

THE MID-HUDSON VALLEY CREATIVE ECOSYSTEM

IN A TIME OF CRISIS

*The impact of the financial crisis on the region's
arts community, and strategies to promote recovery*

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INTRODUCTION

This report examines the impact of the global financial crisis of 2008-09 on the creative ecosystem of New York’s Mid-Hudson Valley, a region that is home to an extraordinarily large and diverse population of artists, working in many different styles, forms and disciplines. While hard data concerning the number of working artists is hard to come by, one indicator is that as of 2005, 156 arts and cultural organizations were doing business in Ulster County – this in a county with only 182,742 residents!¹ Small wonder that a 2007 *Business Week* survey identified Kingston, New York (Ulster County’s seat and largest city) as ranking fifth in the entire United States in art establishments per capita, and sixth in its overall ranking of “best places to live for artists.”²

The term “creative ecosystem” refers to the set of dynamic interrelationships between creative artists, their “audiences” (i.e. customers, volunteers and supporters), and the infrastructure that supports artists and brings their work to the public. In healthy, creative ecosystems, these three elements form vigorous, integrated, self-sustaining communities, where both the intrinsic and instrumental values of the arts are broadly recognized, and the contributions of artists are widely appreciated by the general population. In such communities, artists tend to be deeply woven into the fabric of civic life as engaged citizens and respected, empowered constituents. Ample numbers of community members are involved in the arts as audience members, patrons, volunteers, students, amateur participants and contributors. Typically, these mutually reinforcing cultural norms and values are fostered by critical infrastructure – a rich network of public and private institutions that provide the kinds of opportunities and resources needed to sustain a dynamic cycle of artist/audience relationships.

This report is organized into three sections: the first documents the onset and initial impact of the financial crisis on the creative ecosystem of Ulster County and its environs, the second assesses potential risk scenarios heading into the future, and the third outlines broad strategies to help promote recovery and ultimate systemic strengthening and improvement.

The findings of this report are built on “The Creative Ecosystem of Ulster County, NY, and its Environs”³, a study conducted and written by Harvey Seifter (principal of Seifter Associates, a New York City-based consulting firm), and commissioned jointly by the Community Creativity Foundation, the Dutchess County Arts Council and the Dyson Foundation. Completed and published on August 10, 2008, that paper provides a clear picture of the state of the region’s creative ecosystem on the eve of the stock market crash.

¹ <http://www.hudsonvalleybusinessnews.com/archive/071607/0716070001.php>

² http://images.businessweek.com/ss/07/02/0226_artists/index_01.htm

³ <http://culturalblueprints.co.cc/docs/ecosystem.pdf>

Unfortunately, rapidly unfolding events over the past six months have left arts organizations, funders and community leaders with little opportunity to reflect on, much less implement, the recommendations of that report. While the earlier recommendations remain generally applicable, much has changed. Therefore, in November 2008, Harvey Seifter and Judy Levine, Executive Director of the Community Creativity Foundation decided to collaborate on a follow-up study measuring the effects of the downturn on the same community previously examined, using the earlier report as a point of departure for considering the implications of the financial disaster for the creative ecosystem.

This report places the current crisis in context, with a look at how recessions have affected America's arts ecosystems over the past several decades. Its fundamental purpose is to provide useful information and recommendations to the Mid-Hudson Valley's arts organizations, community leaders and public officials; it is designed as a resource to guide their decision-making in ways that will help the region's creative ecosystem continue to provide vital community benefits during these difficult times, and prepare to flourish in the recovery that will follow.

The primary source material for this report has been more than 35 hours of wide-ranging confidential interviews with the region's arts leaders, creative entrepreneurs, public policymakers, funders, educators and community leaders, conducted by the authors between December 2008 and February 2009. The interviews were augmented by a review of materials, reports and studies from Alliance for the Arts, Americans for the Arts, Artsjournal.com, Association of Teaching Artists, Chronicle of Philanthropy, City-Data.com, Columbia County Council on the Arts, The Conference Board, Daily Freeman, Delaware Valley Arts Alliance, Grantmakers in the Arts, Green County Council on the Arts, Hudson Valley Center for Innovation, Marist College Bureau of Economic Research, New York State Arts, New York State Council on the Arts, Nonprofit Finance Fund, Orange County Arts, PBS New Hour Arts Beat, Pattern for Progress, Pew Charitable Trusts, Putnam Arts Council, SUNY New Paltz, Ulster County Arts Council, Ulster County Chamber of Commerce, Ulster County 400 Celebration, Ulster County Legislative Committee on Arts, Ulster County Economic Development Corporation, Ulster County Planning Board, Ulster County Tourism, and Woodstock Arts Consortium.

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EXECUTIVE SUMMARY

This report documents the initial impact of the financial crisis on the creative ecosystem of the Mid-Hudson Valley; assesses potential risk scenarios to the arts community going forward; and recommends strategies for the region's funders, community leaders and arts organizations to help promote recovery, systemic strengthening and improvement.

Key Impact Findings

- On average, the budgets of the 20 non-profit arts organizations and commercial creative enterprises in Ulster and Dutchess Counties that participated in this study shrank at an annualized rate of 20% between September and December of 2008 – a decline more than three times steeper than the economy as a whole.
- Sharp reductions were reported in all major revenue areas including public funding, private support and earned income.
- Over the past six months, arts organizations have offset approximately 41% of their revenue shortfalls with expense reductions. The remaining 59% gap was covered by a combination of reserve fund spending and short-term borrowing.
- Roughly 80% of the organizations cut their program expenses; a similar number reduced staff costs through layoffs, pay cuts, shorter working hours and increased employee benefit cost-sharing.
- Organizations are increasingly relying on stop-gap solutions such as “one shot” emergency fundraising and deferred maintenance of physical plants.
- Most of the arts leaders interviewed for this study spontaneously expressed deep discouragement at “the unraveling of years of hard won progress.” Many show signs of stress due to the daily pressures of crisis management and extra workload.

Trends and Risk Factors

- A significant number of the Ulster and Dutchess County arts organizations will find it difficult to sustain their current level of operation into 2010 without substantial infusions of capital.
- Many smaller arts organizations, more accustomed to operating with lean budgets, entered the recession in better financial shape. However, even the strongest organizations risk major distress if the current rate of systemic revenue decline continues or accelerates through 2010 and beyond.
- Risk factors that threaten to deepen the systemic impact of the crisis include:
 - An anemic initial federal response
 - The threat of further cuts of NYSCA's budget
 - Ongoing budgetary pressures on local governments

- Board and staff burnout
- Reliance on potentially unsustainable practices such as emergency fundraising, volunteer staffing and deferred maintenance

Recommendations

Two overarching recommendations apply equally to funders, community leaders and arts organizations:

- **Develop a regional arts “anchor”:** Neither the Dutchess County Arts Council (which provides the region’s arts communities with important resources and services), nor any other entity is presently structured or funded to serve as the regional anchor that the creative ecosystem urgently needs. Funders, community and arts leaders are strongly urged to come together to address this problem.
- **Look beyond the crisis.** The recession is provoking a re-examination of assumptions, values and policies by all elements of America’s cultural infrastructure, from the largest funders to the smallest arts organizations. In a time of transformational change, the skills and insights of artists will be hugely important to the region’s economy and its communities. Arts leaders, funders and community leaders should start planning now to leverage these opportunities.

Key recommendations specifically for funders:

- Join forces to create an emergency arts loan fund.
- Temporarily shift grant making toward general operating support and multi-year funding; such changes will provide organizations with maximum flexibility and will facilitate planning.
- Develop a common application format to ease the grant preparation workload for arts organizations.
- View the arts as essential partners of, rather than competitors with, “safety net” social service providers.
- Encourage collaboration and the sharing of programs, resources and ideas.

Key recommendations specifically for community leaders:

- Personally engage with the arts through participation, volunteerism and support.
- Look upon the arts as a broad civic resource and seek out creative, visible opportunities to integrate them into community life.
- Focus on the skills of the region’s artists as an economic resource able to contribute to the development of a creative, collaborative, communicative workforce.
- Encourage in-kind partnerships that benefit both arts groups and communities.

Key recommendations specifically for arts organizations:

- Do everything possible to remove barriers to cooperation and collaboration.
- Look for opportunities to partner with larger, more stable community institutions.
- Make deep reflection about organizational mission and ideals a priority; be ready to question familiar ways of thinking and functioning.
- Relentlessly focus on programs and activities that are “mission critical”.

THE LESSONS OF HISTORY

The American economy experienced at least six recessions during the 50 years between what John Kreidler famously called the start of the “The Ford Era” in 1957⁴ and the onset of the current recession in late 2007. Before launching into a detailed treatment of the impact of the current financial crisis on the creative ecosystem of the Mid-Hudson Valley, it is worth considering the lessons that can be learned from the impact of these previous recessions on the arts in America.

Every downturn in the American economy has significantly challenged the nation’s creative ecosystems, disrupting the lives of artists, arts organizations and audiences alike. While a detailed and comprehensive exploration of that history is beyond the scope of this report, even a summary assessment reveals a paradoxical juxtaposition of trends – while American recessions between 1961 and 2001 grew generally shorter⁵ and milder⁶ in overall macroeconomic terms, the impact of these downturns on America’s creative ecosystems has grown progressively more severe over time.⁷

For example, the recessions of the 1970’s,⁸ though lengthy by historical standards and severe in their overall impact on the American economy, did little to slow the growth or impair the vitality of America’s creative ecosystems.⁹ On the other hand, the far shorter and milder recession of 2001 proved extremely challenging to the arts; many arts organizations had to implement massive program and service cuts, and a number were forced into bankruptcy.¹⁰ Two variables seem to play more significant roles in determining

⁴ Kreidler dates the modern world of arts funding to 1957, with the Ford Foundation’s initiation of broad-based matching grants to arts institutions, which served to catalyze a chain reaction leading to the creation of the National Endowment for the Arts (1965) and state arts councils (from 4 in 1960 to 50 in 1980); the proliferation of non-profit regional arts organizations, cultural facilities and professional training centers across the country; and general operating support for the arts funding by large numbers of foundations, corporations and local governments. See <http://www.inmotionmagazine.com/lost.html>

⁵ <http://www.nber.org/cycles/>

⁶ <http://www.econlib.org/library/Enc1/Recessions.html>

⁷ This paper’s assessment of the likely systemic impact of the global economic crisis of 2008-09 is heavily indebted to Kreidler’s 40 year historical analysis of the macroeconomic environment for the arts in America. Again, see <http://www.inmotionmagazine.com/lost.html>

⁸ Insufficient data specific to the arts exists to assess the impact of recessions prior to the early 1970’s on the arts sector.

⁹ http://www.eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/3f/44/d8.pdf

¹⁰ Many knowledgeable observers described the impact of the 2001 downturn on the arts as “a perfect storm”. See http://www.forbes.com/2003/05/05/cx_0506hot.html Six years later, on the eve of a far more damaging economic downturn, arts organizations across the country were still struggling to cope with the aftereffects of the 2001 recession.

the impact of general economic downturns on specific creative ecosystems than macroeconomic factors:

- **Underlying Conditions:** The underlying condition of a particular creative ecosystem prior to the onset of recession clearly plays a critical role in determining how that ecosystem will respond to economic challenge. Not surprisingly, thriving creative communities, where artistic activity is supported and sustained by rich networks of public and private institutions that provide the kinds of opportunities and resources needed to sustain a dynamic cycle of artist/audience relationships, tend to prove resilient in the face of economic adversity. On the other hand, less healthy creative ecosystems – particularly those plagued by chronic resource shortages and where significant deficits in connectivity and infrastructure leave artists isolated from one another and from their larger communities – find even mild economic downturns profoundly destabilizing.
- **Public sector response:** It is broadly acknowledged that in times of economic crisis, the American economy requires speedy, substantial, and effective government action to mitigate distress and stimulate recovery. It is less universally recognized that this is as true for the arts as for any other sector of the economy. Robust, targeted and coordinated public sector response (particularly at the Federal level) to the specific challenges confronting the arts can make a truly significant difference – directly, by blunting the impact of recession on artists and arts organizations, and indirectly, by promoting and stimulating additional private sector actions that benefit the entire creative ecosystem.¹¹ Conversely, failure to develop robust, targeted and coordinated government policy in this area can cause especially severe damage to creative ecosystems, because they are so frequently fragile and under resourced in the first place. Sometimes, macroeconomic anti-recession policies considered beneficial to the economy as a whole may inadvertently damage already weakened arts organizations, such as tax cuts that erode donor incentives.

These factors largely explain why the relatively severe recession of 1973-75 only modestly (and briefly) slowed the growth of the arts in America, while the relatively mild and short-lived recession of 2001 had such a severe and lasting negative impact on the arts. The 1973-75 recession took place in the context of rapid and dynamic growth for creative ecosystems across the country;¹² the downturn's impact on arts organizations was quickly blunted by a robust and highly effective public sector response. Key features of that response included a doubling of the National Endowment for the Arts budget, and the creation of the CETA program, which resulted in jobs for thousands of artists and a dramatic increase in the productive capacity of small and mid-sized arts organizations.¹³

¹¹ See again <http://www.inmotionmagazine.com/lost.html>

¹² http://www.eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/3f/44/d8.pdf

¹³ www.chicano.ucla.edu/press/reports/documents/crr_08May2006_001.pdf

By way of contrast, the recession of 2001 occurred following a difficult decade characterized by sharp reductions in NEA and state arts council funding,¹⁴ declining corporate philanthropy¹⁵ and the erosion of general operating support from foundations¹⁶. What's more, the public sector did virtually nothing to mitigate the impact of that downturn on the arts, with the NEA budget increasing by a mere 10% in the 2001-03 period, and many states continuing to reduce arts funding.

¹⁴ For example, between 1990-2002 NEA funding dropped by 57% in inflation-adjusted dollars; during the same period, the New York State Council on the Arts funding shrank by 36%.

¹⁵ Handbook of the economics of art and culture by Victor Ginsburgh, C. D. Throsby, p 1307

¹⁶ <http://www.princeton.edu/~artspol/quickfacts/policy/foundation.html>

PART 1 – IMPACT

Overview

The creative ecosystem of the Mid-Hudson Valley went through an unprecedented economic contraction during the final quarter of 2008. On average, the budgets of the non-profit arts organizations in Ulster and Dutchess Counties that participated in this study shrank at an annualized rate of approximately 20% between September and December of 2008 – a decline more than three times steeper than that experienced by the economy as a whole.¹⁷ The commercial creative enterprises surveyed in this report experienced a similar degree of financial distress.

This downward trend has continued into the first quarter of 2009, with organizations ranging from small entrepreneurial start-ups to the region’s largest cultural institutions reporting sharp reductions in both public and private support, as well as significantly diminished revenues from sales and other sources of earned income. Indeed, it is fair to say that the distress affecting the Mid-Hudson Valley’s arts organizations has become pervasive. Only one of the 20 non-profit and commercial arts organizations surveyed reported a stable financial picture over the past six months.

As a result, the region’s creative ecosystem – which even before the downturn was severely undercapitalized and hamstrung by a scarcity of programmatic financial resources¹⁸, few reserves¹⁹ and little borrowing capacity²⁰ to fall back on – has quickly been thrown into

¹⁷ The US GDP declined at an annualized rate of 6.2% during the 4th Quarter of 2008, according to Commerce Department statistics. See <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

¹⁸ <http://culturalblueprints.co.cc/docs/ecosystem.pdf>

¹⁹ Only two of the free-standing non-profit arts organizations surveyed had endowment funds, both of which were extremely modest in size. Four organizations reported small cash reserve funds; two of which were in the process of being spent to meet current operating needs. The other two organizations anticipate using a portion of their surpluses for the same purpose during the coming year.

²⁰ Not many Mid-Hudson Valley arts organizations had access to small business capital even in the “easy credit” years of 2004-06; by 2007, credit availability was dramatically reduced. Few of the region’s arts organizations have Boards capable of making or guaranteeing loans. According to publicly available mid-2007 data from ten Dutchess and Ulster arts organizations that own their own buildings, borrowing against these assets amounted to only 44% of depreciated value, suggesting at least some unused borrowing capacity. A more careful analysis, however, reveals three distinct sub-categories:

- 2 organizations with substantial capital assets and building-related debts equal to less than 5% of asset values, had substantial unused borrowing capacity;
- 2 organizations had only very small capital assets;
- 6 organizations had capital assets collectively valued at \$8.5 million, but these organizations had already borrowed \$6.5 million (76% of depreciated value) against these, leaving little unused borrowing capacity. At least two of these organizations now find themselves in distress; one is “under water” (its outstanding debts exceed the value of its capital assets), while another is in default on its mortgage.

Local economic development authorities and industrial development agencies have not proved, even in good times, to be particularly attuned to the capital needs of the region’s creative ecosystem, and in any case, they are not set up to address the urgent financing needs resulting from the impact of the financial crisis on revenue streams.

crisis, with many core programs and services cut back, key staff laid off, and physical plants neglected. None of the arts leaders interviewed – many with decades of experience to draw upon – had ever seen witnessed such a wrenching downturn.

Conditions on the Eve of the Crisis

“The Creative Ecosystem of Ulster County, NY, and its Environs”²¹ provides a clear snapshot of conditions in the months immediately preceding the onset of the financial crisis. The report documented a creative ecosystem severely challenged by deficits in the areas of connectivity, infrastructure and resources and plagued by:

- Sector-wide undercapitalization, resulting from the Mid-Hudson Valley’s unusual abundance of artists and small arts organizations, coupled with a strikingly slender support base.
- Isolation and fragmentation, resulting from the system’s decentralized nature, the lack of collaboration among arts organizations, the region’s generally underdeveloped arts infrastructure, and the absence of a regional framework for planning and development.
- A scarcity of funding resources, with virtually no corporate headquarters, few foundations and limited numbers of individual patrons.

An analysis of publicly available data from 12 Ulster and Dutchess County arts organizations²², augmented by information gained from interviews with the leaders of these organizations, reveals in more specific terms the financial stresses affecting the region’s arts organizations in mid-2007. Roughly six months before the American economy officially entered recession and more than a year before the onset of the global financial crisis, these organizations reported

- Combined operating expenses that exceeded combined revenues by 2% (a shortfall of \$124,370).
- Weak capital reserves. Although the organizations reported a combined \$4,864,879 balance sheet surplus (78% of annual operations), most of these assets were in art

²¹ <http://culturalblueprints.co.cc/docs/ecosystem.pdf>

²² Art Society of Kingston, Woodstock Byrdcliffe Guild, Center for Creative Education, Dutchess County Arts Council, Kaatsbaan International Center for Dance, Mid-Hudson Children’s Museum, Performing Arts Center at Rhinebeck, Shadowland Theater, Unison Arts and Learning Center, Women’s Studio Workshop, Woodstock Artists Association and Woodstock Center for Photography. Because of the very large differences in scale, Bardavon/UPAC/Hudson Valley Philharmonic was not included in this analysis.

collections, legally restricted funds, or buildings. Actual liquid reserves totaled approximately \$1.2 million (19% of annual operations).²³

Initial Financial Impact

During the final months of 2008, the initial impact of the financial crisis cost these organizations a combined total of approximately \$425,000 in lost revenues, a trend that continued through the first quarter of 2009. In most cases, the organizations responded quickly to deteriorating conditions; however, the speed and severity of the downturn made it impossible for most to fully offset their lost revenues with expense reductions. In the aggregate, these 12 organizations were able to reduce their expenses by approximately \$175,000 during the last four months of 2008, thereby covering roughly 41% of the gap. That left approximately \$250,000 of lost revenue that had to be offset by a combination of organizations spending down their modest liquid capital reserves, short-term borrowing²⁴, and stretching out planned debt repayment.

Public Sector Support

- Perhaps the most dramatic short-term impact of the downturn was on 2008 grants from the New York State Council on the Arts. NYSCA, normally one of the few substantial and reliable sources of support available to Mid-Hudson Valley arts organizations, went into the year under the constraint of a sharply reduced grant-making budget. It contracted even further in the final quarter when Governor Paterson abruptly eliminated the October and December 2008 funding cycles in response to a looming state economic shortfall. The regional impact of these various NYSCA cuts was substantial; taken as a whole, 2008 NYSCA funds awarded to Dutchess and Ulster County arts organizations declined 17% from their 2007 level (a net reduction of \$239,710). The 25 previously funded organizations in those two counties that were zeroed out entirely represented a 37% reduction in NYSCA's Dutchess/Ulster grantee roster. The precipitous nature of the decision to eliminate the October and December funding cycles added enormously to the disruption and stress experienced by the organizations effected by these cuts.
- The picture at the county level over the past six months has been far more stable. In January, the Dutchess County government, the region's second largest source of public funding for the arts, renewed its 2008 level of funding (\$291,440) for 2009 after vigorous advocacy on the part of the arts community and its friends; while the Ulster County government actually *increased* its 2008 support by 15% with a 2009

²³ The capital situation was even more fragile than these numbers suggest. Roughly 40% of the liquid surplus was held by a single organization; the other 11 held liquid assets equal to less than 45 days of operations.

²⁴ Few of the region's non-profit arts organizations have qualified for loans over the past year, in spite of the presence of a number of local financial institutions unaffected by the general credit freeze and the existence of EDC Revolving Loan Funds. As a result, many dedicated arts leaders are forced to provide financing for their organizations with their personal credit cards, or by deferring their salaries.

appropriation of \$57,500.²⁵ The Dutchess and Ulster County BOCES (Boards of Cooperative Educational Services), the region's primary funders of public school arts education programs, have also continued steady levels of program contracts and services during this period.

- The National Endowment for the Arts and the various local jurisdictions of Dutchess and Ulster Counties – other public sources of arts funding in the region – have also been stable during this period, but they play only modest roles in supporting the Mid-Hudson Valley creative ecosystem²⁶.

Private Sector Support

- The first weeks of 2009 brought difficult news for the hard-pressed arts organizations of the Mid-Hudson Valley as the Dyson Foundation – by far and away the region's largest source of private sector support for the arts – announced effective immediately the suspension of new grants to support the facilities, operations and programs of arts organizations. Its decision was to focus its funding more substantially on its priorities of health care, “safety-net” human services (housing, food security, and emergency assistance), employment and workforce development, and after-school programs for low-income children and youth. This change, while not permanent, is fairly long-term; it will continue into 2010 and perhaps beyond. (During the interim, the foundation has promised to honor existing pledges to arts organizations, and plans to offer limited support to arts organizations through its Management Assistance Program and Nonprofit Strategic Restructuring Initiative.)²⁷ While it isn't possible to precisely quantify the economic impact of this decision on the Mid-Hudson Valley's creative ecosystem – there's no way to determine how much funding would otherwise have been granted to arts organizations in 2009 and beyond, nor is precise information available on the scope and duration of existing pledges still to be paid out – the impact will be substantial. During the five-year period between January 2003 and December 2007, the Dyson Foundation distributed \$4,768,289 to cultural institutions in Dutchess and Ulster Counties in contributions to capital campaigns, program grants and operating support – an average of \$953,658 per year. Dyson's commitment to regional arts support grew steadily throughout the period, from \$581,480 in 2003 to \$1,308,814 in 2007 – a five-year increase of 125%, with annual increases ranging from 13 to

²⁵ It is worth noting that 2008 was the first year in which the Ulster County government provided funding to its arts organizations, after a multi-year hiatus. Though Ulster's level of public funding is modest, the government's decision to continue, and even expand on this initiative in 2009, in spite of the onset of the economic crisis, reflects an impressive commitment to the future of the county's creative ecosystem. Both the Dutchess and Ulster County funds are managed by the Dutchess County Arts Council, which provides high quality professional grants administration, as well as a range of services to artists and institutions throughout the region.

²⁶ For example, in 2008, only four Dutchess and Ulster County institutions received a combined total of just \$80,000 in grants from the NEA.

²⁷ http://www.dysonfoundation.org/news/news_show.htm?doc_id=774830

40%.²⁸ Clearly, going forward, far less money will flow into the creative ecosystem from the Dyson Foundation. In recent years, Dyson's arts funding has given relatively sizable amounts of sustained support to a limited number of recipients²⁹; when interviewed in December, many of these grantees were in the process of preparing emergency requests for additional funding in 2009. Dyson's January announcement had a profound impact on the Boards and managers of these organizations, as they looked to their 2009 budget and program plans.

- A surprising number of Dutchess and Ulster arts organizations rely on annual program and operating support from out-of-state foundations. This is particularly true in the Woodstock area, where the local community benefits from several organizations with missions and constituencies that are national in scope. Because there are extremely few local institutional arts funders³⁰, these foundations play an unusually important role in the regional creative ecosystem. Roughly 20% of the organizations surveyed lost one or more such anticipated grant during the past six months.
- Most Mid-Hudson arts organizations also rely heavily on individual support. 70% of the organizations surveyed experienced a significant drop in the large individual gifts (i.e. contributions of \$1,000 or greater) they receive from Board members and patrons. These declines ranged from 20 – 60%.³¹
- The picture concerning small individual givers was mixed. Many of the organizations surveyed observed a surge in \$25 and \$50 contributions throughout the fall. Still, most organizations reported reductions ranging from 5 to 20% in year-end campaigns and a sluggish start to their 2009 fundraising. Fundraising events fared considerably better; more than half of the organizations holding special events during this period found ways to meet (and in a few cases, exceed) their budgeted objectives; the rest all came within 10% of budget (which in many cases had exceeded their previous year outcomes).
- Although few Mid-Hudson Valley cultural institutions receive major corporate grants, modest cash contributions and in-kind donations from local businesses play an important role for many of the region's arts organizations. Virtually all the

²⁸ Data drawn from Dyson Foundation annual reports, 2003 – 07, available on their website at http://www.dysonfoundation.org/about/about_list.htm?cat_id=101. Data for 2008 not yet available.

²⁹ Over the 2003-07 period, the number of arts organizations receiving Dyson Foundation grants in Dutchess and Ulster Counties ranged from 4-10 per year.

³⁰ <http://culturalblueprints.co.cc/docs/ecosystem.pdf>

³¹ The other 30% were the beneficiaries of “above and beyond the call” year-end emergency donations sufficient to offset the impact of other major gifts that were reduced or lost. One organization received a one-time gift that was large enough to fully offset the negative impact of the financial crisis, and ended its year with a modest surplus.

organizations surveyed reported at least some reduction in that support during the final quarter of 2008, which ranged from 25 to 80%; roughly half reported that more than one business funder had entirely withdrawn support during this period.

Earned Revenues

- Virtually all the arts organizations and commercial creative enterprises surveyed for this study experienced some level of reduction in their sales and other earned revenues during the latter part of 2008.
- A number of groups reported that reduced ticket sales – perhaps due to consumer reaction to last summer’s very high gas prices – started during the summer of 2008, somewhat ahead of the September market crash.
- Earned revenue shortfalls varied widely. More than half the organizations surveyed experienced only minor impact (5-10%), while others reported declines ranging from 10-20%. Commercial enterprises selling to arts organizations felt the sharpest reductions.
- Several organizations reported huge drops in ticket sales (60% or more) for events they characterized as “challenging” for their audiences, such as classical music, and avant garde performances. These organizations have all taken steps over the past six months to reorient their program offerings accordingly.

Organizations and their Operations

- About 80% of the organizations surveyed for this study took steps to reduce their program expenditures during the final quarter of 2008 – a trend that has continued into the first quarter of 2009. These cuts ranged from modest trims (reductions in public hours for galleries and museums; downsized productions for performing arts venues, etc.) to the reduction in scale, and even the elimination, of some non-revenue generating programs.
- A similar percentage took steps to reduce their personnel costs through outright layoffs, downsizing positions from full to part-time, pay cuts and increased employee cost sharing on health insurance.
- Many of the local arts organizations that own their buildings have started to defer necessary maintenance as a means of cutting short-term expense.
- All the organizations surveyed radically reduced what they characterized as “discretionary” spending, including professional development, travel, dues and subscriptions and the like.
- Most marketing budgets were sharply affected. Though performing arts organizations continued to invest in advertising in order to sell tickets to their

productions, most other forms of marketing were scaled back or entirely eliminated. Many organizations adapted to reduced resources by shifting from print to electronic communications.

- Six months into the financial crisis, many of the region's most experienced and distinguished arts leaders are showing signs of stress, as the daily pressures of crisis management, reduced staffs and added workloads take their toll. Most of the leaders interviewed for this study spontaneously expressed deep discouragement at what one described as "the unraveling of years of hard won progress."
- By late 2008, Mid-Hudson Valley arts organizations were becoming increasingly reliant on "one shot" emergency response income (unusual gifts from loyal friends and supporters, special fundraising events, etc.) to at least partially offset other revenue losses.

PART 2 – THE ROAD AHEAD

Trends

Economic forecasting is a notoriously uncertain and inexact endeavor, requiring at least as much talent for clairvoyance as technical expertise. That said, there are certainly some conclusions that can be drawn about the likely shape of the overall economic picture confronting the creative ecosystem of the Mid-Hudson Valley over the next few years, based on historical experience and current trends.

- Ample data exists demonstrating the sharp and protracted nature of the current financial crisis, by post-war historical standards. Few economists believe that the crisis has already hit bottom, and virtually none are projecting a quick and robust recovery.
- The Mid-Hudson Valley's downward financial trajectory has closely paralleled the nation's course over the past year³², and there is no reason to believe that trend will shift in the near future.³³
- The extremity of the initial impact of the financial crisis on the Mid-Hudson Valley's creative ecosystem (this sector's contraction is three times deeper than the economy as a whole) is a direct consequence of deeply-rooted underlying conditions.

Risk Factors

Two sets of risk factors threaten to considerably deepen the systemic impact of the crisis on both arts organizations and the broader creative ecosystem. The longer the downturn continues, the greater the risks posed.

- **Public Sector Risk Factors**

- A. **Anemic Federal Response**

- In the 1970's, a bold Federal response to economic downturn (which included doubling the budget of the National Endowment for the Arts and the creation of the CETA program) led to a quick and vibrant recovery of creative ecosystems across the country. Unfortunately, it is far from clear that a similarly targeted response will emerge this year. The American Recovery and Reinvestment Act of 2009 allocated only \$50 million to the arts (to be distributed among organizations across the country) and the 2010 NEA budget proposes only a 7% increase. **The direct benefit of these measures to Ulster and Dutchess County arts organizations over the next two years will almost certainly total less than \$200,000.** While it is possible that initiatives will emerge in the coming months allowing arts organizations to benefit

³² http://www.nytimes.com/interactive/2009/03/03/us/20090303_LEONHARDT.html

³³ In fact, the declining fortunes of many Wall Street executives are likely to pose additional challenges to the region's already weakened housing market.

from the far more substantial Federal recovery funds that have been allocated to education and national service in 2010 and beyond, that has not yet happened, and the risk of a weak and untargeted Federal response remains high.

B. More State Cuts

New York State continues under enormous budgetary pressure, and, although the 2009-10 budget limits NYSCA cuts to 8.79% against a 2008-09 baseline, there remains a significant risk of additional rescission in the second half of 2009, with potentially disruptive impact to the field in 2010 and beyond.

C. Pressures on Local Government

In recent months, many arts organizations throughout the region have grown increasingly dependent on government at the county level. Direct grants, and contracts through the Ulster and Dutchess BOCES, have been among the more reliable sources of revenue for arts organizations, and the governments of both counties have demonstrated real commitment to maintaining and even increasing their levels of support for the arts. However, that commitment may prove difficult to sustain if both counties continue to come under pressure from additional cuts in State aid budgets, shrinking tax revenues, and increasing demand for safety net social services into 2010 and beyond.

- **Organizational Risk Factors**

A. Loss of Leadership

Perhaps the most severe short-term risk is that the region's most skilled and experienced leaders may respond to the unprecedented levels of stress they are experiencing by retiring, leaving the area, or leaving the field. Others that choose to stay may find themselves functioning at a reduced level of effectiveness due to stress.

B. Donor Burnout

A prolonged downturn brings significant risk of donor burnout. The growing use of emergency response giving as a general stop-gap by arts organizations in late 2008 and early 2009 is unlikely to prove sustainable. In the short run, there is a significant risk that organizations which have become overly reliant on small pools of friends and supporters will experience sharp drop-offs in their special events and annual fund campaigns over the course of 2009. If the financial crisis continues into 2010, the region's creative ecosystem is likely to be increasingly challenged by individual and business supporters, who may become less willing or able to bail out distressed arts organizations. By 2010, at least some of the out-of-state foundations currently supporting Mid-Hudson Valley arts organizations are likely to find themselves more inclined (or under pressure) to refocus their grant making closer to home, as a way of adjusting to reduced asset bases.

C. Volunteer Challenges

Another trend has been the increasing use of community volunteers to carry out a wide range of routine tasks that had previously been handled at the staff level. This trend is likely to prove difficult to sustain over time, as most volunteers require considerable staff support – a labor intensive process that will probably strain the capacity of already reduced and overburdened staffs by 2010, if not sooner. Many of the Mid-Hudson Valley arts organizations surveyed for this study have grown more dependent on volunteers in other ways, as well. For example, Boards have had to deal with many difficult and unexpected challenges resulting from the financial crisis. The risk of burnout is very high, as is the risk that Board members will turn their attention from the critical leadership and governance tasks that comprise core responsibilities, to operational and management areas where they may be less equipped to contribute. Finally, as organizations are forced to cut back on programming, they may find that they begin to lose “traction” in the community, resulting in a smaller pool of engaged volunteers.

D. Physical Plant Issues

Over time, the strategy of deferring necessary maintenance in order to save money will inevitably lead to weakened physical infrastructure and ultimately, greater expense. Since many Mid-Hudson Valley arts organizations were already under-investing in their buildings before the crash, the risk of adverse and disruptive consequences occurring relatively soon is quite high.

Scenarios for Arts Organizations

Virtually all leading government economists are now forecasting that the American economy will continue its decline for another six to nine months, with a slow and uneven recovery to begin in late 2009 (at the earliest) or 2010, continuing into 2011 and perhaps beyond.³⁴ On the other hand, many leading academic authorities, from Nobel Laureate economist Paul Krugman³⁵ to renowned economic historian Niall Ferguson³⁶, have concluded that a far more severe and protracted economic crisis is likely, if not inevitable.

Based on the prevailing trends and emergent risk factors, this report looks at the probable impact of two scenarios on the creative ecosystem of the Mid-Hudson Valley over the next three years.

³⁴ The projections of the Congressional Budget Office, the Federal Reserve and the Conference Board chief economist all fall broadly within this scenario. While the Federal Reserve is slightly more optimistic than the other two, they also warn of “substantial downside risks” to their relatively encouraging scenario. See <http://cboblog.cbo.gov/?p=216> and <http://www.federalreserve.gov/newsevents/testimony/bernanke20090224a.htm>. The Conference Board’s chief economist is somewhat more pessimistic. See <http://www.conference-board.org/economics/stalk.cfm> The International Monetary Fund’s global assessment is also in line. See <http://www.imf.org/external/np/g20/031909a.htm>

³⁵http://www.nytimes.com/2009/01/05/opinion/05krugman.html?_r=1&partner=permalink&exprod=permalink

³⁶ <http://www.theaustralian.news.com.au/business/story/0,28124,25115869-643,00.html>

Scenario A – The current 20% revenue contraction in the system continues through 2009 and lingers through much of 2010. A very slow recovery begins in the second half of 2010 and continues in 2011, with pre-crisis income levels not restored before 2012 at the earliest.

Scenario B – The revenue contraction grows much sharper over the course of 2009, reaching a level of 35% by late in the year and stabilizing at that diminished level through 2011 and perhaps beyond.

Projecting the likely impact of Scenarios A and B on the same 12 Ulster and Dutchess County arts organizations examined in some detail earlier in this report:

- **As of early 2009, a sub-group of five of the 12 organizations already found themselves in distressed positions, having essentially exhausted their liquid capital reserves, fully tapped their most loyal supporters and virtually eliminated discretionary expenses.** Few have any remaining borrowing capacity. Assuming Scenario A conditions, these five organizations will need to further reduce their operating expenses by approximately \$725,000 (an additional 22% cut on top of the reductions they have already implemented over the past few months), in order to stay afloat through 2009. Unfortunately, these organizations have little left to cut except core programs and the staff needed to implement them; however, these are precisely the programs that tend to bring in dedicated revenues used to cover organizational overhead as well as a portion of direct costs. Therefore, only severe cuts to core programs (in some cases, 50% or more) are likely to yield net savings sufficient to close a 22% gap; even such draconian measures may not prevent some of these organizations from suspending their operations altogether, or even closing their doors permanently. Scenario B conditions, of course, entail even more dire consequences. None of this group of five organizations is likely to survive a sustained 35% contraction in revenue in anything like their present form; these organizations simply lack the cash, credit and maneuvering room that would be required to get through.
- **Having come through the first few months of the crisis in significantly better shape, a second sub-group of six organizations has considerably improved prospects going forward.** In general, these organizations are somewhat smaller in size and for the most part, they operate in a leaner mode, with smaller staffs and lower overhead. By and large, they went into the downturn with stronger balance sheets, and their initial responses have been nimbler. While under Scenario A, these organizations will face difficult challenges over the next 18 months, these challenges are unlikely to prove insurmountable. The collective gap these organizations must close in the remainder of 2009 is about \$275,000, which represents an additional 11% cut on top of reductions they have already implemented over the past few months. Many of these organizations retain additional key advantages – liquid capital reserves (an aggregate total of about \$525,000) and borrowing capacity. While the reserves are modest³⁷ in size, their existence gives these organizations a

³⁷ On average, they amount to approximately ten weeks of expenses at current levels of operation.

critical measure of room to maneuver through difficult times. (Of course, the short-term benefits of spending down, or borrowing against, reserves to delay or otherwise limit the scope and impact of additional program cuts will need to be balanced carefully against the longer-term risks.) Taken as a whole, this group demonstrates the capacity to ride out Scenario A more or less intact, on an organizational level. Nevertheless, these organizations are likely to experience 15-30% program reductions, weakened balance sheets, heavily stressed staffs and Boards, and somewhat neglected physical plants. Once the downturn ends, all are likely to require several years to restore and rebuild; however, some of these organizations may decide that the effort required just isn't worth it. Scenario B, on the other hand, would result in a net reduction of more than \$6 million in revenues to this sub-group over the next 30 months – a catastrophic contraction that would wipe out available capital reserves by 2010 at the latest and require massive program cuts. In some cases, organizational viability would be at risk.

- **Only one of the twelve organizations seems well positioned to maintain its current level of programs and operations over the next two years**, owing to its large unrestricted cash reserve, track record of effective fundraising, and lean cost structure. Indeed, this organization shows real potential to continue to generate modest surpluses throughout the downturn.

PART 3 – RECOMMENDATIONS

The recommendations offered in the “The Creative Ecosystem of Ulster County, NY, and its Environs” published in August 2008 remain generally applicable today. However, the deteriorating financial condition of the region’s arts organizations and creative enterprises, along with reduced funding resources and diminishing audiences, will make those suggestions even more difficult to implement in the foreseeable future.

As a result of the financial crisis, most of the arts organizations surveyed for this report are operating today in ways that put more pressure on staff, permit less flexibility in programming, and reduce their options for the future. Planning for continuing and/or deeper cuts and other changes into 2010 and 2011 has begun within some organizations, but few have confronted possible scenarios that are more threatening and complex in nature. Even the strongest of the region’s arts organizations are likely to face years of rebuilding once the downturn is over.

In this extraordinary environment, two overarching systemic recommendations apply equally to funders, community leaders and arts organizations:

- **Develop a regional arts “anchor”:** The most pervasive and problematic deficits in the region’s creative ecosystem remain connectivity, and the infrastructure that supports it. For generations the Mid-Hudson Valley has developed in a decentralized manner, giving rise to fragmented and isolated areas with solitary artists and cultural organizations. The absence of a well-organized, self-identifying Mid-Hudson Valley arts community makes the likelihood of its emergence from the recession in a position of strength rather small. In Ulster County, the arts community has cultivated little coherence and has only a limited sense of unity, despite valiant efforts over the past 35 years to form an effective and sustainable arts service organization. Thanks to the energy and effectiveness of the Dutchess County Arts Council, artists, arts organizations and arts communities in Ulster as well as Dutchess County benefit from a range of resources and services. However, neither DCAC, nor any other entity, is presently structured (or funded) to serve as the regional anchor the creative ecosystem urgently needs. **Solving this problem is absolutely essential to the long-term health and viability of the region’s arts community.** Funders, community leaders and arts organizations are strongly urged to come together to do so.
- **Look beyond the crisis.** As difficult as it is in the midst of economic crisis, it’s important to contemplate what recovery might look like for the Mid-Hudson Valley creative ecosystem in two or more years. How a turnaround in the overall national economy might impact public and private funding for the arts statewide and locally is difficult to predict, and depends on numerous complex, interconnected factors. The recession is resulting in a re-examination of assumptions, values and policies by all elements of the cultural infrastructure, from the largest foundations to the smallest arts organizations, from the NEA to county arts councils. By the time economists and business and government leaders agree that the country is well on its way to recovery, the landscape for the regional arts community may be significantly

– and permanently – altered. In a time of transformational change, the skills and insights of artists will be hugely important to America’s economy and its communities. Arts leaders, funders and community leaders should start thinking now about how to capitalize on these opportunities.

Recommendations to the Mid-Hudson Valley’s Funding Community

Recognizing that the juxtaposition of multi-faceted (and dramatically increased) community needs with significantly reduced financial resources creates very difficult challenges for public and private funders alike, it is nonetheless worth pointing out the obvious: the single most important thing that arts funders can do to help the arts is to find ways to keep funding them. The funders and community leaders who participated in this study unanimously agreed that the arts play a central role in the vitality of the Mid-Hudson Valley’s communities, the quality of life of its citizens, and the region’s economy. As this report has documented, the amount of money required to stabilize the creative ecosystem and see it through this crisis is relatively modest. Funding for the arts not only supports a spirit of community, hopefulness and wellbeing for those most affected by job losses, home foreclosures and other economic woes of our times, but it also represents critical investment in the creativity and innovation resources that will ultimately power economic recovery in the years to come.

What follows are some suggestions for how Mid-Hudson Valley funders can target their limited resources to have the most beneficial possible impact:

- Funders should consider joining forces to create an emergency loan fund to help their arts grantees through especially difficult situations.
- In difficult times, arts organizations need as much flexibility as possible to allow them to deploy funding where it’s most needed. Funders can help enormously by temporarily shifting their project-based funding to general operating support.
- A common application process and format, developed collaboratively by the region’s funders, would considerably reduce the demands on overburdened arts managers.
- Increased use of multi-year funding would have the same effect, with the added benefit of making it much easier for organizations to plan ahead.
- Grant makers with limited resources to invest in the arts should focus on supporting collaborations, resource sharing and regional arts infrastructure.
- Funders might encourage collaborations between arts organizations and social service grantees, as a way of continuing to support the arts while enhancing the community’s capacity to address its other basic needs.

- Funders are urged to begin planning now for ways to support the recovery and rebuilding that arts organizations will require as the economy emerges from recession.
- In recent months, funders and arts service organizations throughout the nation have begun to consider how they might best assist a field in growing distress. Many have conducted constituent surveys or convened their members for discussion and reflection. (Links to a number of published outcomes and proceedings are included in Appendix C of this report.) Mid-Hudson Valley entities are also heading down this path by organizing gatherings with guest speakers who offer advice, a variety of technical assistance workshops, and small group discussions in which local arts leaders seek common ground for both problems and potential solutions. Funders are encouraged to look for ways to expand and build upon these programs.

Recommendations to Business, Community and Government Leaders

Broad community recognition of the value of the arts as a vital force for education, economic development, innovation, tourism, workforce development and civic engagement (as well as for entertainment and cultural enrichment) is an essential pre-condition for a flourishing creative ecosystem. There are innumerable ways that business, community and elected leaders can contribute to the well-being of the region's arts and artists at little or no cost:

- **Personally engage with the arts.** Leaders are encouraged to attend or participate in cultural activities on a regular basis. Stopping by a gallery's exhibit opening and meeting the artists, bringing their families to music or theatre events, taking classes in poetry writing, line dancing, painting or pottery – the possibilities for engagement are endless. Over time, community leaders should consider donating, volunteering and serving on the Boards of Directors of these organizations.
- **Promote the integration of artists and arts leaders into community life.** Leaders are urged to invite artists and arts administrators to participate in community-wide commissions, task forces, committees, etc. in which issues of importance to the general community are being discussed. Arts professionals can bring a special perspective to local matters; they are also parents, voters, homeowners, taxpayers and active citizens. County, city and local departments of economic development, tourism, planning, housing, employment and training, youth and senior services bureaus should consider appointing arts professionals to their boards and advisory committees.
- **Engage artists in building a 21st Century creativity economy.** The Mid-Hudson Valley's extraordinary concentration of artists represents a powerful economic resource. Leaders are urged to consider ways in which the unique skills of the region's artists can contribute to the development of a creative, collaborative and communicative workforce through arts-based learning in the workplace as well as in schools, universities and innovation centers.

- **Give the arts visibility.** The County Executives and Legislatures in both Ulster and Dutchess Counties have played extremely important roles in support of their respective arts ecosystems by maintaining and increasing contract and funding levels for arts organizations through the initial phase of the financial crisis; in addition to the dollars themselves, these allocations (both administered by the Dutchess County Arts Council) raise the profile of the arts as significant to both the economy and quality of life in the Mid-Hudson Valley. Additions of even small amounts for the arts in city, town and village budgets, such as those committed to the Hudson 400 Celebration, can make an extraordinary difference. The continuation of this trend is vital to all sectors and walks of life in the region.
- **Look for opportunities to contribute through in-kind donations and creative barter.** In-kind services or products can be of great value to arts organizations. Empty office or meeting spaces could be utilized on a temporary basis and empty walls could showcase local artists. Surplus office supplies, paint, furniture, technology equipment and building materials, among other items, might be shared. Businesses could support arts organizations with buildings to keep current with important maintenance. Cultural organizations are commonly in need of bookkeeping services, financial management advice and computer experts. Opportunities abound for barter that may not have been explored previously.

Recommendations to Arts Organizations

- Take every step possible to identify and remove barriers to effective cooperation, communication and collaboration with other arts organizations. Create ongoing opportunities to gather, become more familiar with each other, share information and concerns, and consider coordinated actions. Avoid following familiar paths that reinforce isolation and self-interest to the exclusion of the greater community.
- Look beyond the arts community for opportunities to partner with larger, more stable community institutions. One promising example is the exploration currently under way at the Ulster County Chamber of Commerce regarding the development of an arts membership group that could provide networking opportunities with arts enterprises and other commercial entities, group benefits such as health insurance, and advocacy with business and government leaders.
- Relentlessly focus on programs and activities that are “mission critical.” In the current economic environment it is essential to direct resources to programs which keep mission “front and center”, even if that means sacrificing worthy, but peripheral, activities. When circumstances require organizational trims, programs that serve core purposes must be the highest priority.

- Make the time and space for deep reflection about organizational mission, ideals, and familiar ways of thinking and functioning. Arts leaders are urged to use the financial analysis contained in this report to think about where they fit in, and what realistic future projections might apply to their organizations. Organizations should be willing to consider worst-case scenarios and to imagine how things might look as the economy turns around in 2011 or 2012. This can also be a time for transformational leadership and innovative thinking around programs and organizational models.

A FINAL WORD

In spite of the formidable challenges posed by the current financial crisis, the Mid-Hudson Valley remains one of the richest places in the country when it comes to artistic, cultural and educational resources, and it's important to keep a healthy sense of balance and perspective in assessing the future prospects of its creative ecosystem. Over the years, deficits in connectivity, infrastructure and financial resources have formed deep barriers to the development of the region's arts community, yet even in the face of adversity, its artists, community leaders and citizens continue to demonstrate deep commitment to the development of a dynamic future for the arts.

In the city of Kingston, New York (population 23,456³⁸), two strikingly innovative and entrepreneurial initiatives emerged over the past six months, which exemplify the community's determination to find ways to strengthen and enrich its creative ecosystem – even in these difficult times.

- Through the personal generosity and vision of Jennifer Schwartz, deputy director of Ulster County's planning board, Transart Cultural Services is gaining its first home of its own – a permanent facility, located on a historic property, for its performing arts programs and exhibitions.³⁹
- On February 4, 2009, the voters of Kingston approved a \$3.58 million proposal to convert the dilapidated Carnegie library building on the Kingston High School campus into an art and technology center for in-school classes and after-school programs, in partnership with the Center for Creative Education.⁴⁰

The vision, energy and collaborative spirit behind these initiatives – coming in the midst of an economic crisis – is nothing short of remarkable. Both will require years of hard work and a great deal of money in order to come to fruition; however, the progress they have made to date, and broad support they enjoy, clearly demonstrate the potential for resilience, recovery and reinvention in the Mid-Hudson Valley's creative ecosystem.

Now, more than ever, this innovative spirit, along with a new emphasis on collaboration and the development of a regional arts support structure, form a pathway toward the development of a truly extraordinary – and truly sustainable – 21st Century creative community in the Mid-Hudson Valley.

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³⁸ http://en.wikipedia.org/wiki/Kingston,_New_York

³⁹ <http://kingstonprogressive.blogspot.com/2008/04/trans-art-cultural-center-is-go-most-of.html>

⁴⁰ <http://www.dailyfreeman.com/articles/2009/02/04/news/doc49891f2e6bdb1306990286.txt>

APPENDIX A

Stakeholders Interviewed

Sheila Appel	Manager of Corporate Citizenship/Corporate Affairs, IBM
Lisa Berger	Sales/Marketing Director, Ulster County Tourism
Melinda Beuf	Director of Project Financing, Ulster County Economic Development Corporation
Stuart Bigley	Executive Director, Unison Arts and Learning Center
Josephine Bloodgood	Executive Director, Woodstock Artists Association and Museum
Brendan Burke	Producing Artistic Director, Shadowland Theater
Gregory Cary	Founder/Director, Kaatsbaan International Dance Center
Ann Citron	Proprietor, Canaltown Alley Arts
Christine Crawfis	Marketing/Communications Director., New Paltz Regional Chamber of Commerce
Melody Cronin	Coordinator, Celebration of the Arts
Kate Daley	Educator, Mid Hudson Children's Museum
kt Tobin Flusser	Assistant Director, SUNY New Paltz Center for Research, Regional Education and Outreach
Richard Frumess	Owner, R & F Handmade Paints of Kingston
Ed Glisson	Executive Director, Mid Hudson Children's Museum
Audrey Grifel	Capacity Building Advisor, NY Council of Non-Profits
Michael Heim	Ulster County Executive
Ann Kalmbach	Director, Women's Studio Workshop
Kim Kimble	Coordinator, Celebration of the Arts
Benjamin Krevolin	President, Dutchess County Arts Council
Jennifer Lockwood	Regional Coordinator, NY Council of Non-Profits
Cynthia Lowe	Director, Ulster County Community Foundation
Brian Mahoney	Editor, Chronogram
Evry Mann	Executive Director, Center for Creative Education
Ronald Marquette	Chair, Ulster County Development Corporation
Katherine McKenna	Board Chair, Art Society of Kingston
Joyce Minard	President, New Paltz Regional Chamber of Commerce
Richard Remsnyder	Director, Ulster County Tourism
Jennifer Schwartz	Deputy Director, Ulster County Planning Board
Ariel Shanberg	Director, Woodstock Center for Photography
Chris Silva	Executive Director, Bardavon/UPAC/Hudson Valley Phil.
Carla Smith	Executive Director, Woodstock Byrdcliffe Guild
Cecilia Stancell	Program Officer, Dyson Foundation
Ward Todd	President, Ulster County Chamber of Commerce
Lou Trapani	Artistic/Managing Director, Rhinebeck Performing Arts Center
Livia Vanaver	Director, Vanaver Caravan
Vindora Wixom	Executive Director, Art Society of Kingston

APPENDIX B

Ulster County: Background of an Arts Community

Ulster County, New York is at the center of the Mid-Hudson region on the west bank of the Hudson River, and a large part of its 1,127 square miles is in the Catskill Park. Kingston, the county seat, is located 91 miles north of New York City and 59 miles south of Albany. The region was settled by the Dutch in 1683 and, after the British took over, Kingston became the first capital of New York State in 1777.

“Natural cement” limestone was discovered in the Ulster County town of Rosendale in 1825, and was used to build the locks of the Delaware and Hudson Canal. Rosendale cement is part of the pedestal of the Statue of Liberty, the wings of the U.S. Capitol, the first 152 feet of the Washington monument, and partially paved the New York State Thruway in 1954. After closing in 1970, the Snyder Estate Natural Cement Historic District was added to the National Register of Historical Places in June 1992. Edison Coatings, Inc. restarted production of authentic Rosendale natural cement for use in restoration of historic structures and monuments in 2004.

IBM built large facilities in Ulster and neighboring Dutchess Counties in the 1940s and 1950s. The Kingston plant included 2.4 million square feet of space and, at its peak in 1985, employed 7,100 people; an additional 24,000 worked throughout Dutchess County. In 1991 IBM posted its first-ever annual loss of \$1.4 million which rose to \$8 billion in 1993. The last 500 workers at the Kingston plant were moved to the Poughkeepsie site in 1995, and the Kingston facility was closed.

Ulster County was always farm country and remains largely rural. It is New York's largest producer of fresh market apples and corn, as well as a major grower of a wide variety of other fruits, vegetables and wine grapes. Approximately 75,000 acres was being used for farming in 2007. The practice of buying and eating local farm products is more and more prevalent in this area.

Ulster County has one of the highest concentrations of artists per capita in the United States. In 2007, Kingston, the county seat, gained national attention when it was included in *Business Week's* list of the top ten best places in the U.S. for artists. The prominence of the arts in Ulster County reflects the cultural vibrancy of New York City, but it also has historical precedent. For more than two centuries, the mid-Hudson Valley has had an outsized role on the nation's cultural stage.

The first coherent school of American art, the Hudson River painters helped to shape the story of the American landscape. Following Ralph Waldo Emerson's call "to ignore the courtly Muses of Europe" the Hudson River painters defined a distinct vision for American art; they celebrated their country and its majestic natural resources with a feeling of optimism.

In the winter of 1902, construction of the Byrdcliffe Arts Colony began on Mount Guardian just outside the hamlet of Woodstock NY. Seven farms, 1500 acres in all, were purchased for the enterprise by a wealthy Englishman named Ralph Radcliffe Whitehead (1854 – 1929). By the time it was completed in 1903, 30 buildings stood comprising what has been referred to as a textbook example of a utopian Arts and Crafts community. The Arts and Crafts movement began in England in the last quarter of the 19th century as a reaction against rapid urbanization and industrialization. Its proponents shared a rural, utopian ideal based on a “brotherhood” of artistic collaboration. They believed that “man” could regain control of his life if the work he did reflected the nobility thought to have been lost when machines eliminated the need for the art of hand craftsmanship.⁴¹

During the Depression, many artists from Woodstock painted WPA murals. The WPA supported tens of thousands of artists, by funding the creation of 2,566 murals and 17,744 pieces of sculpture that decorate public buildings nationwide. The federal art, theater, music, and writing programs, while not changing American culture as much as their adherents had hoped, did bring more art to more Americans than ever before.

While there are a record number of arts and cultural organizations and practitioners in Ulster County in 2009, they have not been able to join together to create a strong community with a unified voice. Various attempts to sustain an arts service organization have come and gone. The arts have never been too high on the priority and funding lists for county businesses, foundations and the public sector, although they have been enjoyed by a substantial segment of the population, and are an important element of the local economy. In 2008, the Ulster County Legislature took a significant step forward by creating a modest \$50,000 budget line for arts funding; they subsequently raised that amount to \$57,500 in 2009. These funds, along with the New York State Council on the Arts’ Decentralization funds for Ulster County, are administered by the Dutchess County Arts Council.

⁴¹ <http://www.woodstockguild.org>

APPENDIX C

Selected Surveys and Studies – A Resource Guide

"Arts in the Balance" – a survey of arts funding in Los Angeles County

Southern California Grantmakers, April 2009

[www.socalgrantmakers.org/AM/Template.cfm?Section=Home&CONTENTFILEID=1537
&TEMPLATE=?CM/ContentDisplay.cfm](http://www.socalgrantmakers.org/AM/Template.cfm?Section=Home&CONTENTFILEID=1537&TEMPLATE=?CM/ContentDisplay.cfm)

Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development

National Governors' Association, January 2009

<http://www.nga.org/portal/site/nga/menuitem.9123e83a1f6786440ddcbeeb501010a0/?vgnnextoid=58600d8f4b0de110VgnVCM1000005e00100aRCRD>

Arts Funding Response and Readiness Kit

Americans for the Arts, December 2008

http://www.artsusa.org/information_services/toolkit/default.asp

Cultivating Demand for the Arts: Arts Learning, Arts Engagement, and State Arts Policy

RAND / Wallace Foundation, September 2008

<http://www.wallacefoundation.org/KnowledgeCenter/KnowledgeTopics/CurrentAreasofFocus/ArtsParticipation/Pages/cultivating-demand-for-the-arts.aspx>

National Survey of Business Support to the Arts, 2007

Business Committee for the Arts, Inc., January 2008

www.bcainc.org/research.html

Past Economic Downturns and the Outlook for Foundation Giving

The Foundation Center

http://foundationcenter.org/gainknowledge/research/pdf/researchadvisory_economy_200810.pdf

Report Encouraging Corporate Philanthropy, but Improvements Could be Made

Committee Encouraging Corporate Philanthropy, June 2008

<http://hosted.vresp.com/157661/9e4363d574/76001190/753aa77feb/>

The Economic Recession's Impact on Cultural Organizations in the Puget Sound, The Helicon Collaborative, March 2009

www.heliconcollab.net/filter-writings-EconomicRecessionImpact.php

The Effective Exit: Managing the End of a Funding Relationship

The Ford Foundation, March 2007

<http://www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=947>