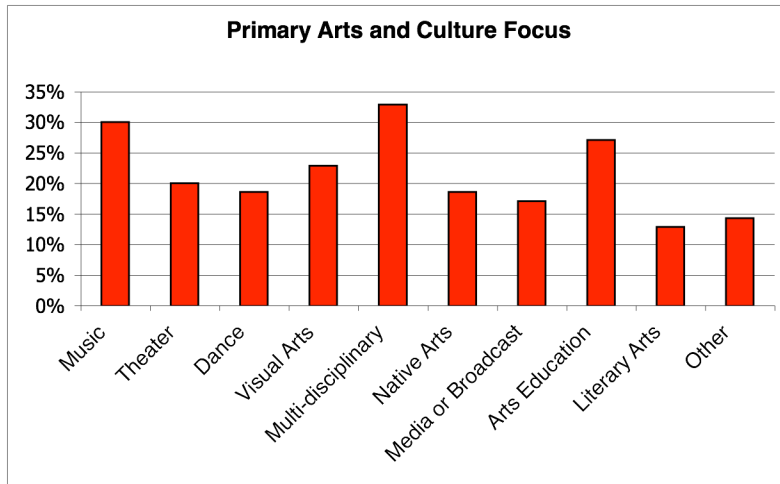
Thank you for taking some time to share your thoughts. Please be candid, all individual responses will be completely confidential and anonymous, and results will be aggregated for analysis.

The survey asked questions about:

- Staffing levels and changes
- Current and anticipated changes in income and expenses
- Actions taken or planned to mitigate the effects of the recession
- Types of assistance that would be most helpful
- Changes in audience participation

The survey was open from March 1 to March 17, 2010. A total of 81 arts and cultural organizations completed the survey in this time.

Survey respondents were from all disciplines. Many organizations selected more than one discipline or the multi-disciplinary category. One in ten (11.9%) organizations were broadcast organizations.



Survey respondents represented organizations of all budget sizes.

FY 2009 Operating Budget	
Under \$40,000	10%
\$40,000 - \$99,999	21%
\$100,000 - \$199,999	7%
\$200,000 - \$399,999	26%
\$400,000 - \$999,999	20%
\$1,000,000 or more	16%

Though every effort was made to reach organizations in every geographical area, the following boroughs did not have any respondents to the survey: City and Borough of Yakutat, Northwest Arctic Borough, Aleutians East Borough, Bristol Bay Borough, Denali Borough, and Lake and Peninsula Borough. A copy of the survey protocol can be found at Appendix B.

Interviews

Helicon completed 20 interviews with arts and cultural leaders in the state. A list of possible interviewees was generated by The Rasmuson Foundation and The Alaska State Council on the Arts. An effort was made to ensure that the interview list was broadly representative of the arts and cultural sector in Alaska by art form, geography, budget size and perspective. Individuals were then contacted by a member of the Helicon team to set up a conversation on the phone. A copy of the interview protocol which can be found at Appendix D. At least three attempts were made to contact each potential interviewee.

APPENDIX B: SURVEY PROTOCOL

Please see attached

APPENDIX C: LIST OF INTERVIEWEES

1. Torrie Allen, Anchorage Opera
2. LaRue Barnes, Ilanka Cultural Center Native Village of Eyak
3. Ann Biberman, Fairbanks Concert Association
4. Codie Costello, Alaska Dance Theatre, Inc.
5. Nancy DeCherney, Juneau Arts & Humanities Council
6. Sandy Fortier, Juneau Jazz & Classics
7. Asia Freeman, Bunnell Street Art Center
8. Nancy Harbour, Alaska Center for the Performing Arts
9. Sandy L. Harper, Eccentric Theatre Company dba Cyrano's Theatre Company
10. Jason Hodges, Anchorage Concert Association
11. Michael Huelsman, Out North /VSA Arts of Alaska
12. Terese Kaptur, Fairbanks Summer Arts Festival
13. Kathleen Light, Ketchikan Area Arts and Humanities Council
14. Steve Lindbeck, Alaska Public Telecommunications Inc.
15. Jim Pepper Henry, Anchorage Museum at the Rasmuson Center
16. Thomas Quass, Kodiak Arts Council
17. Sherri Reddick, Anchorage Symphony Orchestra
18. Jeff Rogers, Perseverance Theatre, Inc.
19. Jonathan Ross, Alaska Native Heritage Center
- 20. James Waste, Alaska Public Broadcasting Inc.**

APPENDIX D: INTERVIEW PROTOCOL

The following was sent to arts and culture leaders along with a request for an interview.

Leaders of arts and cultural organizations currently face daunting challenges related to both evolving trends and the dramatic downturn in the U.S. economy. In an effort to gauge the actual effects of this downturn, The Rasmuson Foundation has contracted with Helicon Collaborative to complete a quick scan of the key impacts being felt by the arts and cultural field across Alaska. This will assist the Rasmuson Foundation, the Alaska State Council on the Arts and other funders with their planning in response to this situation. As part of this work, an online survey will also be launched to capture basic financial information from a broader cross-section of organization around the State. Helicon is charged with rounding out the picture created through this survey by interviewing the leaders of 20-25 organizations that represent different segments of the arts sector. Interviews will take no longer than 30 minutes, and will be completely anonymous. Interviewees' responses will not be attributed to a particular organization or individual.

1. What are the primary impacts you are experiencing now as a result of the economic downturn?
 - Effects on revenue: a) ticket sales/admissions/earned income; b) individual donations/corporate or foundation giving; c) earned income from rentals or other services; capital campaigns, etc.
 - Effects on programming: a) number and kinds of programs, b) lengths of programs, c) artistic personnel, d) partnerships and co-productions, etc.
 - Effects on personnel: a) lay-offs, b) position consolidations, c) adjustments to benefits, etc.
 - Effects on venues: a) closures, b) shifts in venues, c) postponed maintenance, etc.
 - Effects on audiences: a) change in profile of attendees, b) change in size of audience; shift in appetite for different kinds of work, etc.
2. Have you received Federal Economic Recovery Act funds, and if so, for what purpose?
3. What do you anticipate to be the major impacts in the next two-three years?
 - In addition to the list above, do you see any reason to adjust your mission in light of changed revenue streams and or needs in your community?
 - If your mission is solid, are you making any larger mechanical changes to your organization?
4. What steps is your organization taking now to respond to changes in your financial structure and allocation of resources?
 - Scenario planning – anticipating different budget outcomes

- Changes in current or projected budgets
 - Changes in program plans
 - Staffing adjustments
 - Changes in fundraising and/or marketing strategies
 - Mergers with other organizations
 - New opportunities
 - Other
5. Have you begun to think about longer-term adjustments? If so, what are the areas in which you are focusing your planning? How are you working differently?
 6. How are you engaging Board and staff in the short-term and longer-term planning discussions?
 7. Are you coordinating your planning with other cultural organizations or sharing information with others on a regular basis? Are these partnerships shifting?
 8. Are there “key indicators” you are tracking that will allow you to gauge the impact of the downturn on your organization? (E.g. ticket sales for a certain show; enrollment for a certain class; annual fund contributions by a certain date; etc.). Are there trends you are seeing over the last 18 months?
 9. What are the 1 or 2 most important things that you and your organization need to adjust to what is likely to be a multi-year period of serious economic constraint?
 10. Are you communicating differently with your (board, audiences, funders, media partners, etc.) since the recession? Are there any new communication strategies you are employing?
 11. Aside from providing grants, what else can funders do to support your work?
 12. Is there anything we have not asked you that you would like to add?

Thank you for your time.