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Briefing Book: National Endowment for the Arts (1994): Correspondence 01

Sandy Crary

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NATIONAL
ENDOWMENT
FOR THE

ARTS

DATE: July 1, 1994
TO: Cheryl Birdsall
Pam Devitt
Kathy Kruse
Daniel Ritter
FROM: Sandy Crary 
RE: Melanie Beene

*The Federal agency
that supports the
visual, literary and
performing arts to
benefit all Americans*

Enclosed is a copy of a letter to Senator Helms that provides additional information regarding the Arts Endowment's cooperative agreement with Melanie Beene & Associates.

Also enclosed is a recent article describing the Arts Endowment's Advancement Program, which is the subject of the cooperative agreement.

Arts in Education

*Challenge &
Advancement*

Dance

Design Arts

Expansion Arts

Folk Arts

International

Literature

Locals

Media Arts

Museum

Music

*Opera/Musical
Theater*

*Presenting &
Commissioning*

State & Regional

Theater

Visual Arts

Advancing

"IN THESE TRYING FINANCIAL TIMES, ADVANCEMENT, QUITE SIMPLY, PROVIDED US WITH THE KNOW-HOW TO STAY IN BUSINESS." This is how one orchestra manager summed up the National Endowment for the Arts Advancement Program, which offers small and mid-sized organizations technical assistance and planning expertise in addition to cash grants. A total of 367 organizations, including eighteen orchestras, have been assisted by the Advancement Program since its inception in 1980. The mission of the program can be summed up with the old maxim: **"Give a man a fish and you've fed him for a day. But teach him how to fish, and you've fed him for life."**

A typical Advancement candidate is an organization in an emerging stage of development where the excellence of its artistic programming has outstripped its institutional capacities. In many ways, the organization is a victim of its own success, growing faster as a creative entity than as a business. Advancement helps the group to become more self-sufficient and more efficient, better able to see "the big picture" and successfully plan for the future. "What makes Advancement work," explains Lee W. Dennison, acting director of the program, "is that each organization develops a close relationship with a qualified arts management consultant to devise a plan to fit its immediate and long-term needs—a plan

the Art

BY REBECCA PALLER

that will make it not necessarily bigger, but better over the long term."

Organizations chosen to participate in Advancement are provided with the services of a management consultant for a fifteen-month period. Once the consultant is on board, the nitty-gritty work gets underway. With the assistance of the consultant, who spends time each month onsite and is available at all other times by phone or fax, goals and strategies are defined, management practices are strengthened, and a multi-year (generally three-year) plan is tailored to fit the specific goals of the organization. As part of the technical assistance phase, the Arts Endowment currently sponsors a weekend workshop for all Advancement participants in Washington, D.C., and provides each organization with a \$5,000 allowance for any unforeseen technical assistance expenses that may be incurred.

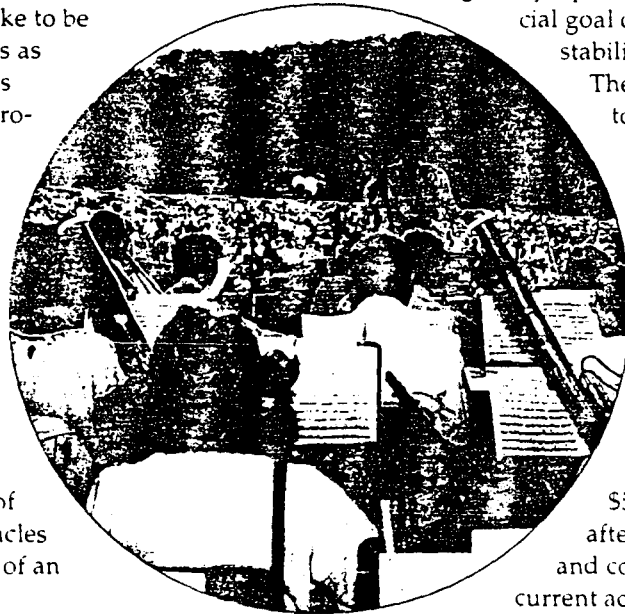
After the creation of a multi-year plan, the organization is eligible to apply for Phase II of Advancement: a grant averaging \$45,000 (which must be matched on a three-to-one basis) to be used for implementation of one or more components of the multi-year plan. Past Advancement grants have been used to strengthen such aspects of an organization as financial systems, public relations, facilities planning, marketing, personnel management, and program development.

A FEW OF THE PARTICIPATING ORGANIZATIONS HAVE DISCOVERED, THROUGH THE INTENSIVE SELF-ASSESSMENT THAT OCCURS IN ADVANCEMENT, THAT THEIR MISSION STATEMENTS OR ARTISTIC DIRECTORS HAVE OUTLIVED THEIR EFFECTIVENESS.

Advancement is not an easy process. A few of the participating organizations have discovered, through the intensive self-assessment that occurs in Advancement, that their mission statements or artistic directors have outlived their effectiveness; in one case, an executive director tendered his resignation midway through Advancement after discovering a hefty deficit on a budget that had originally reflected a surplus.

Despite the difficulties, most managers who have gone through the Advancement process enthusiastically recommend it.

"Everybody would like to be able to see themselves as others see them," says one alumnus of the program. "But of course sometimes we are blinded by our own viewpoint. The Advancement Program helps you to see things in a more objective light. Advancement may not always be easy, but it's the best way I know of to get rid of any obstacles that stand in the way of an orchestra's growth."



ART & MANAGEMENT. One recent veteran of the program is the Eugene Symphony, founded in 1966 and now the second largest orchestra in the state of Oregon. Under Marin Alsop, music director since 1989, it has placed a strong emphasis on contemporary American music. At the time it entered the Advancement Program in 1991, the orchestra was faced with the challenge of bringing management up to the high level of its artistic product.

"The Advancement Program gave us a vehicle to evaluate areas of weakness within the organization and a mechanism to strengthen the organization overall," says Executive Director Stuart B. Weiser. "We had and still have an artistic product that's phenomenal. Yet the administrative side of the organization was not operating under the same standard of professionalism."

Through Advancement the board came to

understand the significance of having an orchestra run by highly experienced department heads, which meant appropriating more money for senior management salaries. As a direct result of the Advancement process, Weiser, who had been executive director of the Reading Symphony and the South Carolina Philharmonic, was hired by the Eugene Symphony in late 1992. The development department was transformed from a board-run process to one managed by an experienced development staff.

According to its multi-year plan, the Eugene Symphony has an overall financial goal of achieving financial stability by the year 2000.

The orchestra has plans to eliminate all debt, establish a cash reserve, increase its endowment, and ensure financial integrity; develop a five-year business plan that establishes a minimum operating surplus of \$50,000 per year for debt retirement and a \$50,000 reserve fund after the deficit is retired; and continue to upgrade its current accounting system.

Did Advancement work for the Eugene Symphony? "It worked extremely well," says Weiser. "Within six months of finishing Phase I, we eliminated 25 percent of our accumulated debt." The truths that came to light during Advancement weren't always pleasant ones. As a cost-cutting measure, for example, the orchestra decided that run-outs should be temporarily suspended. They have now resumed—in March the orchestra performed in Roseburg, 70 miles south of Eugene; at least two run-outs are planned for next season—and the concerts are now required to be self-supporting, recouping all direct costs and earning a small margin to cover "intangible" expenses such as staff time, according to Weiser. "Advancement has proven that the administrative side of the Eugene Symphony can be an equal partner with the artistic side in promoting the future development of the orchestra," he says.

(CONT.)

LED BY MUSIC DIRECTOR KATE TAMARKIN, THE VERMONT SYMPHONY PERFORMS FOR A LARGE SUMMER CROWD AT HILDENE MEADOWLANDS IN MANCHESTER.

PHOTO: ANTHONY FLORESKY & JANE SOBEL



MUSIC DIRECTOR
MARIN ALSOP
CONDUCTING THE
EUGENE SYMPHONY IN
ITS FIRST RUN-OUT
SINCE THE
ORCHESTRA'S
COMPLETION OF THE
ADVANCEMENT
PROGRAM

ELGIN INDEPENDENCE. The Elgin Symphony Orchestra, led by Music Director Robert Hanson, operates some 30 miles west of downtown Chicago with a subscription series of 40 concerts and a strong children's program. It entered the Advancement Program last September.

Founded in 1950 as part of Elgin Community College, the orchestra has received a large percentage of its operating funds from the college, an arrangement that continued even after the orchestra became an independent nonprofit corporation with its own board and funding sources in 1981. In the past few years, however, state funding cuts to education have led to drastic reductions in the college's cash assistance and in-kind support to the orchestra. The college now provides one half of the music director's salary and a 660-square-foot office space, but that agreement expires this summer.

"Our future with Elgin Community College is uncertain at this point," says Executive Director Marcene Linstrom. "I felt that the orchestra had the qualities needed for Advancement. We are stable, we have been successful, we have had a good vision, and we have a good mission" to provide quality programming to a wide range of citizens in northeast Illinois. In addition to looking to the community for future funding, the orchestra is also dealing with the reality of high labor costs; its current con-

tract gives musicians—for the most part Chicago-based freelancers accustomed to receiving Chicago union scale—a 42-percent pay increase over three years.

Yet in spite of the problems facing the orchestra, Linstrom is optimistic about its future. "Advancement has led to some very productive meetings with community leaders and to closer relations with our board. It's helping us to prepare for the future, and we're now looking at ourselves in an entirely different light. Advancement is all about teaching you how to plan—and you don't really know what's involved in planning until you get into Phase I. The Advancement process can be a full-time job in itself. It's exhausting and challenging, but altogether rewarding."

A STATEWIDE MISSION. The 59-year-old Vermont Symphony Orchestra, headquartered in Burlington and currently led by Music Director Kate Tamarkin, differs from the community-based Eugene and Elgin orchestras in that it serves an entire state. "The fact that we're a statewide orchestra that is fairly small (with a budget of about \$750,000) and relies heavily on volunteers gives us a different 'landscape' from most other orchestras," says General Manager Thomas Philion. The Vermont Symphony en-

Continued

"ADVANCEMENT HAS PROVEN THAT THE ADMINISTRATIVE SIDE OF THE EUGENE SYMPHONY CAN BE AN EQUAL PARTNER WITH THE ARTISTIC SIDE IN THE FUTURE DEVELOPMENT OF THE ORCHESTRA."

ADVANCING THE ART

Continued from page 73

tered the Advancement Program in 1993.

"We used the Advancement planning process to reexamine our role as a statewide orchestra and to see if we were using our resources wisely," Phillion says. "The answer to the first question was, 'Yes, this is what we are; this is our essential nature as an organization.'" Once the Vermont Symphony decided to continue to fulfill its statewide artistic mission the question of restructuring became paramount. The orchestra is currently examining its board structure and looking at better ways to serve the musicians of Vermont. During Phase I of Advancement it was very helpful, said Phillion, "to have a management consultant who was familiar with the orchestra business and who knew full well what the ramifications of our decisions would be. With the help of our con-

sultant, we've reached a consensus about the direction we wish to go. And we're in the process of creating a realistic plan.

"All too often," he continues, "a multi-year plan is a document that goes up on the shelf. The Advancement Program, however, has helped us to come up with a really usable plan that relates back to our orchestra's overall direction. What we're creating is a budget that relates to our artistic plan and has a heck of a lot of footnotes."

As the Vermont and Elgin symphony orchestras move on to Phase II of Advancement, and as the Eugene Symphony continues to follow its multi-year plan, one thing is certain: all three orchestras are better prepared to identify and deal with any obstacles that may arise as they head into the 21st century. ●

REBECCA PALLER IS A FREELANCE ARTS WRITER BASED IN NEW YORK AND A FORMER NEA ARTS ADMINISTRATION FELLOW.

NEA ADVANCEMENT GRANT PARTICIPANTS

Of the 367 organizations that have participated in the Advancement Program of the National Endowment for the Arts since 1980, eighteen have been orchestras.

Anchorage Symphony Orchestra, Bay Area Women's Philharmonic, Canton Symphony Orchestra, Colorado Philharmonic Orchestra, Elgin Symphony Orchestra, Eugene Symphony Orchestra, Long Island Philharmonic, Macon Symphony Orchestra, Portland (Me.) Symphony Orchestra, Portland Baroque Orchestra, Pro Arte Chamber Orchestra of Boston, Santa Barbara Symphony Orchestra, Springfield (Ill.) Symphony Orchestra, South Carolina Philharmonic, South Dakota Symphony Orchestra, Ventura County Symphony Orchestra, Vermont Symphony Orchestra, Wheeling Symphony Society

QUALIFYING FOR ADVANCEMENT ASSISTANCE

To apply for the Advancement Program, an organization must be tax-exempt and have been incorporated for at least three years, have at least a three-year history of artistic programming, have a full-time paid professional administrative and artistic staff, have a minimum annual operating budget of \$100,000, and have independently audited financial statements for the most recently completed fiscal year.

The next deadline for Music Advancement applications is September 6, 1994. For information:

Advancement Program
Room 617, National Endowment for the Arts
Nancy Hanks Center, 1100 Pennsylvania Ave., NW
Washington, DC 20506-0001
202/682-5436



July 11, 1994

Kenneth Hanner
National Desk
The Washington Times
3600 New York Avenue, NE
Washington, DC 20002

Dear Mr. Hanner:

I am requesting a correction of fact reported in the attached news article ("Helms denounces NEA's awards, noncooperation" by Rod Dreher) which appeared in the June 16, 1994, edition of The Washington Times describing my "\$3.2 million dollar contract" with the National Endowment for the Arts. The article goes on to state:

Her task appears to be helping arts organizations find consultants to advise them on how to obtain NEA grants. According to public documents, Ms. Beene has paid her self nearly \$350,000, while spending almost \$700,000 on travel and per diem. "If it all goes to her, that means she's financed a pretty high lifestyle at the taxpayers' expense," Mr. Mashburn said.

The purpose of my contract is **not** "to help arts organizations find consultants to advise them on how to obtain NEA grants." I have not been paid \$350,000, nor have I spent \$700,000 on my travel and per diem. (See attached copy of a letter to Senator Helms for additional details.)

I regret that you did not verify the factual correctness of these statements. Responsible journalism and the innate unbelievability of the statements (e.g., a single individual spending \$700,000 on travel) dictate that you do so.

Sincerely,


M. Melanie Beene

cc: Jane Alexander, Chairwoman, National Endowment for the Arts
Senator Jesse A. Helms

July 11, 1994

The Honorable Jesse A. Helms
United States Senate
SD-403
Washington, D.C. 20510

Dear Senator Helms,

I recently returned to my office from a two week emergency absence due to a death in the family to find the attached news article which appeared in the June 16, 1994, edition of *The Washington Times*. That article describes a letter that you sent to the National Endowment for the Arts Chairwoman Jane Alexander requesting details on my "\$3.2 million dollar contract" with the NEA. The article goes on to state:

Her task appears to be helping arts organizations find consultants to advise them on how to obtain NEA grants. According to public documents, Ms. Beene has paid herself nearly \$350,000, while spending almost \$700,000 on travel and per diem. "If it all goes to her, that means she's financed a pretty high lifestyle at the taxpayers' expense," Mr. Mashburn said.

These comments are addressed line by line below.

1) "Her task appears to be helping arts organizations find consultants to advise them on how to obtain NEA grants."

This is incorrect. Since the source of the document (if any) which created this appearance is not referenced I cannot comment.

My Cooperative Agreement with the NEA (DC 91-26) is for the Management of Technical Assistance Services for three annual rounds of Advancement Participants (128 client organizations), in connection with the Challenge /Advancement Program over a period of 3.25 years. In essence, my firm conducts the Technical Assistance component of the Advancement Program (an ongoing program of the NEA) which attempts to aid in the organizational development of NEA-selected arts organizations by improving their managerial capacity through technical assistance and strategic long range planning in such areas as mission, programming, financial management and budgeting, marketing, community relations, development, personnel management, governance and facilities' operation. This program is targeted to serve mid-sized to smaller arts groups in the earlier stages of their organizational development. Examples of this type organization include participants such as: Austin Children's Museum, Anchorage Symphony Orchestra, Ballet Omaha, Chamber Music Northwest (Portland, OR), Children's Theatre (Winston-Salem), Chinatown History Museum (New York), Copper Canyon Press (Port Townsend, WA), Hand Workshop (Richmond, VA), Henry Street Settlement (New York), Jubilee Community Arts (Knoxville), Kentucky Opera Association (Louisville), Milwaukee Chamber Theatre, Museum of American Folk Art (New York), North Carolina State University Arts Program (Raleigh, NC), Old Town School of Folk Music (Chicago),

National Educational Film and Video Festival (Oakland, CA), San Francisco Girls Chorus, South Carolina Orchestra Association (Columbia, SC), Texarkana Regional Arts & Humanities Council (TX), Western Folklife Center (Salt Lake City), William King Regional Arts Center (Abington, VA), Woolly Mammoth Theatre Company (Washington, DC), and YA/YA (Young Artists/Young Aspirations, New Orleans).

In the Advancement Technical Assistance Program, management consultants, whom I match with each participant organization, work with their clients over a 13-month period to assist in the thoughtful self-evaluation of their organizations and the development of written long range plans that strategically address issues for future development. These plan documents are carefully critiqued by both the individual consultant and by me, as managing consultant, and we each provide the client arts organization with detailed analytical feedback. These plans are then submitted to a Phase II NEA outside review panel which determines their eligibility for a Phase II Implementation Grant.

The goal of our program is to increase the quality of management practice within the participant organizations, acknowledging their uniqueness and varying stages of organizational development. Our consultants do not advise clients on "how to obtain NEA grants," but on how to survive with declining government support and still fulfill their missions. We tend to be more often in the position of commenting that the client's plan projects overly-optimistic government support. We work with groups to help them connect more effectively with their communities to increase attendance and private donations.

2) "According to public documents, Ms. Beene has paid herself nearly \$350,000, while spending almost \$700,000 on travel and per diem."

Contrary to published reports, I have not been paid nearly \$350,000. This contract is a cooperative agreement which allows for no profit to the contractor, and is rather a fee-for-services reimbursement. Any surpluses at the end of the contract period, as well as all interest earned, are remitted to the U.S. Treasury. The contract amount is negotiated with the National Endowment for the Arts. I am paid by the hour, keep detailed records and have been audited. My per hour rate under this agreement has been \$ 60 per hour in year one; \$ 65 per hour in year two and \$ 70 per hour in year three. These rates are well below market rate for experienced senior management consultants. Currently, all my other clients (private foundations and local government) are paying \$125 per hour. I might add that I am managing the program for less compensation than the previous cooperator received.

The length of time of this cooperative agreement is 39 months (3.25 years). While I am authorized by that agreement to bill up to \$ 344,100, in actuality I have billed and been paid only \$ 254,939 as of 6/30/94. This works out, on average, to \$ 7,284 per month or annualized to \$ 87,408. Of course, as an independent contractor, this fee does not include the payments I individually must cover which include social security, workers compensation, health and disability insurance and retirement contributions (not counting sick and vacation leave or other unrelated costs associated with contracting with the government). These average, at most businesses, around 25% of salary, which, for comparative purposes with the salaried taxpayer, would result in an annual salary of \$ 65,556. In a major urban area like San Francisco this does not finance a "high lifestyle."

Travel and per diem costs under this contract cover the travel and per diem costs of more than twenty people, for each of the three rounds, who are obligated under contract to visit their clients a minimum of eight times during the 13-month technical assistance program. Participant organizations have been located throughout the country (from Alaska to Puerto Rico, and from Winston-Salem to Honolulu, for example). To minimize travel costs, consultants are matched with clients by region. The travel and per diem line item (for 3.5 years) is budgeted at \$ 698,678, but current actual expenditures equal \$ 562,265, approximately 20% under budget due to the vagaries in airfare pricing over the last three years. This work is the core of the program -- management consultants working directly with arts organizations to assist them in managing the business side of their organizations better and more cost-effectively in order to enhance the excellence, appreciation and accessibility of artistic activity. All travel and per diem costs are governed by federal regulations, and, as any government worker knows, these limits do not always allow for coverage of actual costs, much less a "high lifestyle."

I hope this addresses your concerns, and regret that you chose to publish your letter without obtaining accurate information. It served to both cast aspersions on my reputation, and unnecessarily alarm readers of *The Washington Times* that their government funds were not being spent correctly. Further investigation would have revealed that this program is well-regarded in the field (e.g., see attached recent article in *Symphony* magazine), and has never been better managed than under my tenure.

Sincerely,


M. Melanie Beene

cc: NEA Chairwoman Jane Alexander
Senator Barbara Boxer
Senator Diane Feinstein
The Washington Times

Enclosure: "Advancing the Art," Rebecca Paller, *Symphony*, July/August 1994
Copy of *The Washington Times* article, June 16, 1994