

**REPORT OF
THE STATE FOUNDATION ON CULTURE
AND THE ARTS
ON
SENATE CONCURRENT
RESOLUTION 57
SLH 2012**

INTRODUCTION

Like the National Endowment for the Arts, the HSFCA was established in 1965 as part of President Johnson's vision for The Great Society. Two years later, Hawai'i became the first state to enact the Art in State Buildings Law, designating one percent of the construction costs of new buildings for the acquisition of works of art, either by commission or purchase. In 1970, the Hawai'i Department of Education and the HSFCA established the Artists in the Schools Program, the first statewide partnership of its kind in the nation. The Art for State Buildings Law was expanded in 1989 to establish the Works of Art Special Fund to purchase a permanent art collection. In 2002, the HSFCA opened the Hawai'i State Art Museum in downtown Honolulu to exhibit a portion of that collection. These milestones demonstrate that the HSFCA has been a national leader in state arts agencies since its inception.

A Holistic Approach

The strategic planning process for the Hawai'i State Foundation on Culture and the Arts (HSFCA) in 2013 is very different from the process used in the past. State Legislation, Senate Concurrent Resolution 57 (SCR 57) outlined a specific process. Rather than dictate a change, legislators asked the HSFCA to study the question of role and agency placement through SCR 57, a document that prescribed a strategic visioning process to be led by an inter-agency Working Group.

The SCR-57 Working Group was comprised of representatives of aligned agencies. This Working Group worked with a consultant to recommend agency placement within state government in addition to strategic priorities, internal infrastructure, and future financial sustainability. The SCR 57 Working Group recommendations, research findings, constituent needs, and an evolving operating environment drove the development of this Strategic Plan.

Strategic Visioning is a process that engages an entire organizational ecosystem integrating hindsight and foresight in aligned action. It blends traditional strategic planning with best practices emerging from visioning, integrated collaboration, and graphic facilitation. This blend complements the analytical approach of traditional strategic planning with creative processes that engage participants at a very high level. When conducted with commitment and careful communication, the process can produce innovative ideas of system-wide changes. Such innovation is needed in the rapidly changing environment of the 21st Century.

Environmental Changes: Temporary or Permanent?

The Great Recession that began in 2008 impacted the HSFCA's ability to deliver its mission in the same way. Lower NEA funding for grants and significantly lower appropriations of State General Funds than in previous years dramatically impacted the agency's programs. The cuts mandated a 37 percent reduction in staffing, greatly increasing the workload of those who remained.

While tourism and real estate sales are rebounding in Hawai'i, state government is working hard to keep pace with rising energy costs, inadequate infrastructure, rising education and medical costs, and a graying population. The emerging "new" economy is fundamentally different from

the one that existed prior to the recession. Expectations that conditions will return to “the way it used to be” are unrealistic.

The key question for the Working Group: What is the best role for Hawai‘i’s State Arts Agency in the new normal?

Public arts funding and public policy

To succeed in the 21st Century, the State Arts Agency must first demonstrate it provides *quantifiable* value from taxpayer investment in the arts. Justifying public arts funding by saying the agency supports artists, arts organizations, and arts education is no longer sufficient. The agency must demonstrate how its programs and services contribute to the larger civic agenda and how this contribution benefits all taxpayers, not just those with a personal connection to arts and culture. The old model, “Community support for the Arts” is turned on its head to become “The Arts in support of the Community.” Making this change requires a willingness to question old assumptions and to allow innovation.

Many citizens believe the public sector is incapable of needed innovation because of the absence of competition, lack of employee incentives, union regulations and excessive red tape. Certainly there are systemic hurdles including restrictive human resources policies, a budgeting process that punishes frugal resource management by reducing future allocation and burdensome procurement systems. These systemic barriers encourage “business as usual” and discourage experimentation or change. But new community needs and priorities dictate that change is unavoidable. The only question is how to best manage that change.

The Role of the Arts in 21st Century Hawai‘i

Governor Neil Abercrombie’s plan, “New Day in Hawai‘i,” conveyed an exciting vision for the Arts and Culture in 21st Century Hawai‘i. The plan prompted HSFCA commissioners to take another look at the agency’s mission, role, and placement within state government.

2. EXECUTIVE SUMMARY

Mission

The mission of the Hawai‘i State Foundation on Culture and the Arts is “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.”

The Commission accomplishes this mission through its Biennium Grants Program, Designated Programs in Folk & Traditional Arts, Arts Education and Community Arts. It also oversees an extensive Art in Public Places Program that includes operating the Hawai‘i State Art Museum.

Core Values

The HSFCA’s Core Values are:

1. In our programs, initiatives and acquisitions, we celebrate and emphasize the cultural richness and diversity of Hawai‘i.
2. We believe that a thriving culture and arts community and broad access to culture and the arts throughout the state are necessary in order for there to be a rich and fulfilling quality of life.
3. We embrace a unique responsibility to perpetuate and encourage the culture and arts of the host culture and indigenous arts and practitioners.
4. We support the appreciation and practice of the arts by people throughout their lives.
5. We recognize and promote excellence.

It is within the framework of Mission and Core Values that the SCR-57 Working Group developed a new inspiring vision for the Hawai‘i State Arts Agency:

Culture and arts have become a part of everything the state does and this investment has yielded measurable benefits in economic vitality, education, quality of life, and more. Because of this, the arts attract public and private funding.

The five components of this vision were:

- **Technology:** Culture and the arts leverage Hawai‘i’s new state of the art technology to increase accessibility and participation in the arts. Programs are flexible and scalable.
- **Education:** Arts are an important part of lifelong learning for all residents and visitors to Hawai‘i.
- **Economy:** Hawai‘i’s arts, cultural and creative industries are recognized as one of the state’s key economic drivers.
- **Hawaiian Values:** Our programs reflect the values of our multicultural society
- **Strategic Partnerships:** Our partnerships are collaborative, mutually beneficial, encourage excellence and encompass both private and public partners.

Needs Analysis

Planning sessions with the Working Group, online research, and focus groups revealed gaps between current community needs and existing agency programs. Recommendations made by the Working Group coupled with community quantitative and qualitative research helped to identify these needs:

- A desire for stronger leadership and advocacy from the HSFCA
- A deep concern about available funding for artists, arts educators and arts organizations
- A request for stronger and more frequent collaboration and communication from the HSFCA, especially from areas outside of Honolulu
- An expression of great satisfaction with existing arts education programs coupled with a strong plea for more resources to grow these programs
- A request for the HSFCA to rethink its heavy emphasis on visual art and to resolve how to best manage technological influences on art
- A wish to see the opportunities presented by the Hawai'i State Art Museum more fully realized

Given the demand for resources, emphasis was placed on more collaboration to drive greater value, deploying technology to better connect constituents, unlocking current value through maximizing existing assets and comprehensive, strategic communications to ensure the value of investing in arts and culture is understood by all constituents.

3. FINDINGS AND RECOMMENDATIONS

Agency Placement

The HSFCA is an attached agency to the Department of Accounting and General Services (DAGS). It is the only State Arts Agency in the nation to be located within an accounting department. Reasons for this placement include better communication related to administering the Works of Art Special Fund.

The SCR-57 Working Group did not believe this was sufficient reason for the HSFCA to remain attached to DAGS.

The Working Group concluded that the State Arts Agency could better achieve its full potential as an integrated cabinet-level Department of Cultural Affairs to include a reconfigured State Arts Agency, Creative Industries, and State Historic Preservation Division. The Working Group further recommended a change of name, infrastructure, and programs to reflect a new agency vision and mission.

Such a drastic structural change would require a change to the State Constitution so research for an alternative structure was undertaken. The model for Maine's interagency Cultural Affairs Council was presented the SCR-57 Working Group for consideration. After further discussion, they rejected a compromise solution and reaffirmed their initial recommendation that the State Arts Agency should be co-located with other agencies for collaboration on shared mission-related work.

The Working Group's final recommendation was to reevaluate the existing agency, retain what worked well and redefine the agency's mission to better connect with the State of Hawai'i's contemporary priorities. The Working Group further acknowledged that such a change would require a great deal of thoughtful planning, time, and legislative support and thus, could not be accomplished overnight.

As a well-established state agency, the HSFCA is neither accustomed to rapid change nor is it nimble enough to manage it effectively. For these reasons, the agency will benefit more from a longer, more considered path of "Evolution" as opposed to "Revolution" while it examines and articulates its new role.

To accomplish this, the Commission will undertake a Long Range Planning process to redefine the State Arts Agency during the Strategic Planning period of 2014-2019. It is within this context that the 2014-2019 Strategic Plan was developed.

Strategic Priorities

Given the recommendation of the SCR-57 Working Group, constituent needs and the current operating environment, the following Strategic Priorities will inform the Commission during the next five years:

1. ADVANCE the Arts and Culture in Hawai'i through ADVOCACY

- a. Reaffirm the agency's leadership role by publicly advocating for more State and Federal funding for the Arts
- b. Connect the Arts more closely with broader community goals
- c. Enhance working relationships with public officials and constituents
- d. Harness the power and talent of Commissioners
- e. Develop and deploy strategic communications and community relations plan

2. Increase ACCESSIBILITY to ARTS and CULTURAL PROGRAMS for UNDERSERVED groups

- a. Utilize technology as the "new canoe" to connect the Hawaiian Islands
- b. Better connect with the iGeneration through social media and experiential art
- c. Review acquisition policies for Arts in Public Places to consider emerging digital art forms
- d. Increase neighbor island engagement through face-to-face communication
- e. Reach out to small, rural communities to better understand their special needs
- f. Plan for Hawai'i's youngest and oldest to provide more access for all ages

3. Strengthen ARTS EDUCATION Pre-K through 12 and plan for LIFELONG LEARNING

- a. Reinvigorate and strengthen the Arts First Partnership
- b. Research and communicate the value of Arts Education
- c. Maintain and grow support for projects and programs targeting youth in Pre-K-12
- d. Increase arts learning opportunities on neighbor islands
- e. Plan for more opportunities for Lifelong Learning to serve changing community demographics

4. Actively ENCOURAGE and SUPPORT Native Hawaiian culture, arts, artists and practitioners

- a. Establish a Native Hawaiian Advisory Panel to co-create a Native Hawaiian Arts & Cultural Program
- b. Working collaboratively with the appropriate agencies, secure adequate resources for the Native Hawaiian Arts & Cultural Program

5. BUILD CAPACITY and MAXIMIZE ASSETS to ensure the Hawai‘i State Foundation on Culture and the Arts is strong, sustainable, and capable of achieving its goals.

- a. Investigate enforcement and/or legislative changes to HRS 103-8.5 (Works of Art Special Fund) to unlock more arts funding
- b. Secure new revenue sources to satisfy the artistic and cultural needs of Hawai‘i expand more private sector support through the Friends of HiSAM
- c. Improve stewardship of Art in Public Places collection and HiSAM
- d. Review and refine organizational structure to better accommodate constituent needs
- e. Increase operational efficiency and effectiveness

About the Strategic Priorities

Priorities 2 and 3 speak to the HSFCA’s key role in increasing opportunities for public participation in the arts. Priority 4 speaks to the unique responsibility the agency has to perpetuate and encourage Native Hawaiian arts and culture. These three priorities reflect the spirit of “Arts in Support of Community.”

Priorities 1 and 5 speak to the HSFCA’s commitment to improving its own operational capacity. Strong leadership and advocacy are needed to ensure all stakeholders understand the true value of the arts and support continued public investment in this crucial sector. At the same time, the agency will work to improve its own performance by maximizing its existing assets and seeking more efficiency and effectiveness from its structure and operations.

As Hawai‘i’s most influential arts organization, the HSFCA is the default focal point for information about the purpose and value of the arts in the lives of the state’s residents and visitors. The reduction in work force that occurred in 2010 eliminated the Public Information Officer position, thereby eliminating the agency’s ability to effectively communicate and advocate in recent years. The consequence of weak communication is weak leadership.

Despite very real financial constraints, the HSFCA remains committed to its support of artists, arts organizations, and arts educators, while understanding that improvements are also needed in the areas of interagency collaboration, stakeholder communication, marketing and new resource development. These initiatives require more than financial or human resources, they also require a willingness to share information, to work more cooperatively and nimbly and to learn from the

proven successes of peer State Arts Agencies.

4. THE PLANNING PROCESS

The SCR-57 and Strategic Plan process began in late August with a retreat for Commissioners presented by the National Assembly of State Arts Agencies to acquaint the commission with restructuring considerations for State Arts Agencies.

Following a lengthy procurement process, that included review of proposals by an interagency selection committee, the Commission approved hiring Teri Freitas Gorman of Maluakamaka Consulting to oversee the SCR-57 planning process as of October 1, 2012.

In accordance with SCR-57, a Working Group of no more than seven members including representatives from the Office of Hawaiian Affairs, Department of Land & Natural Resources, Hawai'i Tourism Authority, Office of Creative Industries, Bishop Museum and the Chair and Executive Director for the Hawai'i State Foundation on Culture and the Arts was formed. The Working Group convened for a two-day Strategic Visioning Retreat in late October facilitated by Ms. Gorman and Cynthia DeRosier, a graphic facilitator trained by The Grove Consultants in San Francisco, CA. Given the structure predetermined by SCR-57, this approach was selected because it allowed for the necessary step of creating a common understanding before moving into the work of developing a high level vision. An important part of the retreat was a presentation and in-depth discussion by Dale Erquiaga, a WESTAF (Western Area Arts Federation) consultant who specializes in agency placement issues.

Around the same time every member of the HSFCA Commission was interviewed privately and anonymously to determine their position on various issues including vision, mission, programs and preferred administrative placement for the agency.

Early November included meetings with the HSFCA Chair, Executive Director, and Hawai'i State Senators Brickwood Galuteria and Will Espero to discuss the desires of legislators with regard to SCR-57. Later in the same month there was a similar meeting with State Representative Jessica Wooley. A full report of the aggregate interviews of commissioners and legislators and the conclusions of the Working Group retreat was presented to the commission at the November commission meeting.

An online survey of HSFCA staff was deployed in early December and private individual interviews were held with those identified as "senior staff" to discuss their position on issues such as vision, mission, programs and preferred administrative placement.

Throughout December and January, intensive research was undertaken to better understand the multiple considerations for administrative placement. The research included analysis of 22 State Arts Agency strategic plans and personal in-depth telephone interviews with ten State Arts Agencies directors. Topics discussed included pros and cons of agency placement, best practices and advice for Hawai'i. Throughout this period there were telephone consultations with the NEA, NASAA, and WESTAF as well as ongoing communication with special consultant Dale Erquiaga.

In mid-February, an online survey designed by Syracuse University was sent to 4,000+ Hawai'i

residents via HSFCA's compiled database, allied arts agencies, and postings on other social media. The survey remained open until March 30, 2013 and 259 responses were analyzed in early April.

Eight separate Focus Groups were scheduled throughout February and March for Arts Organizations, Artists, Arts Advocates, Arts Educators, and Native Hawaiian Arts Groups. Two focus groups met on the island of Oahu, two on the island of Maui and one each on the islands of Kauai and Hawai'i. In addition, private interviews were made with digital artists, young artists, and artists working with the elderly. In the interest of time, early results of the online survey and focus groups were presented to the SCR-57 Working Group at a Summit Meeting in early March 11 to discuss and determine Strategic Priorities.

The following week, recommendations by the Working Group for the Strategic Priorities and final recommendation for agency placement were presented to Commissioners at the March meeting. Commissioners requested further research with the Alaska Arts Council on best practices for managing a Native arts program. Additional research work concluded by mid-month and the remainder of the month was dedicated to writing the draft Strategic Plan. Commissioners and Staff reviewed the draft plan on May 1 and submitted comments and requested changes. Commissioners reviewed and approved the plan at the May commission meeting.

6. CONCLUSION

The Hawai'i State Foundation on Culture and the Arts has a long and proud history of promoting, perpetuating, preserving and encouraging culture and the arts as central to the quality of life in Hawai'i. Evidence of the agency's success is Hawai'i's number one ranking four years in a row for overall wellbeing in the annual Gallup-Healthways Wellbeing Index.

The agency has certainly earned its national reputation for excellence and leadership. HSFCA staff members are highly skilled, experienced professionals with a long history of dedicated service to the people of Hawai'i. The agency enjoys many productive working relationships with its beneficiaries and constituents. Perhaps its greatest asset is a visionary governor and supportive legislature that understands the value of a strong State Arts Agency in a place as unique and culturally rich as Hawai'i. In a sense, Hawai'i has reaped many of the benefits of The Great Society envisioned by LBJ in 1965.

But the world has changed considerably in the past 50 years. Hawai'i now enjoys a collection of public art so substantial that a warehouse stores one third of it. Public education is increasingly driven by quantifiable outcomes determined by test results in core academic subjects rather than the intrinsic value of arts and culture. Many of the arts organizations once incubated by NEA funds are now established community institutions seeking to build capacity in a new, uncertain operating environment. Technology is redefining creative expression at a break-neck speed. It is within this disruptive environment that the HSFCA must navigate its way into the 21st century.

This very real challenge requires much more than "business as usual." It requires a willingness to declare success when appropriate and to free up those resources to solve new problems. It

requires a willingness to experiment, innovate, and collaborate. It also requires the freedom to make mistakes and adjustments along the way. Finally, it requires the courage to question and change legislation, infrastructure, policies and procedures if that is what is required to serve a compelling vision in which culture and arts have become a part of everything the state does.

Environmental Scan

ENVIRONMENT & HISTORY

Hawai‘i’s location in the middle of the Pacific Ocean creates a set of challenges unique the state. The Hawaiian Islands are the most isolated, population centers in the world. The closest land is California, requiring a five-hour airplane trip traversing 2,387 miles of ocean. It is the only U.S. state located outside of North America. Geographically and culturally, Hawai‘i is part of Oceania, the Pacific’s “blue continent.”

O‘ahu, the most heavily populated island, is home to 953,000 million residents --about 75 percent of the state. The more sparsely populated neighbor islands are Hawai‘i Island with 185,00, Maui with 145,000, Kaua‘i with 67,000, Moloka‘i with 7,000, and Lanai with 3,000 residents. Each of these islands is separate and distinct with differing social and economic environments. Travel between islands is primarily by way of costly commercial airline flights--the average round trip fare between O‘ahu and a neighbor island is about \$200.

Many are unaware that the Kingdom of Hawai‘i was illegally overthrown by the United States in January 1893. One hundred years later, Congress passed the Apology Resolution signed by President Clinton, acknowledging Native Hawaiian people never directly relinquished to the United States their claims to their inherent sovereignty.

Like most indigenous people, the health and wellbeing of Native Hawaiian people is intrinsically tied to their deep attachment to the land. The economic and social changes in Hawaii since the overthrow have been devastating to their population and wellbeing. Native Hawaiian people are determined to preserve, and perpetuate their cultural identity in accordance with their own spiritual and traditional beliefs, customs, practices, language, and social institutions.

Because of this unique situation, Hawai‘i is the only US state with more than one official language: English and ‘*Olelo Hawai‘i* (Hawaiian). Native Hawaiians (*kānaka maoli*) are the only indigenous people in the nation without federal recognition although in February 2011, Hawai‘i Governor Neil Abercrombie signed a bill into law officially recognizing Native Hawaiians as the "only indigenous, aboriginal, maoli population" of the islands.

We’re Number One

Hawai‘i ranks first in cultural diversity in the USA, with the largest non-white population (69.8% in 2009) and highest mixed race population (18% in 2009). Even as a small state, it has the sixth highest foreign-born population in the nation.

We also rank first in expected lifespan. Within ten years, one-third of Hawai‘i’s population will be 65 years of age or older, to make it number one among states in terms of the number of elderly as a percentage of its overall population.

Largely due to its geographic isolation and the high cost of imported energy and food, Hawai‘i ranks first in cost of living. The state’s residents also carry the country’s highest per capita tax

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burden. Despite the financial challenges of living in Hawai'i, in 2012 the Aloha State also ranked number one in the *Gallup-Healthways Well-Being Index* for the fourth consecutive year.

EDUCATION

Hawai'i has one statewide public school district with about 180,000 students enrolled in 291 public schools. The State Department of Education (DOE) accounts for Hawai'i's second-largest single expense, accounting for about 30 percent of the state's general fund budget. It costs the state about \$2.5 billion to run the Hawai'i Department of Education. Of that, \$1.7 billion is allocated to the Department of Education and \$60 million is allocated to the Hawai'i Charter School Administrative Office.

Hawai'i's standards-based instruction and high-stakes testing have led to substantial growth in student achievement for several years. Between 2003 and 2012, the percentage of students testing proficient on the Hawai'i State Assessment (HSA) increased from 41 percent to 71 percent in reading and 39 percent to 59 percent in math. Achievement gains were particularly remarkable in 2012, when students in every grade increased their scores in both reading and math. Hawai'i was the *only* state in the U.S. that demonstrated statistically significant improvement in both reading and mathematics at both the 4th and 8th grade level.

The DOE is in the process of implementing Common Core State Standards and Digital Curriculum designed to provide consistent learning goals for college and career readiness. The new curriculum places a greater emphasis on English language skills and mathematics. To help prepare schools for the shift, the Department created crosswalk documents to help teachers identify where content already being taught under the Hawai'i Content and Performance Standards III is also included in the CCSS. Professional development opportunities helped schools develop curriculum maps and pacing guides to assist teachers aligning their instructional plans to the new standards.

The DOE along with the Hawai'i Arts Alliance, Hawai'i Association of Independent Schools, Hawai'i State Foundation on Culture and the Arts, University of Hawai'i at Manoa, College of Arts and Humanities (UHM CAH), University of Hawai'i at Manoa, College of Education (UHM COE) comprise the Arts First Partners, with affiliate partners: Maui Arts & Cultural Center, Honolulu Theatre for Youth and the Hawai'i State PTSA.

The Arts First Partners were initiated when the Hawai'i State Legislature enacted ACT 80/99. This legislation named the arts as a core subject in Hawai'i prior to the No Child Left Behind national mandate. It also called for Hawai'i's major stakeholders in arts education to revise the State's Fine Arts standards and develop a strategic plan. In 2001, ACT 306/01 was passed into law formally naming the Arts First Partners and mandating the implementation of the strategic plan.

The Arts First Partners aim to guarantee a comprehensive arts education based on the Hawai'i Content and Performance Standards for every elementary student in the State; and to enable every high school student to achieve the standards in one or more of the arts disciplines by grade 12. It is still not known how the transition to Common Core Standards may or may not affect the amount and quality of arts education in the classroom. Some arts educators are concerned that the DOE may not maintain the same level of its longstanding support of arts education; others believe that arts integration will be seen as an important part of teaching Common Core.

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Hawai'i's first 25 charter schools were authorized through Act 272 of the 1994 legislative session. In 1999 the Hawai'i legislature again amended the charter law through Act 62 to allow new start-up charter schools and changed their designation from "student-centered" to "New Century" schools. The growing popularity of charter schools is evidenced by a four-fold increase in enrollment since 2000. Hawaiian language immersion and Hawaiian culture project-based charter schools have grown in popularity largely due to better outcomes for native students. There are currently 38 public charter schools serving students.

Private schools are another popular option for those who can afford them. Hawai'i has some of the most prestigious private schools in the nation. There are 143 private schools in the state,

ECONOMIC TRENDS

For the past several years, the economic forecast for Hawai'i has been roughly the same-- a gradual recovery following the steep drop-off in 2008 and 2009. Recovery from the Great Recession has been very slow, but fairly steady.

Hawai'i's economy lives or dies by its main export industry, tourism. Tourism in the state has recovered to pre-recession levels when other regional economies haven't seen their visitor numbers recover so quickly and so strongly.

Still Hawai'i, is struggling with the rest of the nation with enormous reductions in personal wealth. The Federal Reserve found that the median net worth of American households — assets such as homes, cars, and financial assets minus any debt — fell by almost 40% from 2007 to 2010. That, plus job uncertainties, have taken a toll on consumer and business confidence, and have hurt smaller businesses. Hawai'i households spend a larger percentage of their income on energy costs and food that diminishes discretionary spending. Personal income in Hawai'i is projected to grow slowly (1.7% annually, 2010-2040)

Hawai'i's unemployment rate has always been significantly lower than the national rate since the bottom dropped out. Hawai'i's current unemployment rate is at 4.9% compared to California at nearly 11%; in Nevada just below 12%

Growth in visitor arrivals was near 9% in 2012, but such levels of strong growth are hard to sustain. The visitor industry is expected to remain strong, and added airlift will help.

In 2012, job growth ran about 1% over last year. But if you take out the visitor industry that growth is closer to zero. Other than the visitor industry, the strongest job growth will likely occur in healthcare and retail.

Real estate sales are on the upswing with median prices rising 9% in 2012. Once the upward momentum begins it usually gains momentum signaling a healthier economy ahead.

SOCIAL TRENDS

Hawai'i has a healthy gap between birth and death rates and, when figures in this respect were released in 2005, they showed a net gain of 48,111 new Hawaiians in the five years from 2000.

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Net migration is also a contributory factor and using those figures in 2005 once again, they showed a gain of 16,956 new citizens over and above the statistics from 2000.

There is a very wide range of cultures and ethnic groups within the population of Hawai'i as a whole. There is a higher ratio of Asian Americans in Hawai'i than anywhere else in the country. At the 2010 census, the total of 1,360,301 was divided as follows:

- 24.7% White (22.7% Non-Hispanic White)
- 1.6% Black or African American
- 0.3% American Indian and Alaska Native
- 38.6% Asian
- 10.0% Native Hawaiian and Other Pacific Islander
- 1.2% from 'Some Other race'
- 23.6% from Two or More Races

Until 2000, Hawai'i's elderly population, aged 65 and older, was growing at a much faster pace than the nation's elderly population. Between 1990 and 2009, the number of elderly aged 75 and older increased 115 percent in Hawai'i compared to 44 percent nationally. By 2030, the percentage of elderly (aged 60 and up) in Hawai'i will be close to 30 percent, the highest in the nation. It is important to note that Hawai'i residents enjoy the greatest longevity in the nation. About 29% of grandparents in Hawai'i are responsible for caring for their grandchildren.

In 1959, youth aged 0-19 years represented 43 percent of Hawai'i's population. By 2009, declining birth rates and aging baby boomers dropped the youth population to 25 percent of the total, a rate that should remain stable into 2030.

Despite Hawai'i's paradise image, a new federal calculation that takes into account Hawai'i's high cost of living significantly boosts the state's poverty rate to the seventh highest in the nation. About 17 percent of Hawai'i residents live in poverty, according to the new U.S. Census Bureau estimate, which is based on 2009-2011 averages. The new ranking more accurately reflects the higher cost of everything in Hawai'i and provides a more complete picture of what it takes to make ends meet. Under the new calculation, Hawai'i's poverty rate of 17.4 percent is nearly 2 percentage points higher than the national average of 15.8 percent.

POLITICAL ENVIRONMENT

Although Republicans played a major role in shaping Hawai'i before statehood, the Democratic Party of Hawai'i has dominated government and politics in the islands for more than half a century. It brings new meaning to the term, Blue Hawai'i. Despite, or maybe because of, this uniformity, the U.S. Census Bureau reports that Hawai'i has the lowest voter turnout in the nation.

Since statehood in 1959, Hawai'i Democrats have dominated federal, state and county government, though Republicans have produced several leaders who have managed to have an impact. The dominance of the Democratic Party traces back to close bonds forged between the

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party and labor in the 20th century. Labor unions do not uniformly support Democratic candidates, but it is rare when they do not. Labor support is highly sought and is an indication of a candidate's ballot strength and ability to raise money.

Governor Neil Abercrombie has served the people of Hawai'i for more than three decades as a council member for the City and County of Honolulu and later as a congressman. As governor, Abercrombie has based his administration's mission on a vision outlined in his plan, *New Day in Hawai'i*, an ambitious document that multiple issues — e.g., health, small businesses, technological development — but above all stresses the state's need to "invest in education and rebuild our economy," achieve sustainable growth and "restore public confidence." He speaks of the role of the Arts in his administration.

"We will invest in culture and the arts in all forms, beginning by reintroducing their importance in schools, supporting businesses and entrepreneurs, producing and attracting high quality cultural activities and events, supporting Native Hawaiian institutions and activities, and better coordinating and marketing culture and arts institutions. All of this activity will strengthen our visitor industry, but the benefits will also be felt by our own residents and enhance our overall quality of life."

The Hawai'i State Foundation on Culture and the Arts has enjoyed the governor's personal support as well as that it receives from the legislature.

HAWAI'I STATE FOUNDATION ON CULTURE AND THE ARTS

Hawai'i's people have enjoyed the advantages of a robust state arts agency since the Hawai'i State Foundation on Culture and the Arts was established in 1965. It is the only State Arts Agency with the word, "Foundation," in its name.

In 1967, Hawai'i became the first state to enact a "Percent for Art" law and in 1970, the first in the nation to establish a statewide partnership between schools and professional artists. When HSFCA opened the Hawai'i State Arts Museum in 2002, it became the nation's only state arts agency to own and operate such a museum.

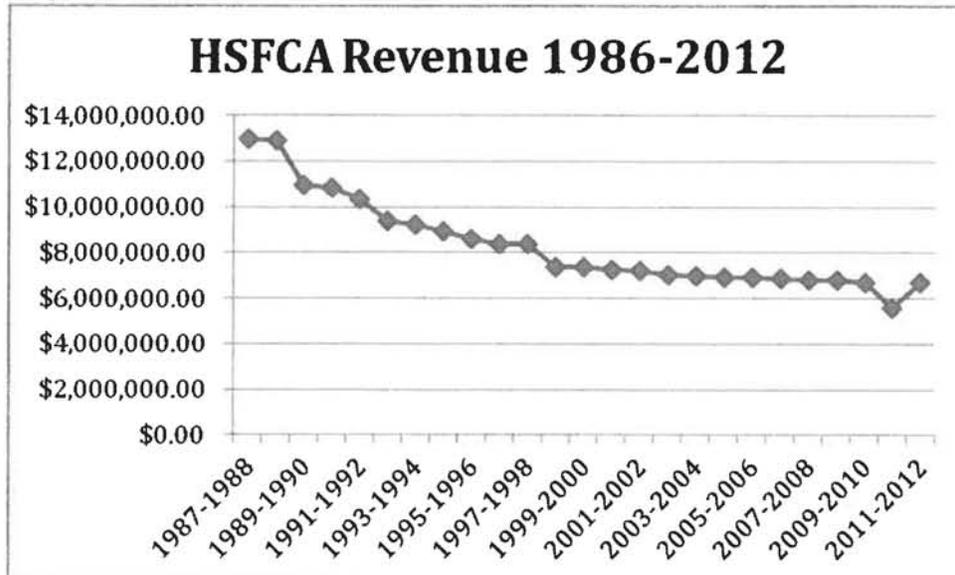
The latest report from Hawai'i Creative Industries says that arts education, marketing and performing/creative arts are creating jobs but there are performance issues that may affect their long-term competitiveness.

The HSFCA is the only State Arts Agency in the nation to own and operate a museum of art. The Hawai'i State Art Museum is a public treasure, yet mediocre attendance numbers indicate it falls short of its potential. If the agency is tasked with operating a major cultural attraction, it must receive the resources needed for adequate marketing and promotion. Currently there is no marketing function within the staff organizational chart.

Under the leadership of the HSFCA, Hawai'i's Creative Vitality Index is quite robust among peers (only California is better. Even after budget cuts, Hawai'i remains #2 in the nation in per capita spending for arts--second only to Minnesota (excludes Washington DC). Like most State Arts Agencies, HSFCA funding has been steadily trending downward, (dollars not adjust for

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inflation)



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Strengths, Weaknesses, Opportunities and Threats **SWOT Analysis**

Strengths

- Dedicated funding (1% for Art in Public Places)
- Own a lot of art (6,000+ works of art in collection)
- Has a beautiful facility (no rent, no need for capital campaign to build a home)
- Award-winning sculpture garden
- Agency has “mana” in the community (*translation: power, authority, privilege*)
- Excellent location, historically important building and district
- Large demand for Art Bento program (more than can be satisfied)
- Respected grants program--peer-review panels are best practice
- Friends of HiSAM help with fundraising, First Friday events, etc.
- Hawai‘i State Arts Museum itself
- Good relationship with legislators and governor
- Good industry relationships (NEA, NASAA, WESTAF, Arts Alliance, etc)
- Good relationship with DAGS (home agency) and architectural groups
- Sense of pride for artists to be associated with HSFCA
- Facilities can be rented or monetized to raise revenues
- Governor is supportive, wants to see the agency succeed and space used well
- New agency leadership is open-minded, willing to change

Weaknesses

- No conservator to properly maintain the art collection
- 1% for Art policy is outdated, encourages conflicts of interest and is too restrictive
- No clear understanding of the purpose of purchasing art, what does success look like? When is it enough?
- Outdated policies governing 1% for Art program are rooted in the law
- Many “gate-keeping issues” at the staff level
- 35% of the public art collection hidden in a warehouse, unseen and unused
- Much of the art actually displayed in state offices—not really “public places”
- Outdated technology hampers the agency
- Staff is very resistant to change
- Agency resistant to outside forces, internally focused
- Poor internal and external communications
- Eurocentric art bias is not representative of the diversity in our community
- Dysfunctional staff dynamics resulting from unionization, difficult to accomplish much
- No marketing function because of funding restrictions
- Museum under-utilized, inefficient, loses money
- No articulation of success for HiSAM-what is the point of operating an arts museum if nobody knows about it?
- Museum is not competitive; HSFCA should not be a museum operator. How can you operate a cultural attraction with NO marketing?
- Organization is program and process driven, not outcomes-driven
- Creativity in a government environment creates inherent conflict

APPENDIX B

- Revenue generating opportunities not pursued because of restrictions and staff comfort level
- Lack of public transparency of how artists are selected (outdated policies)
- Antiquated definition of Art, (fear of change is a core value)
- The operating model is outdated
- No provision for digital arts or emerging technologies

Threats (PEST: Political, Economic, Social, Technological)

- Those who want to retain the 1% for Art model for their own benefit
- If the staff does not change its mindset, nothing will change
- Upcoming state and national elections and political climate
- General funds for the arts are at risk
- Economic factors, shrinking tax revenues
- Huge national debt continues to grow
- Growing sense of irrelevancy for staying with the status quo
- Shrinking market for traditional arts
- The 1% for Art law itself is a threat
- Composition of the population (getting older, fewer Hawai'i-born)
- Technology has created an expectation that all content is free
- More competition for time and money

Opportunities

- Change the 1% for Art law and revisit outdated policies
- Reinvent the agency to become a national leader at the 50-year mark
- Grow with the rest of the Pacific region
- Include the values of the community
- Restructure the agency to solve the union problem
- Strengthen relationships with other state agencies and collaborate
- We issue NEA grants; there no need for another layer of bureaucracy
- We have a once in a century opportunity to redefine Art
- Relevant events can be live-streamed or televised
- Resolve intellectual property questions
- Rebrand the agency and develop revenue-generating opportunities
- “Modernize, democratize and globalize”
- Educate and communicate more
- Transform how people see culture and the arts
- Focus on what we need to be—cannot be everything to everyone
- New grant program for collaborations with DBEDT
- Increase the agency’s *mana* in the community
- Develop a true value proposition: use a more strategic approach with measurable definable outcomes
- Call in experts to help redefine the agency

Summary of Research

Working Group

Cross-sector Working Group of seven executive-level members met for two-full days in the Fall of 2012 for a Visioning Session that included agency history, environmental scan, SWOT analysis, identification of critical issues, vision, mission, priorities and recommendations for agency placement within state government. The same group reconvened in spring of 2013 to review research findings and to review their recommendation for agency placement.

Individual Interviews: Legislators

State legislators including Senators Will Espero and Brickwood Galuteria, and Representative Jessica Wooley participated in individual interviews and were consulted on specific issues

Individual Interviews: Governor

Barbara Saromines-Ganne, HSFCA remained in close communication with Governor Neil Abercrombie throughout the planning period

Individual Interviews: Commissioners

Each HSFCA commissioner was interviewed individually either in person or by telephone at the onset of the research period.

Individual Interviews: Senior Staff

Each senior staff member (as identified by the Executive Director) was either interviewed in person, by phone or opted to submit written responses.

Internet Survey: HSFCA Staff

In December 2012, all HSFCA staff was invited to respond to an anonymous online survey that was not mandatory. Approximately 50% of the staff participated in this survey.

Peer Interviews-Best Practices

Eighteen State Arts Agencies were selected for further study based upon state population, NEA funding levels, and the role of tourism in the state's economy. Representatives from each agency were interviewed by telephone to solicit information about the agency's administrative placement, strategic priorities, best practices and advice for the HSFCA.

Other Arts Agency Interviews-Industry

Other agencies interviewed and consulted by telephone and email include National Endowment for the Arts, National Assembly of State Arts Agencies, Western Area Arts Federation, government relations consultant Dale Erquiaga. Janklow Arts Leadership Program-Syracuse University

APPENDIX C

Internet Survey: Community Stakeholders

E-mailed to 5,000 + addresses from multiple mailing lists collected from the Hawaii State Foundation on Culture and the Arts, plus forwarded to selected constituents by arts agencies on Oahu, Maui, Kauai and Hawaii island. Additionally posted on Hawaii Arts and Culture- related Facebook pages.

Focus Groups

Two focus group sessions per island were hosted on O‘ahu and Maui, one on Hawaii Island and one on Kauai. Five individual interviews were conducted (by phone) with individuals who could not attend the session and responses were aggregated within the appropriate group. Respondents were guaranteed anonymity.

Individual Interviews: Emerging Artists

Six anonymous interviews were conducted in person or by phone with emerging artists including digital or computer artists, young urban artists, and artists working with the elderly

APPENDIX C

Legislator Interview Highlights

- Want to see the Arts more integrated across other agencies, no longer in a “silo”

APPENDIX D

Project Timeline

PRECONTRACT: AUGUST 2012

The planning process began with a retreat for Commissioners presented by Jonathan Katz of the National Assembly of State Arts Agencies in late August. The retreat provided an opportunity to review the governor's plan, "New Day in Hawai'i," Senate Concurrent Resolution 57, and discussion of restructuring considerations for State Arts Agencies.

OCTOBER 2012

Commenced contract. Reviewed all HSFCA informational material including historical annual reports, newsletters, previous strategic plans and program information.

A mandated "Working Group" of no more than seven members including representatives from the Office of Hawaiian Affairs, Department of Land & Natural Resources, Hawai'i Tourism Authority, Office of Creative Industries, Bishop Museum and the Chair and Executive Director for the Hawai'i State Foundation on Culture and the Arts was formed.

Interviews were conducted with HSFCA Commissioners to determine their opinions on agency vision, mission, programs and preferred administrative placement for the agency.

The SCR 57 Working Group participated in a two-day Strategic Visioning Retreat facilitated by Cynthia DeRosier, a graphic facilitator trained by The Grove Consultants in San Francisco, CA. Dale Erquiaga, a WESTAF (Western Area Arts Federation) consultant who specializes in agency placement issues, facilitated a discussion with Working Group members. Working Group recommends a new vision for that State Arts Agency and a new administrative placement in state government.

NOVEMBER 2012

Individual interviews conducted with HSFCA Chair and ED, Hawai'i State Senators Brickwood Galuteria and Will Espero and State Representative Jessica Wooley. A full report of the Working Group recommendations and aggregate interviews of commissioners and legislators was presented for consideration at the HSFCA Commission meeting held November 16, 2012. The Janklow Arts Leadership Program at Syracuse University begins research and development for the online community survey.

Anthony Radich and Dale Erquiaga of WESTAF met via conference call with to discuss Working Group recommendations and possible alternatives. Also worked with Laura A. Scanlan, Director of State and Regional Partnerships for the National Endowment for the Arts and staff members Beth Bienvenu, Andi Mathis and Katie Lyles Levy to research successful programs for Aging and the Arts in other states.

DECEMBER 2012

Online survey of HSFCA staff was deployed and private individual interviews were held with those identified as "senior staff" to discuss their position on various issues including vision, mission, programs and preferred administrative placement for the agency. Research begins with NEA, NASAA, WESTAF and reviews of multiple State Arts Agencies strategic plans. Dale

APPENDIX D

Erquiaga and NASAA recommends best peer agencies to interview based on population size, role of tourism, and agency placement considerations.

JANUARY 2013

Interview 10 State Arts Agency executive directors to better understand the multiple considerations for administrative placement, pros and cons of agency placement, best practices and advice for Hawai'i. Online survey finalized by Syracuse University and approved by HSFCA leadership.

FEBRUARY 2013

Online survey sent to 4,000+ Hawai'i residents via HSFCA's compiled database and through allied arts agencies and posted on Facebook pages and promoted through other social media. Survey was open until March 30, 2013. Additional interviews with emerging artists conducted and one Focus Group for Arts Advocates and one Arts Educators occurred on Maui.

MARCH 2013

Six Focus Groups were hosted in March for Arts Organizations, Artists, and Native Hawaiian Arts Practitioners. Two focus groups met on the island of O'ahu, two on the island of Maui and one each on the islands of Kaua'i and Hawai'i.

Ryan Stubbs of NASAA provided the HSFCA with a great deal of data related to organizational charts and job descriptions for similar-sized SAA staffs.

The SCR-57 Working Group reconvened at a summit meeting on March 11 to discuss results of State Arts Agency research, preliminary research findings and determine the Strategic Priorities. Recommendations by the Working Group for Strategic Priorities and final recommendation for agency placement were presented to Commissioners at a meeting on March 20, 2013 for discussion and preliminary approval.

APRIL 2013

At the request of Commissioners, L. Saunders McNeill, Community and Native Arts Program Director for the Alaska State Council on the Arts was interviewed to determine best practices for a Native arts program. Charles Stanhope Chair of the Maine Arts Commission was interviewed about their interagency Cultural Affairs Council. Dale Erquiaga provided an advance copy of his White Paper on SAA Placement for review. Research and interviews concluded by April 12 and the remainder of the month was dedicated to writing the draft Strategic Plan.

MAY 2013

Commissioners and staff reviewed the draft strategic plan on May 1 for comment and changes. The strategic plan was also discussed with Governor Abercrombie, Chair Saromines Ganne and ED Eva Laird Smith. Comments from staff were received May 8. Commissioners reviewed and approved the plan in principle at the SFCA Commission meeting on May 15, 2013. Final changes were incorporated into the plan for submission on May 30.

APPENDIX E

Mahalo to the following organizations and individuals for their assistance and contributions of support, time and talent to this Strategic Plan:

Hawai'i State Foundation on Culture & the Arts
National Endowment for the Arts
National Assembly of State Arts Agencies
Western Area Arts Federation
Hawai'i Department of Accounting & General Services
Hawai'i Tourism Authority
Hawai'i State Historic Preservation Department
Hawai'i Arts Alliance
Office of Hawaiian Affairs
Hawai'i Creative Industries Division
Bishop Museum
University of Hawai'i, Maui College
University of Hawai'i, Hilo
Syracuse University, Janklow Arts Leadership Program
Maui Arts & Cultural Center
Maui Academy of Performing Arts
Maui OnStage
Hui Noeau Visual Arts Center
Hana Arts
Hawai'i Realtors Association
Volcano Art Center
Stephen Friedman Gallery
Maoli Arts Month
Pow Wow Hawai'i
Ebb & Flow
Pomaika'i Elementary School
Maui High School
Hana Arts
Island School
Alaska State Council on the Arts
Arkansas Arts Council
Colorado Creative Industries
Delaware Division of the Arts
Florida Division of Cultural Affairs
Kentucky Arts Council
Louisiana Division of the Arts
Maine Cultural Affairs Council
Montana Arts Council
New Hampshire State Council on the Arts
Vermont Arts Council

APPENDIX E

Governor Neil Abercrombie	Remington Taum
Bruce Coppa	Cynthia DeRosier
Senator Brickwood Galuteria	Ruth Jameson
Senator Will Espero	Gordon Wood
Representative Jessica Wooley	Colleen Blacktin
Representative Marcus R. Oshiro	Aurora Fruehling
Barbara Saromines Ganne	Louse Lanzilotti
Mary Bergier	Christopher Partinos
Peter Rosegg	Nola Nahulu
Leonard Chow	Anne Swayne
Sheryl Seaman	Lei Ahsing
Sharon Narimatsu	Marilyn Christofori
Joel Guy	Jan Sato
Clifford Kaponu	Michael Takemoto
Michael Moore	Rae Takemoto
Georja Skinner	Caroline Wright
David Nada	Susana Browne
Kalani Akana	Kelly McHugh
Dr. Kehaulani Abad	Dr. Jamie Simpson Steele
Blair Collis	Tanya Aynessazian
Angie Westfall	Manu Josiah
Caroline Anderson	Stephen Freedman
Patricia Ohara	Tiffany DeEtte Shafto
Eva Laird-Smith	Lee Dombroski
Dianne Cripe	Mike Marshall
Jonathon Johnson	Carolyn Killhour
Charles Medeiros	Art Vento
Estelle Enoki	Colleen Furukawa
Vivien Lee	Neida Bangerter
Denise Miyahana	Hokulani Holt
James Kuroda	David Johnson
Kam Wen Siu	Kenneth McNickle
Catherine Seah	Robert Pollack
Henny Saraswati	Maggie Costigan
Alexis Dascoulias	Mary Requilman
Vicky Holt Takamine	Joanne Nakashima
Healoha Johnston	Dave Greenberg
Mapuana Da Silva	Tony Kilbert
Daniel Bishop	Carol Ann Davis
Umi Kai	Carols Yotsuda
Kapulani Landgraf	Sabra Kauka
Marques Marzan	Debra Blachowiak
Kaiulani Takmori	Jay Wilson
Mahina Paishan	Shigeru Yamada
Imai KalahelaKainoa Horcajo	Darrel Orwig

APPENDIX E

Laura Scanlan
Beth Bienvenu
Andi Mathis
Katie Lyles Levy
Jonathon Katz
Kelly Barsdate
Ryan Stubbs
Dale Erquiaga
Anthony Radich
Jeanette Albert
Lori Meadows
Arlynn Fishbaugh
Paul Weagraff
Saunders McNeil
Bryce Merrill
Mike Hanley
Joy Pennington
Sandy Shaunessey
Pam Breaux

Deborah A. Wilson
Julie Martinmaas
Neal Topper
Nadine Bosch
Lynn Graton
Alex Aldrich
Charles Stanhope
Paula Stoll
Carleen Layne
Mark Nerenhausen
Catherine Carter
Christine Conroy
Noel Frodelius
Taylor Freitas
Caitlin Moriarity
Rachel Boucher
Kimberly Brown

APPENDIX E

Consultant Qualifications

Teri Freitas Gorman's career in arts administration, cultural tourism, new audience development and communications spans two decades. She is the former Vice President, Corporate Communications for Maui Land & Pineapple Co., Inc., a publicly traded company with operations in agriculture, resort and land development.

From 1999 to 2005, she served as Vice President External Affairs for the Broward Center for the Performing Arts in Fort Lauderdale, Florida with responsibility for Institutional Positioning, Marketing & Community Relations, New Audience Development, Education and more. While there, she incubated a cultural tourism initiative in collaboration with Broward County's Cultural Division, the Greater Fort Lauderdale Convention & Visitors Bureau and major arts institutions. Called the Riverwalk Arts & Entertainment District, the award-winning program integrated international, national, regional and local destination marketing efforts to leverage public investment in the arts. She also conceived and directed the "State to State: Focus Brazil" program that combined commerce, culture, and community and culminated in the visit of Sao Paulo Governor Geraldo Alckmin with then Florida Governor Jeb Bush. As a result, BCPA was named the first "Brazilian Point of Culture" outside of Brazil and the state of Florida benefitted by millions of dollars in Brazilian business investment. She was recognized for her achievement with a Brazilian International Press Award in 2005.

Teri came to Florida from Auckland, New Zealand where she was Director of Marketing for the Aotea Centre/Auckland Convention Centre, the nation's largest arts and meeting venue. There she engaged multiple underserved audiences including the Ngai Tahu (Maori tribe indigenous to the Auckland region) through community enrichment programs. She worked closely with Creative New Zealand and she served on the Mayor's Cultural Tourism advisory board for Tourism Auckland.

Her interest in the arts and cultural sector began with the construction and opening of the Maui Arts & Cultural Center where she served as Director of Marketing from 1991 to 1996. She returned to the MACC in August 2010 to fulfill a one-year contract as temporary co-CEO following the sudden departure of the former CEO. Currently she works as a communications and planning consultant on the islands of Maui and Oahu and is a partner in E Ola Pono, LLC, a Native Hawaiian cultural advisory group.

Teri is a Maui native and a UCLA graduate with a Bachelor of Arts degree in Film & Television. Her experience is particularly relevant to the needs of the HSFC as she was a gubernatorial appointee to the Hawaii State Foundation on Culture and the Arts having represented Maui County for a four-year term ending on June 30, 2012.

Each fall Teri lectures at Stanford University teaching strategic communications as part of the First Nations Futures Fellowship Program. She was recently a featured presenter at Syracuse University's Cultural Tourism Roundtable in New York City.

SFCA Report No.

Honolulu, Hawaii

RE: SCR No. 57, S.D. 2

Honorable Shan Tsutsui
President of the Senate
Twenty-Seventh Legislature
Regular Session of 2013
State of Hawaii

Mr. President:

The Hawai'i State Foundation on Culture and the Arts to which was referred SCR No. 57, S.D. 2, entitled:

“REQUESTING THE STATE FOUNDATION ON CULTURE AND THE ARTS TO ESTABLISH A WORKING GROUP TO DEVELOP RECOMMENDATIONS REGARDING THE ADMINISTRATIVE PLACEMENT OF THE STATE FOUNDATION ON CULTURE AND THE ARTS,”

reports as follows:

PART 1. BACKGROUND

During the Regular Session of 2012 of the Twenty-Sixth State Legislature, the Legislature adopted S.C.R. No. 57, S.D. 2, which requested the State Foundation on Culture and the Arts to convene a Working Group to develop recommendations regarding the administrative placement for the State Foundation on Culture and the Arts. See S.C.R. No. 57 (2012).

Pursuant to S.C.R. No. 57, S.D. 2 (2012), a working group was established (“S.C.R. 57 Working Group), the members of which include: Kalani Akana, Culture Specialist, Office of Hawaiian Affairs; Caroline Anderson, Tourism Brand Manager, Hawaii Tourism Authority; Blair Collis, Chief Executive Officer, Bishop Museum; Barbara Saromines-Ganne, Chair, Hawaii State Foundation on Culture and the Arts; Georja Skinner, Chief Executive, Creative Industries-Department of Economic Development and Tourism; Eva Laird-Smith, Executive Director, Hawaii State

Foundation on Culture and the Arts; and Angie Westfall, Branch Chief for Architecture, State Historic Preservation Division-Department of Land and Natural Resources.

The S.C.R. 57 Working Group participated in two-full day workshop sessions on October 31, 2012; and November 2, 2012. Presentations were made to the Working Group by planning consultant Teri Freitas Gorman of Maluakamaka Consulting and arts policy consultant Dale Erquiaga from the Western States Arts Federation (WESTAF).

The first responsibility of the Working Group is to submit a report of its findings and recommendations to the Legislature no later than 20 days prior to the convening of the Regular Session of 2013.

PART II. WORKING GROUP FINDINGS

The Working Group participated in a series of exercises presented by the planning consultants including a graphic history for the State Foundation on Culture and the Arts; development of a context map to identify current and future trends; analysis of the agency's strengths, Weaknesses, Opportunities, and Threats; factors to consider in the administrative placement for state arts agencies and discussion of the agency's current and future role.

The Working Group agreed upon the following points:

- (1) Culture and the Arts remain central to Hawaii's identity and success;
- (2) The mission of the SFCA has lost relevance since it was established in 1965;

THE SENATE
TWENTY-SIXTH LEGISLATURE,
2012
STATE OF HAWAII

S.C.R. NO. 57
S.D. 2

SENATE CONCURRENT RESOLUTION

REQUESTING THE STATE FOUNDATION ON CULTURE AND THE
ARTS TO ESTABLISH A WORKING GROUP TO DEVELOP
RECOMMENDATIONS REGARDING THE ADMINISTRATIVE
PLACEMENT OF THE STATE FOUNDATION ON CULTURE
AND THE ARTS.

WHEREAS, the State Foundation on Culture and
the Arts was established by Act 269, Session Laws of
Hawaii 1965, as a temporary agency and placed within
the Office of the Governor; and

WHEREAS, Act 192, Session Laws of Hawaii 1970,
established the State Foundation on Culture and the
Arts on a permanent basis, placed within the
Department of Budget and Finance; and

WHEREAS, Act 302, Session Laws of Hawaii 1980,
transferred the State Foundation on Culture and the
Arts from the Department of Budget and Finance to
the Department of Accounting and General Services;
and

WHEREAS, since the inception of the State

Foundation on Culture and the Arts in 1965, the Legislature has charged the State Foundation on Culture and the Arts with the task of stimulating, guiding, and promoting culture, arts, history, and the humanities throughout the State; and

WHEREAS, across the country, state arts agencies have evolved to remain relevant, vibrant, and able to play a significant, if not the central, role in promoting culture and the arts in their respective communities; and

WHEREAS, one means of achieving greater relevancy and assistance for Hawaii's arts and cultural communities would be a transfer of the State Foundation on Culture and the Arts from the Department of Accounting and General Services to a department whose mission, assets, and purpose would provide better opportunities for growth and expansion of the agency's purposes and functions; and

WHEREAS, such a transfer would provide an opportunity to evaluate achievements and best practices from other jurisdictions in refocusing the State Foundation on Culture and the Arts, as well as programs from other state agencies, to achieve a higher level of business development opportunities for cultural, heritage, and arts programs, as well as leveraging public-private partnerships for financing Hawaii's cultural, heritage, and arts programs; and

WHEREAS, this would assist the State Foundation on Culture and the Arts and ensure that the agency is relevant and responsive to its community needs and audiences as it strives to present all dynamic and diverse art forms in Hawaii; now, therefore,

BE IT RESOLVED by the Senate of the Twenty-sixth Legislature of the State of Hawaii, Regular Session of 2012, the House of Representatives concurring, that the State Foundation on Culture and the Arts is requested to establish a working group of no more than seven members to develop recommendations regarding the administrative placement of the State Foundation on Culture and the Arts; and

BE IT FURTHER RESOLVED that the recommendations should build upon the current mission of the State Foundation on Culture and the Arts and are requested to incorporate the following objectives:

(1) Leveraging public-private financing in support of visual arts, music, design, literature, theater, and dance to strengthen Hawaii's cultural sector with expanded funding and raise the grants funding capacity of the State Foundation on Culture and the Arts and its partners to levels of \$5,000,000 to \$10,000,000 annually;

(2) Developing a strategic plan to expand the capacity of Hawaii's cultural, heritage, and arts organizations to provide Hawaii residents and visitors with quality cultural experiences;

(3) Developing a sustainable funding model to support increased investment in cultural, heritage, and arts programming throughout the State;

(4) Recommending changes to State Foundation on Culture and the Arts programs and infrastructure, including broadening the scope of the agency and renaming it, to

further the effective implementation of the above-mentioned objectives; and

(5) Collaborating with interested stakeholders from cultural, heritage, and arts agencies, including the Department of Business, Economic Development, and Tourism; Department of Land and Natural Resources; Hawaii Tourism Authority; Office of Hawaiian Affairs; and Bishop Museum; and

BE IT FURTHER RESOLVED that the State Foundation on Culture and the Arts is requested to report its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2013; and

BE IT FURTHER RESOLVED that the working group be dissolved on June 30, 2013; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Comptroller; Director of Business, Economic Development, and Tourism; Executive Director of the State Foundation on Culture and the Arts; Chairperson of the Board of Land and Natural Resources; Executive Director of the Hawaii Tourism Authority; Chairperson of the Board of Trustees and Chief Executive Officer of the Office of Hawaiian Affairs; and Director of the Bishop Museum.

RECOMMENDATION FOR ORGANIZATIONAL INFRASTRUCTURE

The Hawaii State Foundation on Culture and the Arts underwent an unexpected and drastic organizational restructure in 2010 when 37 percent of its staff positions were eliminated due to budget cuts. The infrastructure that remains is largely based upon available funding through the Works of Art Special Fund and necessary roles to deliver many of the core functions of the agency's mission.

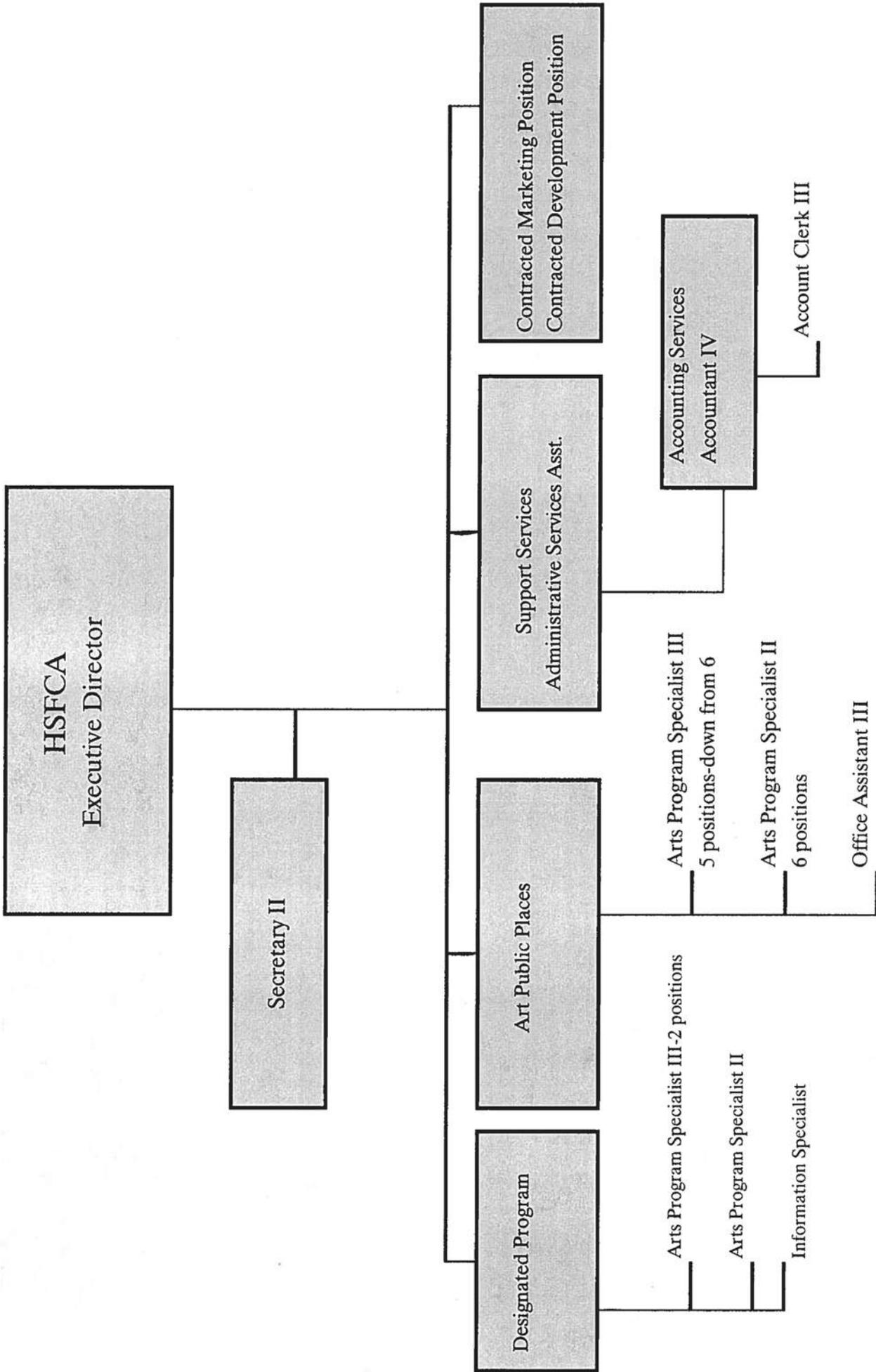
The existing organizational infrastructure is insufficient to fulfill the HSFCA's mandate to advocate for the arts through ongoing communication and to properly market the Hawaii State Arts Museum as a world-class cultural attraction. The current structure also lacks a function dedicated to new resource development, so necessary in the post-recessionary economic environment.

When organizational strategy changes, structures, roles, and functions should be realigned with the new objectives. Often, when new strategies are imposed upon old structure, it can reduce effectiveness and leave staff confused and frustrated. Over time it becomes increasingly difficult to operate within outdated or dysfunctional structures.

In light of the pressing need for marketing/communication and resource development functions to support this Strategic Plan balanced against a lack of funding for two new positions, it is recommended the HSFCA fill these roles with private contractors.

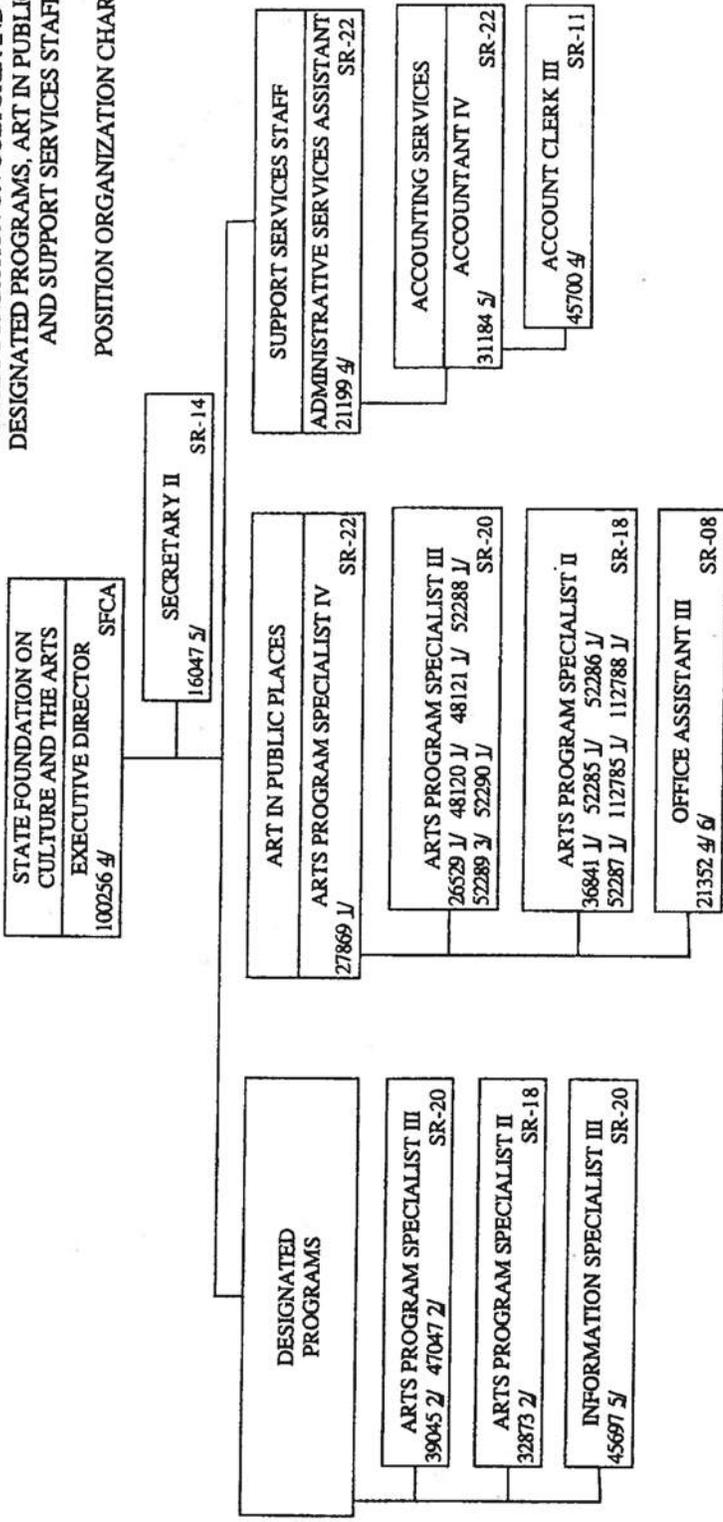
Funds for these contracted positions will come from savings that result from the consolidation of two positions with redundant duties: Registrar and Collections Manager. The new position will be called Collections Manager

The recommended revised organizational chart follows:



STATE OF HAWAII
 DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
 STATE FOUNDATION ON CULTURE AND THE ARTS
 DESIGNATED PROGRAMS, ART IN PUBLIC PLACES,
 AND SUPPORT SERVICES STAFF

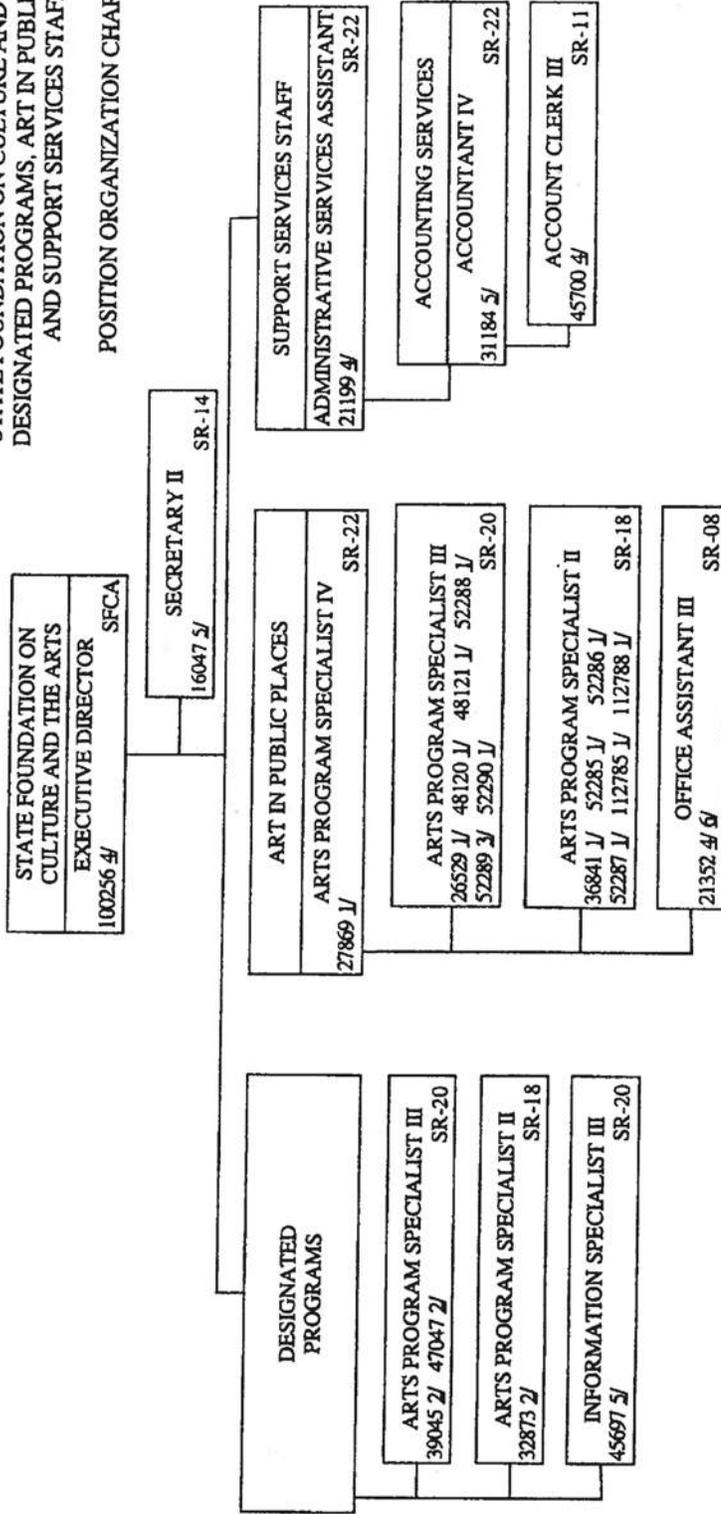
POSITION ORGANIZATION CHART



1/ 100% SPECIAL FUNDED POSITION.
 2/ 100% FEDERAL FUNDED POSITION.
 3/ TEMPORARY 100% SPECIAL FUNDED POSITION. NOTE: POSITION NO. 52289 CONVERTED TO PERMANENT EFFECTIVE 07/01/12 PURSUANT TO ACT 106/SLH 2012.
 4/ 50% SPECIAL FUNDED AND 50% FEDERAL FUNDED POSITION.
 5/ 50% POSITION COUNT, SPECIAL FUNDED POSITION
 6/ POSITION NO. 21352 REALLOCATED FROM CLERK STENO II TO OFFICE ASSISTANT III, SR-08, ON 12/29/11, EFFECTIVE 01/01/12.

STATE OF HAWAII
 DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
 STATE FOUNDATION ON CULTURE AND THE ARTS
 DESIGNATED PROGRAMS, ART IN PUBLIC PLACES,
 AND SUPPORT SERVICES STAFF

POSITION ORGANIZATION CHART



- 1/ 100% SPECIAL FUNDED POSITION.
- 2/ 100% FEDERAL FUNDED POSITION.
- 3/ TEMPORARY 100% SPECIAL FUNDED POSITION. NOTE: POSITION NO. 52289 CONVERTED TO PERMANENT EFFECTIVE 07/01/12 PURSUANT TO ACT 106/SLH 2012.
- 4/ 50% SPECIAL FUNDED AND 50% FEDERAL FUNDED POSITION.
- 5/ 50% POSITION COUNT, SPECIAL FUNDED POSITION
- 6/ POSITION NO. 21352 REALLOCATED FROM CLERK STENO II TO OFFICE ASSISTANT III, SR-08, ON 12/29/11, EFFECTIVE 01/01/12.

SUSTAINABILITY PLAN
Hawai'i State Foundation on Culture & the Arts
2014-2019

SECTION 1: INTRODUCTION AND OVERVIEW

State legislatures use various strategies to fund State Arts Agencies. On average, the NEA provides about 24 percent of funding required for State Arts Agencies with the states contributing about 73 percent through General Funds. The 3 percent gap is made up by a combination of private contributions and special funds.

During FY 2012-2013 the NEA provided \$677,800 or 11.9 percent of the Hawai'i State Foundation on Culture and the Arts' operating budget, the state contributed \$5.1 million or 88 percent, with the nominal gap covered by private contributions.

Overall, state arts agencies have seen a 19 percent cut in funding from their legislatures since the start of the recession in 2008. According to the National Assembly of State Arts Agencies, SAAs received a combined total of \$272 million in state appropriations during fiscal year 2011. That amounts to 0.039 percent of state general fund expenditures, or 87 cents per capita on average. In FY 2012 Hawai'i appropriated \$922,370 in an Executive Allotment, or 67 cents per capita on average. When combined with the Works of Art Special Fund Hawai'i's per capita arts spending rose to \$3.72, second only to Minnesota.

In at least four states — Texas, Kansas, Washington and South Carolina — saw proposals that would eliminate their state arts agency entirely. Kansas Governor Sam Brownback actually vetoed all arts funding in 2011. One year after eliminating its arts agency, Kansas created and funded a new agency, the Creative Arts Industries Commission that combines the duties of the former Arts And Film Commissions. Some states are studying the feasibility of transitioning the functions of the SAA to a private nonprofit agency or to subsume the SAA into a larger Economic Development or Commerce agency. With growing competition for federal and state dollars from needed social services, many SAAs are facing uncertain futures.

In an effort to supplement funding for State Arts Agencies, state legislatures have employed a range of special funding mechanisms.

STATE FUNDING MECHANISMS

SPECIAL TAXES AND FEES

Some states have instituted special taxes and fees such as a percentage of the lodging tax (New Jersey), percentage of sales tax (Minnesota), dedicated conservation tax (Arkansas), corporate filing fees (Arizona) and income taxes on out-of-state entertainers and athletes (Missouri).

Other jurisdictions levy a special tax on admissions to cultural attractions, sporting events, concerts and other entertainment, but these funds are commonly allocated to the county or regional level and not used to fund State Arts Agencies.

LOTTERIES AND GAMING

In Colorado, Iowa, West Virginia, and Wisconsin, a portion of the proceeds from gambling and lotteries help to fund State Arts Agencies. In Massachusetts, the State General Fund receives a reimbursement of general funds spent on the State Arts Agency from the Lottery Fund.

SPECIALTY LICENSE PLATE FEES

Seventeen states sell specialty license plates that promote the arts, with these fees supplementing the State Arts Agency's funding. Typically these are states with larger populations such as California and Texas.

INCOME TAX CHECK-OFFS

Alabama and Virginia receive modest amounts of funding from income tax check-offs that allow residents to assign dollars for their State Arts Agency. Several other states have tried and abandoned this mechanism because of low participation.

BOND ISSUES

A few states (Massachusetts, Connecticut, Mississippi) have passed state bond issues, usually related to capital improvement projects involving cultural facilities, but these mechanisms are typically temporary and enacted to achieve specific goals.

SAs Receiving at Least 50% of State Funding from Supplemental Funding Mechanisms, FY2012

State	Funding Mechanism	FY2012 Funds to SAA from Mechanism	Mechanism's % of Total State Funds to SAA
Arizona	Business filing fees	\$1,380,000	100.0
California	license plates	\$2,831,000	72.7
Colorado	Gaming revenue	\$1,200,268	53.1
Minnesota	Portion of state sales tax	\$22,167,000	74.7
Missouri	Entertainers and athletes tax	\$7,000,000	100.0
New Jersey	Hotel/Motel tax	\$16,000,000	97.6
South Dakota	Portion of tourism tax	\$668,509	100.0
Tennessee	license plates	\$6,208,100	74.9
Texas	Interest from cultural trust and license plates	\$1,321,157	51.9
West Virginia	Gaming revenue	\$1,076,650	54.8

Source: National Assembly of State Arts Agencies State Policy Brief: SAA Supplemental Funding

S

ADDITIONAL FUNDING MECHANISMS

PRIVATE FUNDING

In addition to governmental funding schemes, some State Arts Agencies also receive a minor amount of private funding through gifts and grants from foundations, corporations and individuals.

EARNED INCOME

Some SAAs earn income through workshop fees, merchandise sales, or as in the case of Kentucky, through vendor fees for their annual Kentucky Crafted trade show for resident artists. Others earn revenue from renting venue space, or as in the case of Vermont (the nation's only non-profit SAA), through the sale of consulting services to other state agencies.

NON-NEA FEDERAL FUNDS

A few State Arts Agencies have succeeded in receiving grants from federal agencies outside of the NEA including U.S. Department of Education, U.S. Department of Forestry, U.S. Department of State and more. These grants are limited in duration, highly restrictive and extremely competitive.

OTHER PUBLIC/PRIVATE SUPPORT PROGRAMS

CULTURAL TRUST FUND

State Cultural Trust Funds are another potential funding mechanism through a private/public partnership to help fund the State Arts Agency. Typically these schemes involve a one-time match between legislatures and private sources to build a corpus of funds to serve as a kind of endowment.

Iowa and Arizona both had endowments with similar designs, but those legislatures regularly reneged on their matching promises and in Arizona, the legislature eventually raided the corpus and reclaimed the money it had contributed to the endowment.

Texas had a similar concept, though in reverse: the state put in about \$3 million and a nonprofit organization raised funds to match that state seed money. The presence of such a public-private endowment faced multiple legal challenges in Texas and was eventually nullified by the state legislature. All money was ultimately returned to the donors.

Delaware may be the only example where a cultural trust has worked as intended. This was a one-time match to build a corpus of funds that still provides funds that the Arts Division uses to support major institutional capital projects. Details follow:

Legislation: The Delaware Arts Stabilization Fund was initiated by the state arts agency with support from the secretary of state. It was seeded with an appropriation of \$1 million from the legislature, with a 2:1 matching requirement. The legislature appropriated to the fund over five years a total of \$5 million from the state bond bill and 21st Century Fund.

The Arts Stabilization Fund is managed by the Delaware Community Foundation, which reports annually to the ArtCo committee. The state arts agency receives five percent of funds each year, which are re-granted to arts organizations for capital projects. The remaining 95 percent is distributed to the eight other ArtCo member organizations, with allocation based on budget size. The funds are restricted to capital expenses, including debt and reserves; principal also can be accessed. In some cases, funds may be used for other purposes, if there is unanimous approval from ArtCo members. The current principal totals \$19.8 million (more than \$30 million at its peak; loss due to economy)

ALLIED ORGANIZATIONS

FRIENDS OF...

Another model for resource development for state agencies are allied nonprofit organizations that assist with grant-writing and fundraising initiatives that tap into the private sector, including foundations, sponsorships, individual and corporate sources. The Friends of the Hawai'i State Art Museum (Friends of HiSAM), a 501(c) (3) non-profit organization established to work effectively with the Hawai'i State Foundation on Culture and the Arts (HSFCA) and its staff to support the work of the museum is an example of this kind of relationship.

"Friends of" organizations generally exist to provide federal tax deductibility for charitable contributions given in support of public programs. "Friends of" organizations often have a greater ability than a state agency to solicit charitable gifts and/or to do so at a lower cost.

To be effective, both entities must work very closely together and share a common understanding of agency programs and needs. Equally important are the provision of needed resources and a strong working cooperation to execute a strategy for resource development. The difference between success and dysfunction in the relationships between state agencies and "Friends of" groups is largely determined by clarity of need, leadership, alignment and mutual respect and support. Both the HSFCA and The Friends of HiSAM must be prepared to invest time, talent and resources in creating and sustaining a productive relationship.

COMMUNITY COLLABORATIONS

A commendable example of very successful community collaboration is the relationship between the Hawai'i Community Foundation (HCF) and the Hawai'i State Foundation on Culture and the Arts. The HCF matches HSFCA Artists in the Schools program funds to increase the amount available to schools and essentially doubling the program reach. As a result, during the 2011-2012 school year, 78 public and charter schools on six islands received grants.

SECTION 2. ECONOMIC SUSTAINABILITY FOR THE ARTS

A sustainable business model generates money from reliable sources on a consistent basis. In that sense, the HSFCA has enjoyed a mostly sustainable “business model” since its inception in 1965. Each year, relatively predictable NEA funds, State General funds, and proceeds from the Works of Art Special Fund have supported the State Arts Agency’s operations and programs.

However, sustainability of this type exists within a context of environmental forces or an economic ecosystem far beyond the agency’s control. The Great Recession demonstrated that even so-called “blue chip” private corporations are vulnerable to market changes, poor management decisions and shifting political environments. Perhaps a more useful definition of sustainability is *the likelihood of maintaining the long-term financial health of an organization, or in this case, the State Arts Agency.*

Traditionally the economic ecosystem of the arts has revolved around art producers, the organizations that help to bring their work to the public, arts consumers and beneficiaries, and the private and public institutions that subsidize the cost of all of this activity.

In 2011, the Kresge Foundation and Grantmakers in the Arts spearheaded a funder-led initiative, “The National Capitalization Project,” aimed at addressing chronic undercapitalization of the arts sector. The report found that during the recession years of 2007 to 2009, the nationwide ranks of nonprofit arts organizations grew by 3,000. At the same time, a 2008 NEA survey of public participation in the arts showed a five percent drop from 2002. At a time of flattening demand for the arts there is increasing supply. As we have seen from the 2010 closure of the Honolulu Symphony Orchestra, neither audiences nor the public or philanthropic sector can support this level of oversupply indefinitely.

Arts organizations assert that public investment in the arts goes beyond intrinsic value and yields quantifiable returns in economic activity and education. Yet when tough budget choices must be made, the arts are usually categorized as non-essential spending. Therefore, total dependency on Federal and state funding for the continued existence of the State Arts Agency is intrinsically risky for Hawai‘i’s entire art sector.

SECTION 3. SUPPLEMENTARY FUNDING STRATEGIES FOR HSFCA

3.1 FULLY REALIZE THE FRIENDS OF HiSAM’s POTENTIAL

The Friends of the Hawai‘i State Art Museum (Friends of HiSAM) is a non-profit organization established to support museum programs through fundraising activities. The Friends can receive contributions and provide federal tax deductibility for them. The Friends of HiSAM oversee the restaurant and retail operations attached to the museum.

A part-time administrator who is paid by revenues generated by the restaurant and retail operations is the only staff of The Friends of HiSAM. Its 23-member volunteer board is comprised of respected community leaders in many sectors.

More strategic coordination and cooperation between HSFCA and The Friends of HiSAM can result in more alignment between the two organizations. What is needed to unlock the fundraising potential of The Friends of HiSAM is a well-defined fundraising and development plan supported by a smart marketing and communications plan. Specific fundraising goals, strategies and the resources to achieve them are needed to fully realize the potential of this dedicated group of community leaders.

Actionable item: HSFCA contract a fundraising professional to develop a strategic fundraising plan in collaboration with The Friends of HiSAM. The plan will include specific financial goals and strategies for soliciting charitable gifts, corporate sponsorships, writing grants, producing fundraising events, etc.

3.2 ESTABLISH A CULTURAL TRUST FOR THE ARTS

Similar to the Delaware Arts Stabilization Fund, a cultural trust fund for Hawai'i arts organizations could be established with visionary legislative leadership. The fund could be seeded with an appropriation from the legislature, with a 2:1 matching requirement for private sector gifts. Contributions to the fund can be matched over a period of five to ten years.

At five percent annual interest, a Cultural Trust Fund of \$20 million could potentially generate a million dollars a year in operating revenue for the State Arts Agency, essentially eliminating the need for allocating general funds.

Actionable item: HSFCA Commissioners assemble exploratory committee to work with legislators to determine feasibility of establishing a Cultural Trust Fund to provide long-term financial stability for the State Arts Agency's operations.

3.4 INVESTIGATE FULL ENFORCEMENT AND/OR LEGISLATIVE CHANGES TO HRS 103-8.5 (WORKS OF ART SPECIAL FUND)

One per cent of all state appropriations for capital improvements designated for construction cost are supposed to be transferred to the Works of Art Special Fund. It is one of the state's many special funds to be evaluated by the Hawai'i House Finance Committee prior to the opening of the 2014 legislative session.

The legislated purposes of this fund are restricted to:

- (1) Costs related to the acquisition of works of art, including any consultant or staff services required to carry out the art in public places and relocatable works of art programs
- (2) Site modifications, display, and interpretive work necessary for the exhibition of works of art;
- (3) Upkeep services, including maintenance, repair, and restoration of works of art

(4) Storing and transporting works of art.

This law was enacted in 1967 and during the past 46 years, the Art in Public Places program has acquired an impressive collection of artworks for enjoyment of the people of Hawai‘i. Currently about one-third of the public art collection is in storage, which presents an opportunity to evaluate program success and options for future direction.

Actionable item: HSFCA Art in Public Places Committee to examine current legislation, enforcement of appropriations to the Works of Art Special Fund, and recommend possible amendments to existing legislation to better respond to current constituent needs. Commissioners work with Executive Director and legislators to enact these changes.

3.5 BUILD UPON EXISTING MODELS OF SUCCESS

The collaboration between the HSFCA and Hawai‘i Community Foundation is a model for other potential community partnerships. The HCF matches HSFCA Artists in the Schools program funds to increase the amount available to schools and essentially doubling the program reach. Using this model, the HSFCA may be able to find funding partners to increase available grant funds in support of shared strategic priorities. For example, there may be foundations or corporations with a specific interest in supporting arts programs for specific demographic groups.

Actionable item: HSFCA includes this strategy within its fundraising and development plan and ties it closely with key messages as part of its marketing/communications plan.

3.6 BOOST REVENUE GENERATION

3.6a Venue Rental: Currently the HSFCA generates nominal revenue primarily through rentals of the Hawai‘i State Arts Museum for private events. The recent addition of the sculpture garden increases the appeal. With specific goals for rental revenues, supported by a smart marketing plan, venue rental revenue can certainly increase. Costs for staffing, utilities, security, insurance, cleaning and maintenance must be more than offset by rental fees to make this a financially successful program.

3.6b Link Tourism and HiSAM: Cultural tourists are a potential market for HiSAM with the right tourism partner in place. Operators such as JTB or other group travel destination management companies might be interested in the opportunity to host after-hours “Artist Dinners” in the lobby of HiSAM. Such dinners could include guided tours of the HiSAM galleries and a talk by a featured Hawai‘i artist. HSFCA “outsources” event management to the operator. Revenue can come from percentage fees on catering and artist speaking fees in addition to venue rental fees.

Another potential source of revenue is admission to HiSAM itself. While admission to the museum should always be free to Hawai‘i residents with identification, there is no reason out-of-state visitors should expect free admission. Tickets can be sold online and best practices for museum marketing and management should be adopted by HSFCA.

HiSAM is also an attractive daytime venue for active seniors interested in Lifelong Learning opportunities. A partnership with a retired adult community and an institution of higher learning has the potential to develop into a profitable program for all participants.

Actionable item: Create a Commission Task Force to explore revenue generation opportunities for HiSAM. Working with tourism officials and special groups, evaluate feasibility and potential profitability of such programs.

3.6c Monetize the Public Art Collection: Currently the HSFCA has about one third of its Public Art Collection in a warehouse. State laws prohibit these works of art from being displayed in non-state building. However, a legislative change could enable other public institutions (Federal, County agencies, non-profit agencies, hospitals, medical facilities, independent schools, universities, etc.) to lease artwork from the HSFCA. Such leasing agreements would include stringent requirements for security and insurance, etc. Leasing of fine art is a fairly common practice on the continent. Benefits include wider exposure of the artwork, throughout Hawai‘i, lower storage expenses and new revenue generated in support HSFCA programs.

Actionable item: Art in Public Places committee investigate legality, feasibility and profitability of an art-leasing program. If deemed worthwhile, work with legislators to amend legislation to enable this program.

3.7 REVISE THE MISSION AND THE AGENCY

Should Commissioners recommend a revised mission for the State Arts Agency to align more closely with tourism, it would be logical for the agency to become a recipient of a portion of Transient Accommodation Taxes. While many of the programs of the HSFCA currently support tourism with “creative place-making,” the absence of a daily working relationship between Hawai‘i Tourism Authority and the State Arts Agency means lost opportunities for shared planning, marketing, and linkage of common goals. States such as Louisiana and Kentucky expressly align their SAA with their Tourism Agencies through administrative placement that encourages these synergies.

CONCLUSION

State Arts Agencies are in flux as state governments struggle with competing priorities for the use of public monies. State Arts Agencies have employed a range of tactics to boost revenue while trying to reduce their dependence on taxpayers. Despite these creative approaches, state taxpayers provide about ¾ of SAA’s budgets while the NEA provides about ¼. Less than 5 percent of their budgets come from outside contributions or revenue generating activity.

Defining economic sustainability as *the likelihood of maintaining the long-term financial health of an organization, or in this case, the State Arts Agency*, means this may be the right time for the HSFCA to question the laws and policies governing the Works of Art Special Fund to determine if they are still relevant to Hawai‘i’s needs. Along those same

lines, declining levels of NEA funding call into question many of the assumptions of how art is funded nationally and at the state level.

The answers to these questions of economic sustainability are neither simple nor easy. They require a willingness to question the status quo while exploring and trying new ways of creating value for the State Arts Agency that require non-conventional thinking. This kind of creative innovation is the very outcome promised by the arts sector itself.

The people of Hawai'i are very fortunate that the state's lawmakers have long provided enthusiastic support for the Arts. Hawai'i is always in the top five states in the nation for per capita arts spending and such quality investment has yielded tremendous benefits to the people of Hawai'i including top marks for quality of life, a rich cultural environment, and a balance between natural and manmade beauty that has placed Hawai'i at the top of the world's best travel destinations. To maintain this position, the State Arts Agency will need to expand its base of financial support through diversification of its revenue sources.

Hawai'i State Foundation on Culture and the Arts

Mission Statement

To promote, perpetuate, preserve and encourage culture and the arts as central to the quality of life of the people of Hawai'i.

Core Values

- In our programs, initiatives and acquisitions, we celebrate and emphasize the cultural richness and diversity of Hawai'i.
- We believe that a thriving culture and arts community and broad access to culture and the arts throughout the state are necessary for a rich and fulfilling quality of life.
- We embrace a unique responsibility to perpetuate and encourage the culture an arts of the host culture and indigenous artists and practitioners.
- We support the appreciation and practice of the arts by people throughout their lives.
- We recognize and promote excellence.

Environmental Scan

Hawaii is Unique...

- It is the only U.S. state outside of North America. Geographically and culturally, Hawaii is part of Oceania, the “blue continent” of the Pacific.
- The Hawaiian Islands are the most isolated, inhabited pieces of land in the world.
- Hawaii is comprised of seven separate and distinct populated islands. Travel between islands is primarily by way of costly commercial airline flights.
- Hawaii is the only US state with more than one official language: English and *‘Olelo Hawai‘i* (Hawaiian). Native Hawaiians (*kānaka maoli*) are the only indigenous people in the USA without federal recognition.

Hawaii Ranks Tops in...

- Cultural Diversity: Hawaii has the highest non-white population (69.8% in 2009) and the highest mixed race population (18% in 2009) and 6th highest foreign-born population in the nation.
- Happiness and Wellbeing: The Aloha State ranked Number One in 2011 in the Gallup-Healthways Well-Being Index for the third consecutive year.
- Cost of Living: Housing, food, transportation and other necessities are the highest in the nation, largely driven by energy prices because virtually all goods are imported.
- Per capita tax burden: Hawaii residents carry the country's highest per capita tax burden.
- Lifespan: Within ten years, one-third of Hawaii's population will be 65 years of age or older, which will make it number one among states in terms of the number of elderly as a percentage of its overall population.

Environmental Scan

Hawai'i State Foundation on Culture and the Arts

- Hawai'i's people have enjoyed the advantages of a robust state arts agency since the Hawai'i State Foundation on Culture and the Arts was established in 1965. It is the only State Arts Agency with the word, "Foundation," in its name.
- In 1967, Hawai'i became the first state to enact a "Percent for Art" law and in 1970, the first in the nation to establish a statewide partnership between schools and professional artists.
- When HSFCA opened the Hawai'i State Arts Museum in 2002, it became the nation's only state arts agency to own and operate such a museum.

National Trends:

- Population is aging rapidly, (the number of Americans aged 65+ will double between 2000 and 2030)
- USA birthrate at record lows
- Millennial Generation (ages 18-29) keen for meaningful change in social institutions as they move into management positions
- No majority race by 2050, US to become a plurality like Hawai'i
- Slow to moderate recovery from the Great Recession
- Sinking and shrinking middle class, loss of real income to most households, less disposable income
- Rising healthcare costs, higher taxes
- Crippling national deficit, more tax revenues diverted to pay for interest
- Growth of technology outpaces ability of people to adapt

Hawai'i Trends:

- Slower population growth rate, 0.8% per year during 2010-2040 period
- Aging population-more people living longer with active retirements
- Population growth rates higher on Neighbor Islands than Oahu
- Tourism and construction on the rebound but growth rate levels off to 1% per year

- Rate of self-employment rises to offset lower growth in traditional employment
- Energy prices continue to escalate rapidly, driving increases in consumer prices
- Personal income projected to grow slowly (1.7% annually, 2010-2040)
- Inflation will outpace wage increases

National Arts Trends:

- Arts funding is increasingly more of a political issue
- Uncertain funding for, and through, the NEA
- Less public money for the arts from federal and state sources
- Fewer general funds for State Arts Agencies from state legislators
- Growing public demand for quantification of value from tax expenditures on The Arts
- More urban cultural clusters
- “Too many nonprofit arts organizations” — former NEA chairman Rocco Landesman
- iCompetition—exponential growth of digital arts and entertainment
- Millennial Generation redefining The Arts as an interactive experience as opposed to a product.

Hawai'i Arts Trends:

- HSFCA funding has been trending downward
- Creative Vitality Index is robust among peers (only California is better)
- Even with budget cuts, Hawai'i remains #2 in the nation in per capita spending for arts (because of 1% for Art funding), second only to Minnesota
- Efforts are underway to restore the state's currently expired charitable tax deduction

Articulating A New Vision

The 21st Century Vision for HSFCA remains an aspiration, never achieved but constantly being strived toward through the vision. The vision was distilled through research, knowledge sharing, and discussion with the SCR 57 Working Group. Incorporated into the vision were the current environment future local, national and global trends, the HSFCA's values, mission and role. The graphic expression of the Vision was one of a star, with the agency's "core" in the middle and five key vision components at each of the remaining points.

At the heart of this vision:

"Hawaii is a global model for successful and sustainable public support for Arts & Culture"

(Culture and arts have become a part of everything the state does and public investment has yielded measurable benefits in economic vitality, education, and quality of life. The excellence of this work has attracted supplemental private funding.)

The five Vision Components are:

Technology: Culture and the arts leverage technology to increase accessibility and participation in the arts. This technology enables programs to be more flexible and scalable.

Education: Arts are an important part of lifelong learning for all Hawai'i residents and visitors

Economy: Hawai'i's arts, cultural and creative industries are recognized as one of the state's key economic drivers

Hawaiian Values: Our programs reflect the values of our multicultural society rooted in our Host Culture

Strategic Partnerships: Our partnerships are collaborative, mutually beneficial, encourage excellence and encompass both private and public partners

Mission

To promote, perpetuate, preserve and encourage culture and the arts as central to the quality of life of the people of Hawai'i.

Core Values

HSECA holds these values to be true:

In our programs, initiatives and acquisitions, we celebrate and emphasize the cultural richness and diversity of Hawai'i.

We believe that a thriving culture and arts community and broad access to culture and the arts throughout the state are necessary for a rich and fulfilling quality of life.

We embrace a unique responsibility to perpetuate and encourage the culture and arts of the host culture and indigenous artists and practitioners.

We support the appreciation and practice of the arts by people throughout their lives.

We recognize and promote excellence.

Strategic Priority #1

ADVANCE the Arts and Culture in Hawai'i through ADVOCACY

"Without leadership, nothing happens."

---Focus Group Participant

What success looks like:

The HSFCa is confident in its visible role as the chief advocate for creativity, arts education, artists, arts and cultural organizations in the state. To effectively garner support for arts and culture, HSFCa regularly convenes like-minded agencies and organizations for cross-sector collaboration in a sincere effort to demonstrate its value to those within and outside of the creative sector.

STRATEGIES

Seize the leadership role

With a strong understanding of the value and public benefit of a strong arts and cultural sector, the HSFCa can use its position to promote the importance of the Arts and Arts Education as key to the quality of life in Hawai'i. Leaders recognize the contributions made from all levels, top-down and bottom-up. Leaders understand and clearly communicate how the Arts contribute to statewide priorities in multiple sectors. Leaders highlight and explain how every citizen benefits from the work of artists and arts organizations.

Connect the Arts with broader community goals

Instigate more communication and collaboration with other state agencies and community partners to better integrate the Arts to connect with wider community values. Identify common goals and demonstrate the value of the Arts to other sectors. To facilitate co-planning the HSFCa will instigate the development of a cross-sector marketing group to include representatives from Hawai'i Tourism Authority, Creative Industries, Department of Education, Office of Hawaiian Affairs, State Historic Preservation Division, Arts Alliance and others. Meeting periodically, this group can share ideas and resources to build awareness and participation in initiatives that advance shared interests of participating agencies.

Convene Face-to-Face Meetings Statewide

Convening and networking are necessary for building excitement, sustaining momentum and increasing support. HSFCA will convene meeting(s) for issue-specific topics and industry-wide concerns that provide networking opportunities for arts and culture providers and supporting alliances and industries.

Enhance personal relationships with public officials

Continue to build upon existing relationships with the Governor, Senate President, Speaker of the House, chairpersons from appropriate committees, and interested legislators for case-making opportunities and to develop better understanding of mutual needs and desires.

Better harness the power and talent of Commissioners

Because HSFCA Commissioners represent the people of Hawai'i both geographically and demographically, they are uniquely qualified to serve as "field agents" for the agency. Commissioners will develop advocacy and communications plans including the development of "key messages." They can help to build stronger "communications bridges" between Oahu and the Neighbor Islands.

Assign Advocacy to the Commission's Marketing & Communications Committee

Working closely with the Executive Director and appropriate staff, the Commission's Marketing & Communications Committee will oversee advocacy and Government Relations and Constituent Outreach efforts by commissioners. This committee will unify messages and build a strong case for support tied to statewide funding priorities.

Develop and deploy a tactical communications and community relations plan

Effective communication begins with listening. The communications plan described here is not a promotional public relations plan, but rather an enduring mechanism for encouraging ongoing two-way conversations between the HSFCA and its many constituents and stakeholders. Such a plan would clarify tactics for increasing statewide participation in all aspects of the agency. HSFCA must proactively communicate the benefits and solutions the Arts provide instead of justifying public support for the Arts---there is a difference.

Strategic Priority #2

Increase ACCESSIBILITY to ARTS and CULTURAL PROGRAMS for UNDERSERVED groups

"There is a lot of support for Arts in Honolulu, but what about the little guys? We need a lot of help."

---Focus Group Participant

What success looks like:

The HSFCA has crossed Hawai'i's geographic, cultural, economic and demographic barriers to ensure that all citizens can benefit from the work and creativity of the state's arts and cultural practitioners.

STRATEGIES

Technology as the new canoe

Historically, canoes connected the people of the Hawaiian Islands; today, technology can provide this connection. At 82 % of households Hawai'i has one of the highest percentages of internet usage in the nation. As of March 2011, nearly 53 % of the population used Facebook. The HSFCA can reach more if its constituents with online programming, beginning with the digitization and sharing of its Art Collection in an online art museum and smart phone/tablet app. This will provide easy access to the 309,000 Hawai'i residents who live outside of the island of O'ahu and Hawai'i ex-patriots who live elsewhere. Likewise, Skype and/or online webinars can assist staff to provide grants workshops or other informational meetings for neighbor island residents without the cost and inconvenience of air travel.

Connect with the iGeneration

Community focus groups indicated a weak connection between the HSFCA and those under the age of 30 years of age. Technology can help to bridge that gap by developing an online presence through social media platforms to expand the agency's reach.

More Neighbor Island Engagement

More can be done to counteract the perception that HSFCA is an O'ahu-centric agency. HSFCA will schedule at least one Round Table on each neighbor island each year to provide a platform to discuss community-wide concerns. Similarly, Neighbor Island

stakeholders will be featured regularly in the HSFCA e-newsletter and/or one issue per year will be dedicated to reporting on the news of each Neighbor Island community.

Small but Important Rural Communities

Many of Hawai'i's small rural communities are still struggling to adjust to the economic loss of sugar and pineapple cultivation DBEDT's 2010 Rural Economic Development Planning Study identified ways for Hawai'i's rural communities to improve their economic conditions while retaining their rural character and lifestyle. One of these recommendations was the "Handmade in America" model that provides entrepreneurial opportunities for arts and cultural practitioners. The HSFCA will instigate a collaborative initiative with DBEDT and determine the feasibility of a grants program designed specifically to serve these small but important rural communities.

Review acquisition policies for Arts in Public Places

Policies governing the purchase of works for the APP collection were established long before the 21st century juncture of art and technology. As a new generation of artists increasingly employs more digital forms of expression to express their creativity, the HSFCA will examine its arts acquisition policies in light of regulations governing the Works of Art Special Fund.

Prepare for Hawai'i's Youngest and Oldest

Hawai'i's governor has made school readiness (universal pre-school) a top priority and within a decade the state will have the nation's largest number of elderly as a percentage of its overall population. Currently there are no arts and cultural programs funded by HSFCA that specifically serve the very young or the elderly. The HSFCA will work collaboratively with the Good Beginnings Alliance and the Executive Office on Aging, Health and Human Services and others to complete a needs analysis, program and funding plan for these underserved groups.

Strategic Priority #3

Strengthen ARTS EDUCATION Pre-K through 12 and plan for LIFELONG LEARNING

"The Artists in the Schools residencies yield great benefits, the students really enjoy those and they're especially great for high schools students who can't take field trips."—Focus Group Participant

What success looks like:

The HSFCa and Arts First Partnership work closely together to deliver arts education and arts integration programs in support of Common Core State Standards. Key stakeholders understand the benefits of arts education and insist on its inclusion in all schools. Plans are in the works to extend arts education opportunities to all ages, particularly the very young and the elderly.

Strategies:

Reinvigorate and Strengthen the Arts First Partnership

An impressive 74.4% of online survey respondents said the Arts are ESSENTIAL to a quality education. The HSFCa can reinforce its leadership role by pursuing a more collaborative relationship at the highest levels of the Department of Education and other members of the Partnership. The Arts First Partnership will work to ensure Arts Education and Arts Integration play a vital role in Common Core State Standards.

Research and Report the Value of Arts Education

Report results of existing research and use the Creative Vitality Index and other Hawai'i-specific data to express an objective measurement system of the impact and outcomes of Arts Education programs.

Maintain and grow support for projects and programs targeting youth in Pre-K through 12

Growing access to quality arts experiences for students at Hawai'i's public and independent schools remains a top priority. The HSFCa will explore ways to increase the financial and human resources required to expand the reach of programs delivered through the Arts First Partnership.

Increase Arts Learning Opportunities on Neighbor Islands

Investigate the feasibility of establishing an adaptation of the Arts Bento program on Neighbor Islands. Increase opportunities for Artists in the Schools' and Artist in Residence programs as well.

Plan More Opportunities for Lifelong Learning

Plan for more opportunities for pre-school arts educators to use the arts to improve reading readiness and academic literacy to children under five. Prepare for coming demographic changes by exploring partnerships, collaborations and funding required establishing arts education programs for the elderly.

Strategic Priority #4

Actively ENCOURAGE and SUPPORT Native Hawaiian culture, arts, artists and practitioners

"We are Hawaiians. We deserve a place in our own land."

---Focus Group participant

What success looks like:

The HSFCA works closely with Native Hawaiian artists, practitioners and arts organizations to administer a co-created arts and cultural program as part of its unique responsibility to perpetuate and encourage the host culture of Hawai'i.

Strategies:

Establish a Native Hawaiian Advisory Panel to co-create a Native Hawaiian Arts & Cultural Program

A recently enacted state law says that Native Hawaiians should have the ability to determine their own future. The HSFCA will reflect this through the establishment of a Native Hawaiian Advisory Panel. This panel will work closely with the agency to design and develop a long-range plan for a new Native Hawaiian Arts & Cultural Program that is sensitive and responsive to the host culture.

Secure adequate resources for the a Native Hawaiian Arts & Cultural Program

Working in collaboration with the Office of Hawaiian Affairs, Hawai'i Tourism Authority and other appropriate organizations, secure funding to adequately support the human and financial resources required to properly execute the HSFCA-Native Hawaiian Advisory Council plan.

Strategic Priority #5

BUILD CAPACITY and MAXIMIZE ASSETS to ensure the Hawai'i State Foundation on Culture and the Arts is strong, sustainable, and capable of achieving its goals.

"Lack of funding forces us to go with sure things, we keep doing the same predictable, reliable things so there are no new initiatives. There is less risk-taking, less innovation, and ultimately less art. "

---Focus Group Participant

What success looks like:

The HSFCA has aligned its governance, management, program and operational staff, and technical resources to build capacity and add value within an ever-changing environment. As a result, it has strengthened and diversified its funding streams to help reduce its dependency upon Federal and State sources.

STRATEGIES

Investigate enforcement and/or legislative changes to HRS 103-8.5

The law calls for 1 percent of all state fund appropriations for capital improvements of state buildings to be transferred into a Works of Art Special Fund. Calculating the amount to be transferred, initiating the transfer, and monitoring compliance are not consistently and evenly enforced. Some state agencies do not transfer money to the fund and HSFCA does not have enforcement power. Commissioners should determine how to best optimize this fund to suit current needs even if it requires statute revisions to extend its scope.

Secure new revenue sources to satisfy the artistic and cultural needs of Hawai'i

Diversify funding sources through new sources of supplemental public and private revenue. Seek new opportunities for funding initiatives through strategic partnerships with like-minded government agencies, community foundations, and private sources. Investigate the establishment of a State Cultural Trust Endowment to fund arts education programs. Develop and encourage entrepreneurial opportunities for the agency. Explore additional dedicated funding mechanisms. Seek out non-NEA

funds through the other Federal Departments. A dedicated development staff position can unlock more fundraising potential of the Friends of HISAM

Improve stewardship of Art in Public Places Collection and HISAM

Maximize effectiveness of existing policies and procedures, including executing long-term plans for conservation and maintenance. Clarify legality and feasibility of lending or leasing works to other institutions such as County agencies, museums, non-profit organizations, etc. Derive greater value from public arts installations by actively engaging the community through complementary programming. Grow museum attendance by residents and visitors through strategic marketing and communication programs, co-promotions and other tactics.

Review and refine organizational structure

Reorganize staff efforts to accommodate new functions related to resource development and communications initiatives, research and cultural policy development.

Inherent in this process will be the simultaneous need to:

1. Deepen staff engagement with overall organizational strategic direction to maximize productivity
2. Break down interdepartmental silos to increase knowledge sharing and cooperation
3. Develop a new, more strategic approach to staff development and training.
4. Document a succession plan for the agency's many long-tenured staff

Increase operational efficiency and effectiveness

Investigate and institute best practices to develop categorized benchmarks as frameworks for evaluation of agency effectiveness. Update internal operational systems and upgrade Information Technology) Use technology to streamline processes, reduce panel meeting costs, increase public access to board and panel meetings, and improve communication with constituents. Establish a central, segmented, updated database for ease of communication.