



The State Fiscal Landscape in Transition

Mandy Rafool, National Conference of State Legislatures

Senator Stan Rosenberg, Massachusetts Senate President Pro Tempore

Moderator: Jay H. Dick, Americans for the Arts

Friday, June 1st from 3:30 to 5:00 pm

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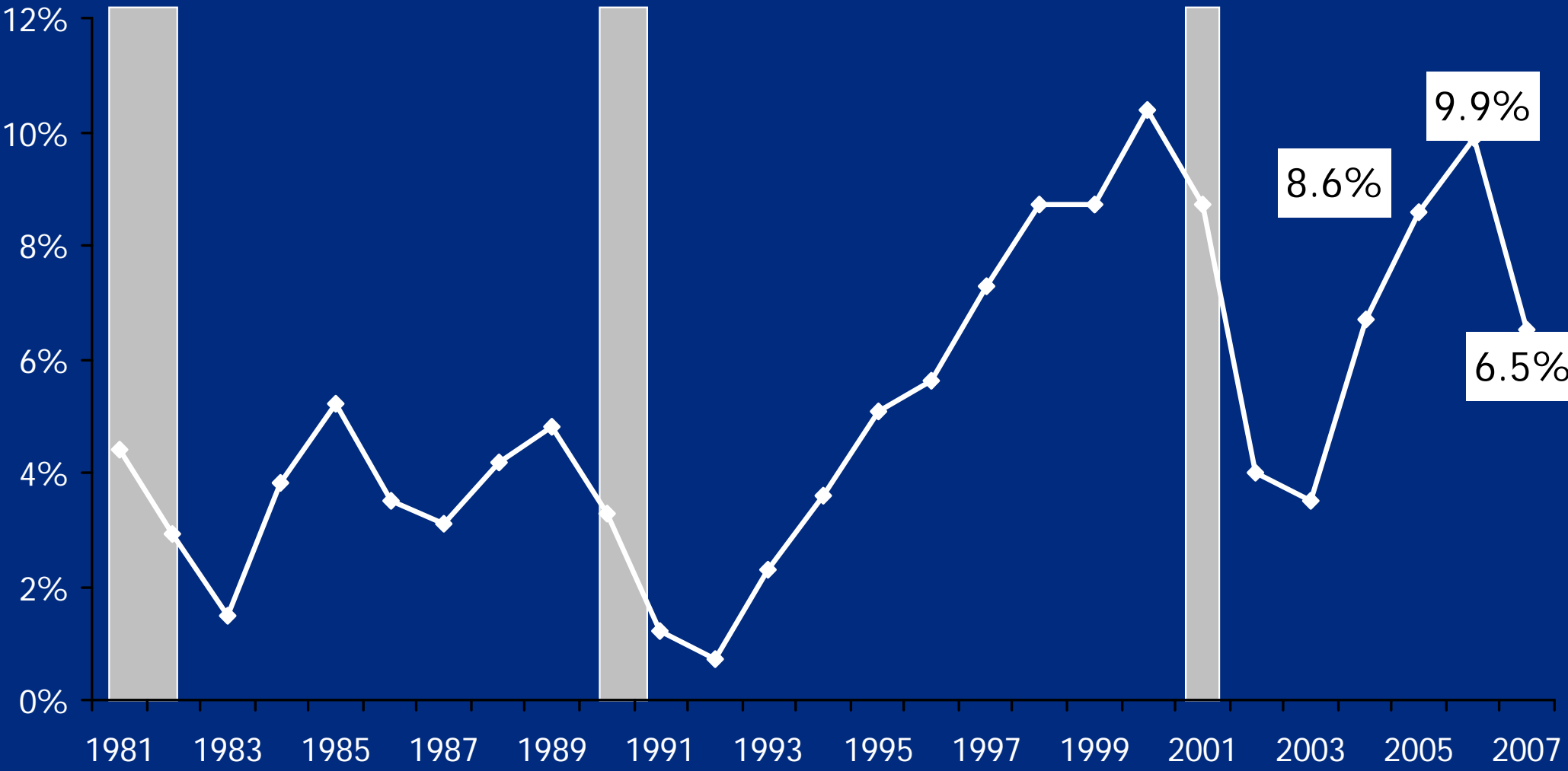
Where States Are

- Overall state revenue performance is solid.
- Individual tax categories are performing with mixed results.
- Spending largely has stayed within budget.
- Most states have unexpected resources available to allocate in the short term.



State Year-End Balances

As a Percentage of General Fund Expenditures

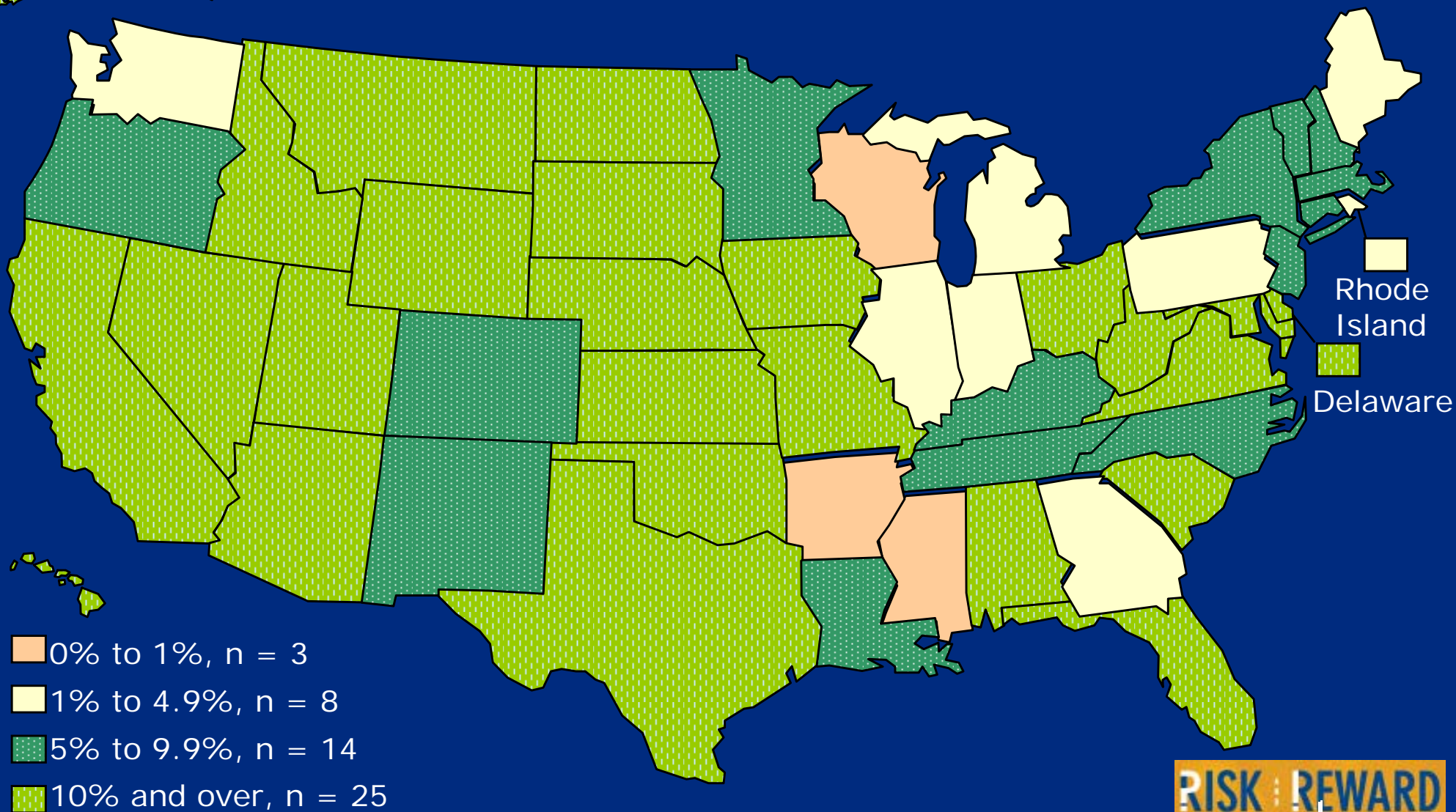


Recession

..... = Projected
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FY 2006 Year-end Balance as a Percentage of General Fund Balances



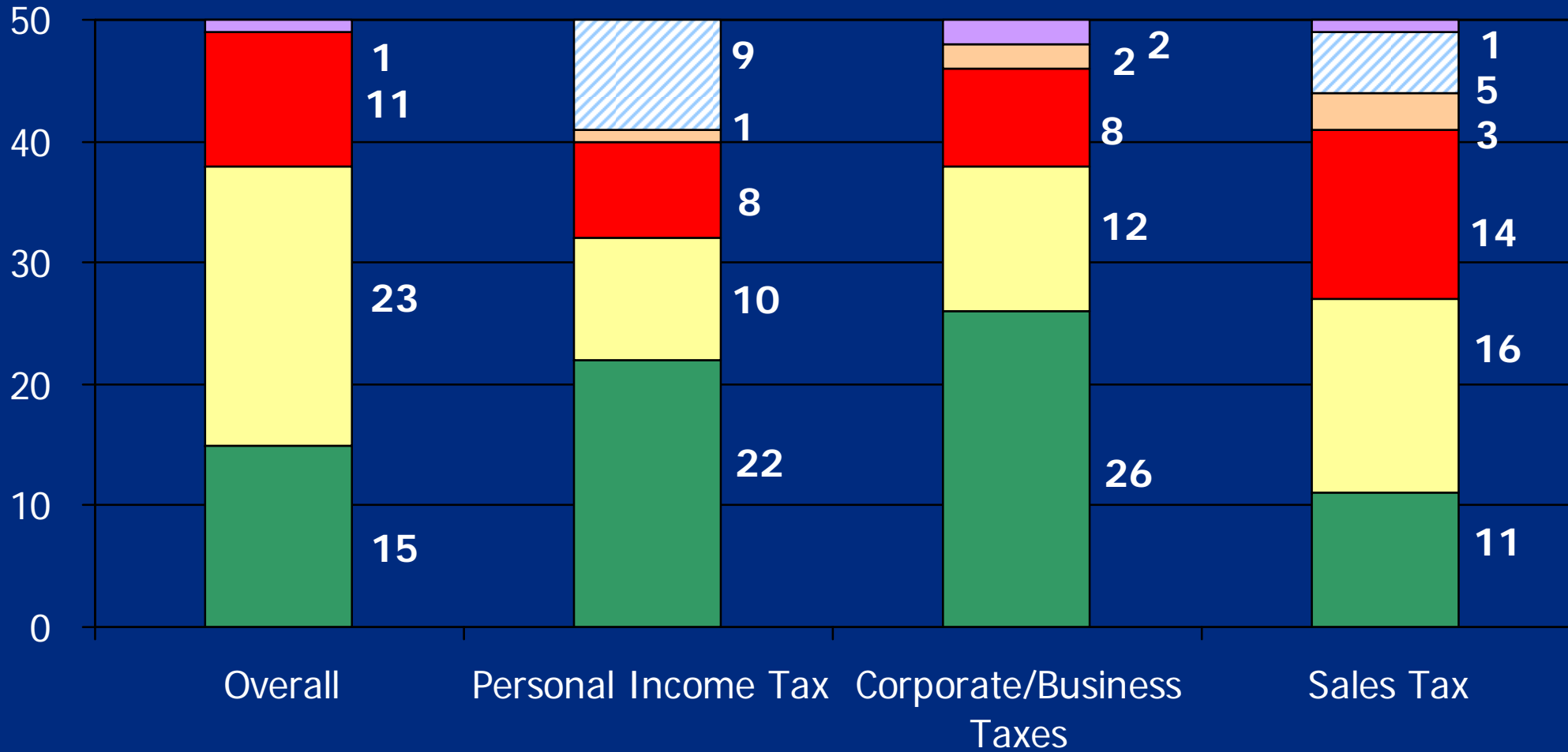
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State Revenue Performance

(through February 2007)

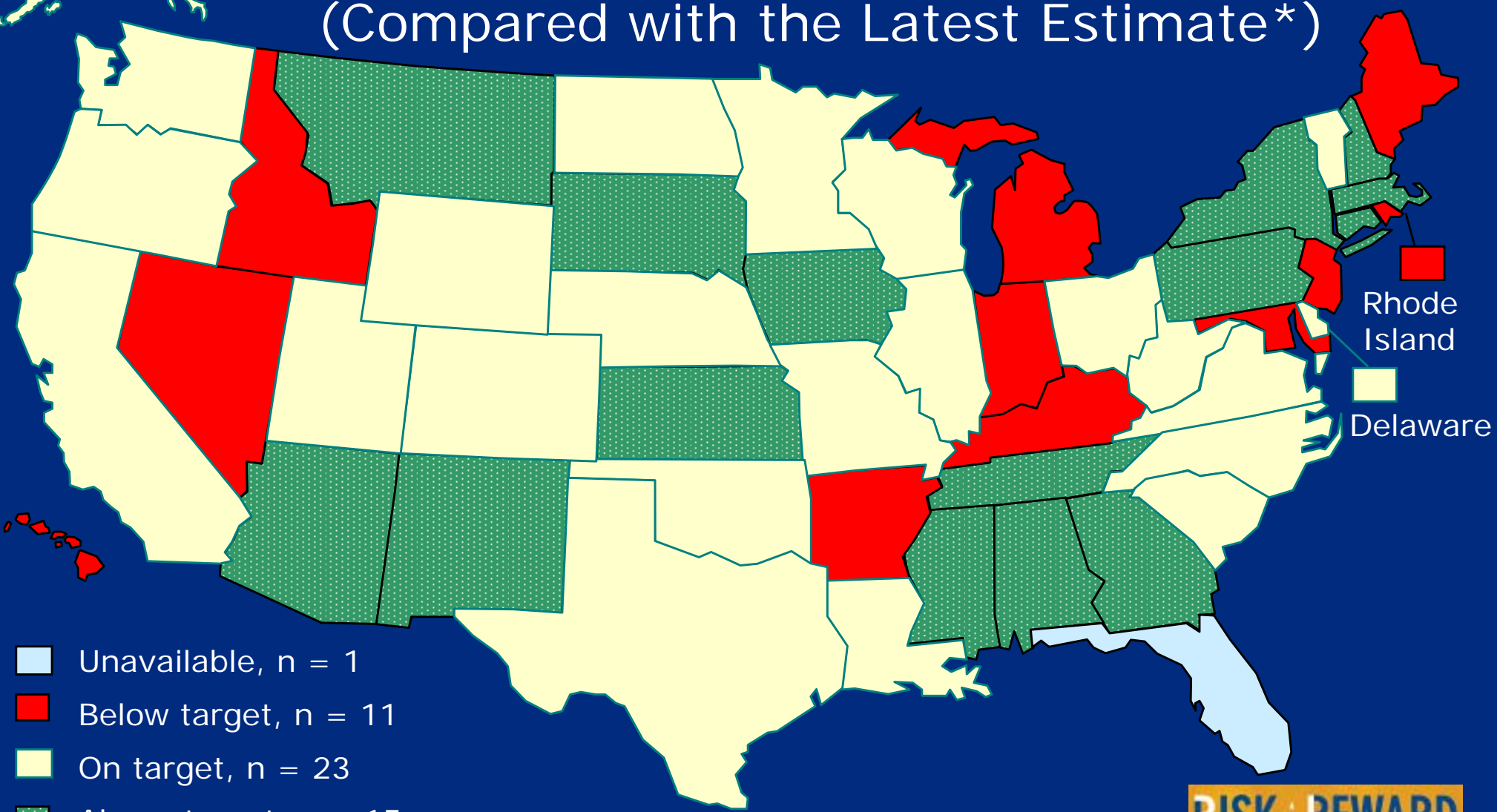


Above Expectation
 At Expectation
 Below Expectation

Other
 Not applicable
 Not available

General Fund Revenue Collections through February 2007

(Compared with the Latest Estimate*)



- Unavailable, n = 1
- Below target, n = 11
- On target, n = 23
- Above target, n = 15

* In four states, the forecast has not been revised (Connecticut, New Hampshire, South Dakota and Tennessee).





Quote of Note

"Our sales tax collections in March actually went negative, dropping three percent from the same period one year before. We're concerned because sales tax performance was a leading indicator of fiscal problems the last time we went into an economic downturn."

— Warren Deschenaux, director
Maryland Office of Policy Analysis



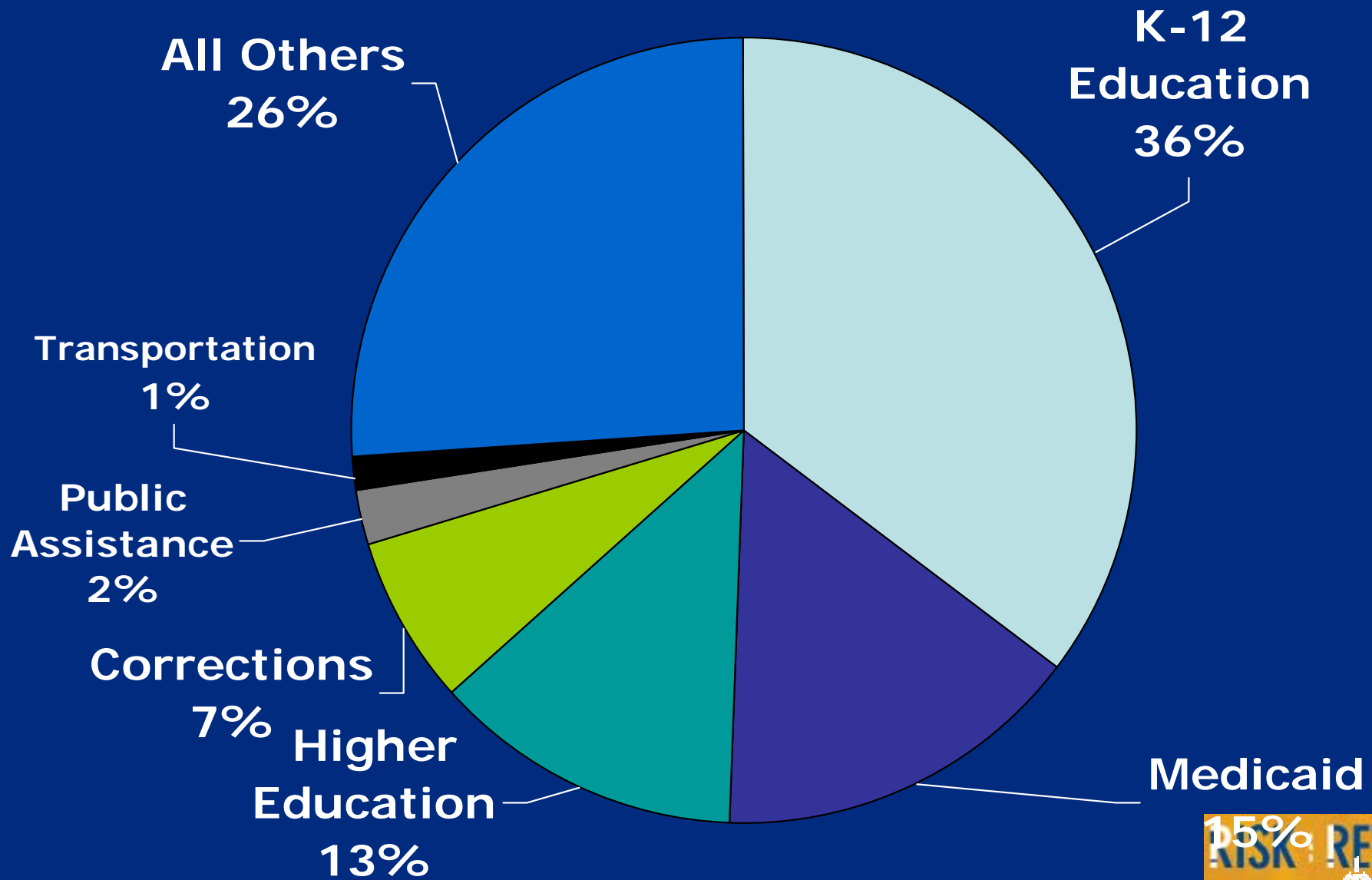
Use of Unexpected Resources in FY 2008

- Targeted expenditures (17 states)
- Capital expenditure (13 states)
- Tax relief (12 states)
- State employee salaries and benefits (11 states)
- Higher education (11 states)
- Reducing unfunded pension liabilities (7 states)
- State Retiree Health Benefits (6 states)
- Transportation (5 states)
- Other (28 states)

Use of Unexpected Revenue in FY 2007



State General Fund Expenditures



Spending Overruns

(in FY 2007 budgets)

- Fourteen states reported spending overruns in November.
- More than half the states reported overruns in March 2007.
- Seventeen states have had no overruns so far in FY 2007.



Categories of Budget Overruns

- Health and human services
- Corrections, juvenile justice, and public safety
- Medicaid
- Other



Top Fiscal Issues

- Education: 29 states
- Health Care/Medicaid: 23 states
- Tax Issues: 16 states
- Budget: 16 states
- Infrastructure/transportation: 10 states

Top Fiscal Issues

(continued)

- Pensions/Retirement: 9 states
- Corrections: 8 states
- Other: Gambling, property insurance, gas pipeline, affordable housing, public safety, economic development/revitalization; employee compensation



Longer-Term Fiscal Pressures

- Federal actions that affect state budgets:
 - Unfunded or underfunded federal mandates
 - Reduced federal funding for states
 - Federal tax reform
- Budget inflexibility
 - Voter mandated spending
 - Earmarked revenues
 - Tax & spending limits
 - General reluctance to raise taxes
 - Continued emphasis on property tax relief
 - Fewer one-time options



Legislative Attitudes Toward the Arts

- NCSL/NASAA Partnership
- Legislative Focus Groups
 - National Sample
 - Professional Moderator
 - 23 Legislators / 13 Staff
 - 61 percent fiscal

Findings

- Arts are not a top policy priority
- Best course of action is to link arts to education, economic development and tourism



Quote of Note

"By the time I take care of K-12, universities and colleges, corrections and health and welfare, I have 8 percent of my budget left.

I have state employees and teachers who haven't had a raise for three years and then I have the arts council that needs a new phone system...

But the other needs shout so loudly."



Quote of Note

"I think there need to be opportunities for music and art as part of the curriculum...it just enriches students lives as they move through this process to become a productive adult. But...
...once they're past that, that's where I run into trouble, because now we're subsidizing people who make a living...they can't make a living apparently without government subsidies."



Quotes of Note

"If the arts are looking for a way to be more successful, they're going to have to find a new message. Whether that message is jobs, education, attracting business...you might as well ride their coattails..."

Adds another: "The arts are a big part of tourism. Nobody goes to Paris without visiting the Louvre, so it's a natural."



Findings Continued

Don't assume knowledge about the benefits of the arts.



Quotes of Note

"Have people here heard the phrase
'creative economy?'"

"Creative economy? I love it. Put me
down for that."

Findings Continued

- Provide reliable local data
 - Prefer state level data to national data
 - Skeptical of economic impact studies
 - Prefer quantitative information over qualitative



Quote of Note

"It's important to get information, but it's important to get good information. Because if it's perceived as just another one of these fluffy economic impact studies that exaggerates the numbers, it's going to hurt you a lot more that the other way."



Quote of Note

"Our arts community finally recognized why they were not being successful at lobbying for more money. They proved their case better. They came at it from an economic development aspect. And they had numbers and they had breakdowns...how many people visited museums, how many bought tickets..."



Quote of Note

"Speaking for most of my legislature, I don't think they vote by anecdote. I could just as easily find you somebody who took a dance class and ended up a serial murderer."

Findings Continued

- Speak with a unified voice
 - Arts organizations often lobby for one special project at the expense of another



Quotes of Note

"For arts, you have a zillion groups competing with each other, competing for scarce funds...thus it's more of a challenge for people who are competing with one another for scarce resources to mobilize and to get the attention of leaders and make it a front burner issue."

Adds another: "when the teacher from one district comes in and testifies for more education funding, they're rallying for education funding throughout the state. The arts people come in and lobby for the symphony, the performing arts center or the aquarium."



Quote of Note

"The cultural community is very broken up...(there are) so many different interests that in some ways they almost cancel each other out".

Findings Continued

- Increase the effectiveness of advocacy
 - Engage influential individuals
 - Be more visible--don't just show up on advocacy day
 - Emphasis access not elitism
 - Monitor success in other states



Quote of Note

"The strongest appeal I've had was when I had large financial players out there that came in with the arts director staying, 'hey, this is really important. Here's why this is important.' Now you're bringing votes to the table."



Quote of Note

"The reason the arts aren't a priority is because, as legislators, when you say the arts, you're thinking symphony, ballet, all kinds of hoity-toity stuff that the average person doesn't relate to. And then the people who come to your capital to lobby on behalf of the arts look like 'hoity-toity ballet and symphony people.'"



Quote of Note

"Legislators like to keep up with the Jones': when we see another state having an idea, especially one that is a competitor to us...if they can do it, we can do it. There's a competition among states."

Findings Continued

- Be Accountable
 - Financial accountability
 - Content accountability



Quote of Note

"I oppose public funding for the arts outright with tax dollars. I think it's wrong philosophically and ideologically to demand that people give their tax dollars to something that maybe they don't appreciate or like or want to have happen."

Findings Continued

- Consider pursuing dedicated funding and establish a trust
 - Tax districts
 - License plates
 - Filing fees
 - Tax credits



Quote of Note

"If all the money is in general revenue, its like throwing chum to the sharks. They're all supposed to fight over the money and the strongest survive. But the only thing to crawl out of that pile is always going to be health care and education."



Key Points Summarized

- While some policymakers support the arts on basic philosophical grounds, most want to see the economic benefits.
- Need for quantitative data on arts impacts.
- Improve advocacy efforts year round.

Conclusion

- State budgets are stable in the near term.
- Robust revenue performance appears to be tempering.
- Many states face longer-term fiscal challenges.
- Federal actions loom large over states.
- Arts funding faces fierce competition

PLANNING A BALLOT CAMPAIGN

THE VISION THING

- Needs Assessment
 - Do we have an identified compelling need consistent with our advocacy strategic plan that requires us to go to the ballot because we have been unable to meet it any other way?
- OR
- Are we compelled to do it because the rules require us to use the ballot to get this need met?

PLANNING A BALLOT CAMPAIGN

THE VISION THING (cont.)

- Resource Assessment
 - Money
 - Leadership
 - Potential Allies
 - Organizational Capacity



PLANNING A BALLOT CAMPAIGN

RULES OF THE GAME

- Learn the formal and informal process and rules
 - Constitution
 - State Secretary
 - Legislative Staff

- Learn from the experiences of others

PLANNING A BALLOT CAMPAIGN

POLITICAL ANALYSIS

- Who else will be on the ballot?
- Who will support /oppose us?
- Is the public ready for this proposal at this time?
- Are we ready?
 - ✓ Can we get the money?
 - ✓ Can we get a coalition organized?
 - ✓ Can we attract the right volunteer and paid leadership?
 - ✓ Can we build the required field organization?
 - ✓ Do we have a compelling message?
- MAKE YOUR DECISION



BUILDING & ORGANIZING THE CAMPAIGN

MESSAGE

- Wording of the ballot question
- Legal requirements
- Focus groups
- Polls and surveys
- Professional help
- Develop your story, research, data, etc. that will be used to persuade people to:
 - ✓ lead your campaign
 - ✓ join your campaign
 - ✓ contribute to your campaign
 - ✓ vote for your ballot question

BUILDING & ORGANIZING THE CAMPAIGN

EARNED MEDIA CAMPAIGN

- Persuasion stories in the press
- Events
- Endorsements
- Speaking engagements

PAID MEDIA

- Direct Mail
- Flyers/Palm cards
- Advertising
- Literature drops
- Web Based components





BUILDING & ORGANIZING THE CAMPAIGN

FIELD STRUCTURE AND STRATEGY

- Establish structure
 - Regional coordinators
 - Municipal Coordinators
 - Precinct captains
 - Neighborhood and block captains
- Collect Signatures
- Conduct Targeting Study
- Voter Registration Campaign

BUILDING & ORGANIZING THE CAMPAIGN

FIELD STRUCTURE AND STRATEGY (cont.)

- **Voter Identification (ID)**
 - Phone callers
 - Door knockers
 - Work site contact
 - Supermarket tables
- **Get Out the Vote (GOTV)**
 - Absentee voting
 - Door to Door
 - Poll watchers
 - Phone callers
 - Rides to the polls

BUILDING & ORGANIZING THE CAMPAIGN

ORGANIZATION AND MANAGEMENT STRUCTURE

- Develop a campaign organization structure and staffing plan
 - Campaign Manager
 - Media Director
 - Budget and finance Director
 - Fundraising Director
 - Field Director

- Identify which positions must be paid and which can be done by volunteers

BUILDING & ORGANIZING THE CAMPAIGN

MONEY

- Develop a comprehensive budget based on all of the above
- Set up strong finance office
- Develop a fundraising strategy and program
 - Learn the campaign finance rules
 - Build prospecting lists
 - List and data base building
 - Fundraisers /Events
 - Online
 - Direct Mail
 - Telephone solicitation
- Establish fundraising team and set up fundraising structure and systems



Sample Campaign Budget 1

Description of activity Total estimated expense Phase 1

- | | |
|--|--------------|
| 1) Establish the sponsoring committee. | \$5,000.00 |
| 2) Legal help to handle all financial reporting requirements that are required from start to finish of campaign. | \$5,000.00 |
| 3) Conduct polling, market surveys, etc. to help with the drafting of the model initiative language. | \$120,000.00 |
| 4) Preparation of model initiative language. | \$15,000.00 |



Sample Campaign Budget 1

Description of activity Total estimated expense

Phase 1 (cont.)

5) Create educational material to be used through Phase 4.	\$50,000.00
6) Set-up campaign offices/hire staff through Phase 4.	\$250,000.00
7) Put the model initiative language in the proper format to so it can be filed with the Board of Elections.	\$1,500.00
8) Legal help in making certain DC Board of Elections doesn't rule that measure is not a proper subject or help with any ballot title/summary challenges	\$10,000.00
Sub-total	\$456,500.00



Sample Campaign Budget 1

Description of activity Total estimated expense Phase 2

1) Collect the required number of petition signatures (45,000 gross – this figure is for using a 90-day circulation period. If we used a 180-day circulation period the cost would be \$213,750).	\$337,000.00
2) Handle any legal challenges against the signatures submitted for verification	\$20,000.00
Sub-total	\$357,000.00



Sample Campaign Budget 1

Description of activity Total estimated expense

Phase 3

1) Conduct paid advertising, including but not limited to, TV, radio and mass mailings.	\$2,000,000.00
2) Mail out educational material to activists and opinion leaders.	\$500,000.00
3) Conduct symposium(s) in each ward of the city.	\$80,000.00
4) Consultant management Fee (\$10,000 a month - 21 months)	\$210,000.00
Sub-total	\$2,790,000.00



Sample Campaign Budget 1

Description of activity Total estimated expense Phase 4

1) Fight against efforts to stop Congressional interference	\$50,000.00
Sub-total	\$50,000.00
Estimated Grand Total	\$3,653,500.00



Sample Campaign Budget 2

CAMPAIGN BUDGET SUMMARY

PERSONNEL	\$826,000.00
OFFICE EXPENSES/COLLATERAL MATERIALS	\$217,250.00
LEGAL	\$55,000.00
PUBLIC OPINION RESEARCH	\$147,500.00
PAID PETITION GATHERING	\$1,237,750.00
PAID MEDIA	\$3,566,500.00
CAMPAIGN TOTAL	\$6,050,000.00

LAUNCH CAMPAIGN AND PLAN VICTORY PARTY!!!



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POST CAMPAIGN

- Evaluate strengths and weaknesses of the campaign
- Develop strategy and plan for keeping the coalition together for future efforts
- Develop a plan and capacity to follow implementation to ensure that the program/policy is actually carried out as intended

Five Rules of Initiative Politics

Fewer than half of the measures that even make it to the ballot win and most initiatives never make it to the ballot at all. Here are some basic political rules:

Winning Elections is About Moving "Swing Voters"

- Winning an initiative is not about reaching the voters already for you or against you, but by focusing on are the undecideds, the "swing vote".

Five Rules of Initiative Politics

Initiative Campaigns are About Harvesting Public Opinion, Not Changing It

- Initiative campaigns are actually a lousy time to educate the public, especially while you are being outspent ten to one or more. If an initiative doesn't start out with support (as measured by serious polling) in the range of at least sixty five to seventy percent, it has very little chance of maintaining fifty one percent by election day.

Five Rules of Initiative Politics

Initiatives are Defeated by Their Weakest Provision

- A basic strategy in almost all campaigns opposing an initiative is to target the measure's most controversial provision and attack it relentlessly. For "no" campaigns the task is to find that one weak spot and fix voters attention on it. For "yes" campaigns the task is to try to find that weak spot and weed it out during the drafting process.

Five Rules of Initiative Politics

When Voters are Confused, They Tend to Vote No

- Often, the most effective strategy for the "no" side of an initiative campaign is simply to raise voters' doubts. When voters are uncertain or confused by a measure they typically vote no.



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Five Rules of Initiative Politics

First Make It Controversial, Then Define the Sides to Your Advantage

- First, make the initiative controversial so that the public pays attention, then define the two sides so that you are the good guys and the other side is evil incarnate.

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Research, Research, Research

The successful campaign is one that finds its issue and message through research.

- At the onset, avoid preconceptions of what you want to do and how you want to do it
- Test public opinion. Find out what likely voters will support. Aim for the issue that will deliver the greatest public health impact and that voters will support
- Do your research and ***BE FLEXIBLE!***



No “Low Budget” Campaigns

- Don't start with a dollar figure in mind and work backward.
- You **MUST** do research. Find your issue, define your message and then define your campaign
- Project your campaign needs in a worst-case scenario with an experienced political consultant who has worked on initiative campaigns



No “Low Budget” Campaigns

- Once you know **WHAT** you want to do and **HOW** to do it, develop a detailed budget for your campaign
- Raise enough money to match your budget
- **DO NOT LOSE YOUR CAMPAIGN BECAUSE YOU RUN OUT OF MONEY!!**



Find Someone Who's Done It Before

- **Speculation and indecisiveness can be costly in a campaign. Without lots of experience, you will likely get it WRONG!**
- **Political consultants run campaigns for a living. They can be expensive – but they are the difference between running a top-flight professional campaign and an ineffective campaign**
- **Prepare for opposition tactics**

Earned Media Earns You a Win

- Have a well-defined earned media plan that will generate press attention throughout the various phases of your campaign
- Media love the “David vs. Goliath” story of the people rising up against Big Tobacco
- Plan and execute media events throughout your campaign.
Never let up!



There's Victory in Numbers

- Seek out organizational endorsements for your campaign – no matter how small the organization
- Seek out non-traditional partners
- Your coalition is your grassroots network. The bigger it is, the better your advantage



Communicate!

- **Effective communication will ensure your organizational support will be with you at the beginning, during heated periods of the campaign, or during opposition attacks**
- **Keep lines of communication open with:**
 - Staff and volunteer leadership
 - Organizational volunteers
 - Coalition members
 - Campaign funders
 - Supporters





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