

To the Select Standing Committee on Finance and Government Services

Introduction

The British Columbia Arts Council wishes to express its appreciation to the Select Standing Committee on Finance and Government Services for this opportunity to make a written submission. This represents the first time the British Columbia Arts Council has done so. As an agency of the Government of British Columbia (Government) we feel that we are in a unique position to gather and interpret the thoughts, concerns and suggestions of the arts and cultural community of British Columbia and present them to the Committee.

The BC Arts Council (Council) is an independent agency of the Province of British Columbia (Province). Created in 1995 by the *Arts Council Act*, it is mandated to deliver throughout the province the arts and culture funding allocated by the government and to support arts and culture through research, advocacy and public education. The Council acknowledges that our Government realizes the importance of arts and culture to a civilized and progressive society, but we would be remiss if we did not reinforce this belief:

- The arts community makes substantial contributions to our society, particularly in the areas of health and education, youth-at-risk, cultural diversity, aboriginal capacity, and cultural tourism.
- Arts programs in education increase literacy rates, math retention and general academic success.
- The arts contribute significantly to current business demands for knowledge workers. Arts programs are educational, developmentally rich, and cost-effective ways to expose young people to the arts and help prepare them for the knowledge based economy, an increasingly important sector for BC.
- Arts programs can increase a small or an isolated community's sense of self and place. Individuals isolated from the mainstream – ethnic minorities, individuals with intellectual, physical or psychiatric disabilities, long-term unemployed, marginalized young people, and people isolated in rural communities derive a large benefit from the arts.

In his book *The Rise of the Creative Class*, cultural theorist Richard Florida parallels the rise of human creativity with new technologies, new industries and new wealth. Access to talented and creative people is to modern business what access to coal and iron ore was once to steelmaking. It changes the way cities must compete. Creative people cluster in centers of creativity where they like to live. Successful cities are multi-dimensional and diverse, full of stimulation and creative interplay.

Council's Recent Activities

During the past months the Council has focussed considerable attention on the completion of its 2009-2013 strategic plan. This plan acknowledges that the mandated areas of research, advocacy and public education have not received the attention they deserve and these have become central to the new strategic plan.

As part of our expanded role in advocacy, we see one of our important activities as providing government with information concerning the state of funding for arts and culture in the province and the concerns of the arts and cultural community. In order to do so in an effective manner, the Council has embarked on a series of community-based meetings to hear first hand from our grant holders. We will share with the Standing Committee some of the frustration, disappointment, confusion, uncertainty and anger that are being expressed by the arts community but first it is important to supply some background information in order to explain what has shaped the opinions of the arts community this past year.

Annual Budget of the BC Arts Council

We are providing some background on the budgets of the BC Arts Council, in part to show the trend in funding, but, in large part, to help identify one critical source of current confusion, frustration and anger within the arts community of British Columbia arising from the current year budget.

The annual BC Arts Council budget, provided by Legislative appropriation, has varied over the years. The total BC Arts Council budgets, exclusive of administration costs, both in total and per capita (based on annual January population estimates), is shown in Charts 1 and 2 below.

Chart 1 BC Arts Council Annual Budget, 1996/97 to 2008/09
(Millions, excluding administrative costs)

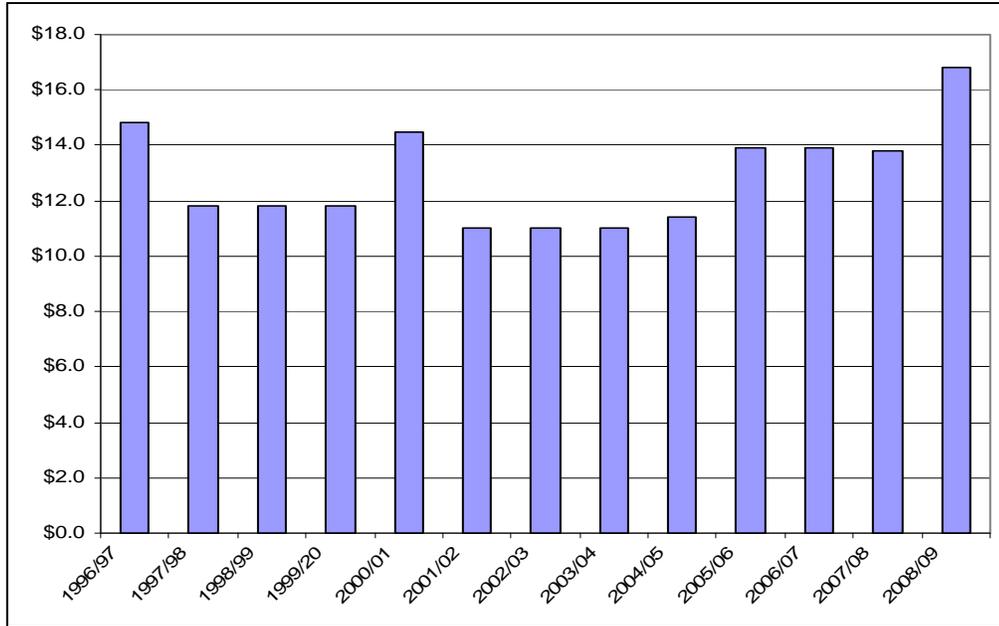
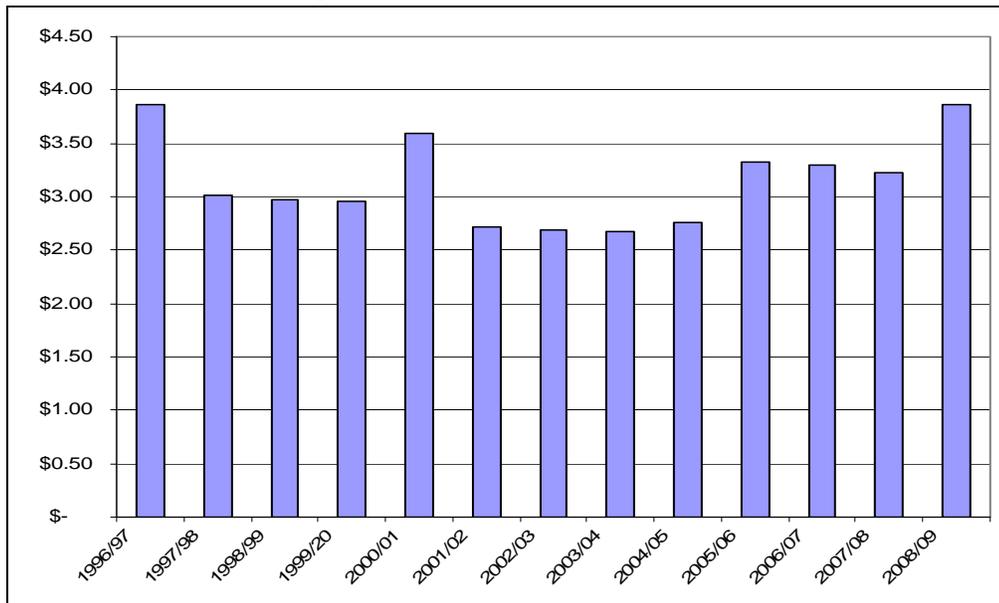


Chart 2 BC Arts Council Annual Budget per Capita
(Excluding administrative costs)



2008/09 BC Arts Council Annual Budget

The BC Arts Council 2008/09 budget totalled \$23.8 million including:

- \$13.3 million in Legislative appropriation.
- \$3.5 million in earnings from the BC150 Cultural Endowment Fund.
- \$7.0 million from Supplementary Estimates, of which \$6.7 million was paid to operating clients based on 60% – 70% of their 2008/09 funding levels. These funds were paid out in late March, 2009 and these clients were told this supplemental funding would be considered when the Council determined their 2009/2010 funding. These supplemental funds were anticipated to offset potential declines in Council's funding for the 2009/10 application year.

Based on the January 2008 population estimates for British Columbia (4,346,201), the Council's overall 2008/2009 budget exclusive of the supplemental allocation amounted to \$3.85 per capita as shown in Chart 2. If the \$7 million supplemental allocation is included in 2008/09, the total annual budget is \$23.3 million and the per capita budget is \$5.48. The treatment of the \$7 million supplementary allocation has become a source of both confusion and concern as will be discussed below.

BC Arts Council 2009/10 Annual Budget

The February 2009 budget included:

- \$7.93 million in legislative appropriation to the BC Arts Council.
- \$3.0 million in earnings from the BC150 Cultural Fund.

Due to serious impacts of the world financial crisis, Government reviewed all discretionary spending through the summer and in August, 2009 the Government made a decision to allocate \$10.9 million from the Community Gaming Grants Program to the BC Arts Council. Since Gaming regulations make no provision to transfer the \$10.9 million in Gaming Revenue from the Ministry of Housing and Social Development (MHSD) to Council, grants that had followed the normal BC Arts Council peer review process were paid directly by Gaming to Council clients. All decisions of the peer adjudicators were honoured. Both Ministries recognized the urgency in delivery of funding due to delays over the summer and this appeared to be the timeliest manner in which to handle the distribution of funds. Since Gaming cannot make payments directly to individuals, individuals receive their Council grant payments with cheques issued by 2010 Legacies Now.

During this same period, the returns on the BC150 Cultural Fund have been lower than anticipated in February and are currently estimated to be approximately \$1.2 million.

In the September, 2009 budget, \$3.675 million is included for the entire Arts and Culture Division costs (i.e. operational costs for the BC Arts Council and the Arts and Culture branches). There was no legislative appropriation for grants.

In order to provide a reasonable comparison of the budget of the BC Arts Council for 2009/10 with that for 2008/09, it is necessary to determine how the supplemental allocation should be treated. If the \$7 million supplemental allocation is treated as part of the 2008/09 budget, the per capita grant was \$5.48 per capita. The 2009/10 BC Arts Council budget of \$10.9 million from Gaming and \$1.2 million from BC150 Endowment Fund was a total of \$12.1 million or \$2.74 per capita, a decline of 50%. If, on the other hand, the \$7 million supplemental allocation in March 2009 is considered part of the 2009/10 Council budget, the per capita for 2008/09 is \$3.85 and the per capita for 2009/10 is \$4.32, an increase of 12.2%.

The currently projected fiscal 2010/11 and 2011/12 budgets

- \$2.249 million and \$2.175 million are allocated for the Arts and Culture division, including the BC Arts Council Branch. No final decisions appear to have been made at this point, however there is no provision shown for BC Arts Council's grants for the years 2010/11 and 2011/12.

Allocation of 2008/09 Grants

It is important to put a face to these budget numbers. In the fiscal year 2008/09 the Council distributed 1,373 grants to organizations and individuals throughout the province on behalf of the Government of British Columbia. These organizations included a broad range of artistic activities. Community arts councils, museums, art galleries, arts festivals, theatre and dance companies, orchestras, choirs and hundreds of individual artists in 237 communities throughout the province were supported. Additional financial assistance was provided to arts-in-education programs in 60 school districts and 56 community concert series. In short, the funds provided to the Council and distributed to arts organizations and individual artists have touched a breadth of communities and individual lives that few other government activities can claim to reach.

Reflections on the Arts Community reactions to what happened this year

The Council has held community forums in Vancouver, Kelowna, Osoyoos and Victoria to date and has scheduled meetings over the late fall in Nanaimo, Courtenay, Campbell River, Prince George, Kamloops, Nelson, Cranbrook and Abbotsford. The purpose of these forums is two-fold; first, to share information and correct the misinformation that seems to be widespread; and second, to advance the process of working together to create a more sustainable and vibrant arts community for the province.

As we listened to the participants at these forums, it became obvious that the arts community has some significant concerns, fears, confusion, uncertainty and anger concerning the 2009/10 budget. Some of the reactions are obviously due to cuts in the support of the arts and cultural community, especially the Direct Access gaming grants. Unfortunately the frustration and anger is often misdirected to Council, in part because of confusion surrounding the 2008/09 and 2009/10 budgets and, in part, because some held

the Council responsible for the slash to the arts funding that had been provided through Direct Access.

It is also clear that at least part of the reaction of the arts community is the result of some important but unintended consequences of the method used to handle the funding this past year. The Council would like to share with the Standing Committee the concerns we have heard to date.

a. Handling of additional \$7 million in late March, 2009

The manner in which the \$7 million supplemental allocation was handled caused confusion, resulting in a bad start to the year, when this should have been a source of good news. Unfortunately the grants from the \$7 million supplemental allocation went out to grant recipients in very late March, 2009, but the message to the grant recipients was not as clear as it should have been. The letter from Council clearly stated the supplemental grant would be considered when determining the 2009/10 grants, but many grant recipients treated this as “extra funding,” possibly due to the label “supplemental.” The Finance Department of Ministry of Tourism, Culture and the Arts would not allow the Council to clearly state this was to be considered an advance on clients’ 2009/10 budgets. As a consequence some organizations felt misled and have directed their frustration towards Council.

b. Budget cuts to arts and culture, most particularly the cuts to Direct Access gaming grants.

It is clear the arts community has significant concerns about the size and timing of the projected cuts to grants. While most are grateful that the funding for the Council was protected this year, some confusion on this issue remains as many, or some believe this protection came at the expense of Direct Access gaming grants. Given the state of the economy, some cuts should have been anticipated, but the concern is that the cuts were unreasonable “under the circumstances” and late in being announced, as many organizations were part way through their artistic year and had already completed programming or made commitments to hiring talent and acquiring space. The cuts to the Direct Access gaming grants, coming mid-year and significant in scale, were considered to be disproportionate to the cuts in other areas.

The fact that multi-year grants were not initially honoured (but later reinstated) only served to increase the frustration and anger. The prevailing impression is that the government did not fully understand what they were doing in regard to the multi-year grants nor did the government fully appreciate the financial circumstances facing many, if not most, arts and cultural organizations.

As one examines the budget for the Arts Council for 2008/09 and 2009/10 it is easy to see how confusion concerning the Council funding arises: one group speaks of a significant cut while another group speaks of an increase. The difference relates in large part to how one views the \$7 million supplemental grant – as part of the

2008/09 or part of the 2009/10 budget. The cuts to the Direct Access gaming grants is more obvious, and for 2009/10 much more significant in scale, but even here the dollar impact of the reinstatement of the balance of funding for the multi-year grants is not fully appreciated because data concerning Direct Access grant funding is less readily available.

c. Critical unintended consequences

The cuts, especially to Direct Access gaming grants, and the handling of the multi-year grants had obvious and potentially anticipated reactions. But how the 2009/10 funding was handled caused serious unintended consequences. These started with the fact the Council grant money was distributed through Gaming Policy and Enforcement rather than by way of a legislated appropriation as set out in the Act. The community was accustomed to seeing an appropriation for Council and expressed concerns that the funds came in a quite different manner. Past practices since the mid-1990s certainly reinforced the common view that Council would be funded with the more traditional appropriation. Many in the arts community felt that the process used to fund Council's grants this year demonstrated a weakening of government's commitment to the arts and came at the expense of Direct Access gaming grants.

The fact that the Council's grant funding came through Gaming created a number of other issues. First was the lack of coordination at the time payments were sent out to the organizations and individuals selected through the Council's peer review process. In some cases the organizations receiving grants did not have the necessary gaming account and had to create these on a moment's notice. Individuals received their grants through yet another source (2010 Legacies Now) because they could not receive the funds directly from Gaming, further adding to the confusion and frustration. An additional complication was that the reporting requirements for Gaming grants differ from the reporting requirements for grants from Council. While minor, and since largely sorted out, it was yet another reason to be frustrated and angry. Furthermore, there have been delays in sending out the payments, a serious problem to arts organizations that have little or no working capital and face significant seasonality in both revenues and expenditures.

Finally, there is lingering uncertainty and anger regarding 2010/2011 and 2011/2012 when current estimates tabled show only administrative costs allocated for arts and culture through the Ministry of Tourism, Culture and the Arts (MTCA). The community observation is that the budget of \$19,519,000 allocated to the Arts and Culture Division of MTCA in 2008/09 is now \$3,675,000 in 2009/10 and will be further reduced to \$2,249,000 in 2010/11 and \$2,175,000 in 2011/12.

What we have heard concerning the 2009/10 funding for arts and culture in British Columbia is a combination of concern and anger relating to the timing and size of the budget cuts. However, the situation has been made unnecessarily frustrating and confusing by the manner in which the funding for 2009/10 was handled and we

believe this element can be readily corrected next year. Finally there is the very serious concern relating to the budgets for 2010/11 and 2011/12 since there is zero allocation for Council grants in the current public numbers and no indication of the future of Direct Access gaming grants. Overall we see a high level of concern relating to the commitment of our Government to the arts and culture community.

Recommendations for the future

As we assess the comments we have heard from the arts community, we see a number of areas where significant improvements in both communication and processes could be made. These include:

- a. Providing an appropriated budget as per our Act (plus the BC150 Cultural Fund earnings) to the Arts Council. The use of the appropriated budget carries significant meaning to the arts and cultural community as it signals that arts and culture are part of the “main budgeting process.”
- b. In the event the Council funds are to again come from Gaming, we strongly recommend that government make a single grant to the Council who could then do what they are mandated to do – allocate grants in a fair and transparent manner focusing on excellence. Having the funds come directly from Council would eliminate much of the unintended consequences that are currently a source of concern and confusion.
- c. Restore the budgets of both the BC Arts Council and the arts and cultural community component of the Community Gaming Grants Program to at least the level of 2008/09 to allow the arts community to begin to build upon the legacy of the 2010 Olympics. The 2010 Olympics provide our province with such a wonderful “once-in-a-lifetime opportunity” to showcase not only the athletes, but the breadth and depth of arts and cultural activities that make British Columbia such a great place to live, work and visit. Without at least the level of funding provided in 2008/09 it will be next to impossible for the arts and cultural community to seize the opportunities presented by the 2010 Olympics.
- d. Develop and announce a long term strategy to strengthen the support for the arts and cultural community of British Columbia as the province works its way out of the current fiscal difficulties. The BC150 Cultural Fund has provided a valuable foundation, and we are very grateful for this long term support, even as present rates of return have diminished the current impact of this source. At the same time, many private donors have reduced their support for all not-for-profit organizations, only compounding the financial issues facing most arts organizations. The arts community is looking for a more positive attitude and increased visible support from government.

Conclusions

All members of the BC Arts Council and its staff are committed to working with government and the arts community to ensure everyone has the correct facts concerning public funding for the arts, to find ways to enhance resources and to find ways to use resources more wisely. We recognize the cuts that have occurred this year, most particularly the Gaming grants, are having a serious negative impact on our arts organizations and individual artists. Many will not survive and their loss represents an important loss to the vibrancy of their communities and, indeed, to the whole of British Columbia.

Council wants to be able to ensure the arts community that the setbacks are temporary and that our government has a strong long-term commitment to the arts. To that end, we encourage government to make a strong statement of commitment to the arts in the ongoing fiscal planning for next year. Equally important, we look forward to working with Government to help avoid unintended negative outcomes next year. Our Minister needs the support of his colleagues in Government to help rebuild confidence within the arts and cultural community and to offer that community a brighter future. Council encourages the Standing Committee to acknowledge the expressed concerns and frustrations of the arts and cultural community as it continues working on the forthcoming budget.

We thank you for the opportunity to help advance the cause of arts and culture through the work of the BC Arts Council.

Respectfully submitted on behalf of the BC Arts Council,

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