

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 602, S.D. 2, H.D. 1

April 7, 2009

RELATING TO THE ARTS

Senate Bill No. 602, S.D. 2, H.D. 1, Relating to the Arts, adds the use of general obligation bonds deposited in the Works of Art Special Funds to support operations of culture and art organizations. Specifically, the bill will provide financial assistance for Bishop Museum and Iolani Palace for the acquisition and costs associated with works of art. The bill also will include expenditures for live performing arts, to include performances such as live music, dance, drama, choreographed athletic or aerobic performance, poetry readings, speeches, and lectures that can be made into a permanent display.

We have concerns with this bill. By including the culture and arts organizations and permanent display of performing arts, the proposed bill will allow the use of bond funds designated for the construction cost element of State buildings. Generally, tax-exempt general obligation bond proceeds must be used to fund capital expenditures. As such, the funding for Bishop Museum, Iolani Palace, and live performances generally will not qualify for tax-exempt bond financing. There are some exceptions to this federal statutory requirement such as if the culture and art purchases are determined to be a capital asset. Such a determination will need to be made by an accountant and concurred by bond counsel.

HISTORIC HAWAII FOUNDATION

VIA WEB: www.capitol.hawaii.gov/emailtestimony

To: Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair
Committee on Finance

From: Kiersten Faulkner *Kiersten Faulkner*
Executive Director, Historic Hawai'i Foundation

Committee Date: Tuesday, April 7, 2009
3:30 p.m.
Conference Room 308

Subject: **Support of SB602 SD2, HD1 Relating to the Arts**

On behalf of Historic Hawai'i Foundation (HHF), I am writing to support SB602 SD2 HD1, which would allow expenditures from the works of art special fund for acquisition, display and restoration of works of art for 'Iolani Palace and Bishop Museum.

HHF also recommends that the bill be amended to state explicitly that the funds may also be used for the upkeep, maintenance, repair, and restoration of historic buildings. For both 'Iolani Palace and Bishop Museum, historic structures are the most significant components of the collections and should be treated with the same care and respect as the artworks and artifacts.

HHF supports efforts to preserve and protect the historic and cultural resources of the Hawaiian Islands. 'Iolani Palace and Bishop Museum are important institutions that protect, preserve and interpret collections that tell the rich history and storied legacy of Hawai'i. The historic buildings that house these collections are also fundamental to understanding and celebrating Hawai'i's past and making it accessible and relevant to present and future generations.

By extending the works of art special fund to support the palace and the museum, these two institutions will have greater financial resources to support their important work. Many additional members of the public—both visitors and kama'āina—will be able to enjoy these special places. This is an appropriate use of the works of art special fund, and will greatly increase the numbers of people with access to products from the fund.

Besides being a public benefit in its own right, the investment in these important historic and cultural resources will also serve a general economic development goal. In a study into the economic benefits of historic preservation completed last year, HHF found that improving historic resources attracts cultural heritage tourism. The National Trust for Historic Preservation lists the economic benefits of heritage tourism as creation of jobs, increased tax revenues, diversification of the local economy, opportunities for public-private partnerships, increasing historic attraction revenues, preserving local traditions and culture, generating local investment in historic resources, and building community pride in its heritage. A 2002 study by the Travel Industry Association of America reported that heritage and cultural tourists consistently stay in a place longer and spend more money than other types of travelers.

Since 1974, Historic Hawai'i Foundation has been a statewide leader for historic preservation. HHF works to preserve Hawai'i's unique architectural and cultural heritage and believes that historic preservation is an important element in the present and future quality of life, economic viability and environmental sustainability of the state. HHF's policy and practice is to follow strict procedures on conflicts of interest for its board members and staff. HHF's board president has not participated in developing the organization's position or testimony on this matter due to his position as president of Bishop Museum.





IOLANI PALACE

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TESTIMONY OF KIPPEN DE ALBA CHU

COMMITTEE ON FINANCE
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Tuesday, April 7, 2009
3:30 pm / Agenda #2

SB 602 SD2 HD1

Chair Oshiro, Vice Chair Lee, and members of the Committee, thank you for this opportunity to testify **in support** of Senate Bill 602, with some amendments.

As amended by the Senate Ways and Means Committee, this measure now includes funding for collections management at Bishop Museum and Iolani Palace.

However, the measure should clearly state that both institutions are responsible for the selection, exhibition, and care of art works in their respective collections. Language to this effect is already present in H.B. 963, HD1.

In these times of economic hardship, we need to think creatively in trying to fund some of our State's most important cultural treasures.

Thank you again for allowing us to testify in support of this measure.



AIA Hawaii State Council

A Council of The American Institute of Architects

April 7, 2009

Honorable Marcus Oshiro, Chair
House Committee on Finance

Re: **Senate Bill 602 SD 2 HD 1**
Relating to the Arts

Dear Chair Oshiro and Members of the Committee,

My name is Daniel Chun, Government Affairs Chair of the American Institute of Architects (AIA). AIA is **OPPOSED** to both the intent and language of SB 602 SD 2 HD 1 that revises the current Art in Public Places Program.

Stimulus funds and the current Art in Public Places Program

Revising the current law will have two long-term detrimental effects on the current Program. Firstly the anticipated high level of CIP funds will not occur in every future budget cycle. Secondly the larger number of new buildings that are likely to result from a larger CIP package will be deprived of larger funding to provide for a commensurate scale of newly commissioned public art. We request that you hold this bill in your Finance Committee.

Page 4 lines 4 through 7 Works of art for Bishop Museum and Iolani Palace.

The current one percent is a transfer that AIA was instrumental in passing into law and that we continue to support. There seems to be a misconception that this one percent is a surcharge upon construction. Instead it is a deduction from building budgets that we architects are supposed to be controlling.

The law's intent is to enhance NEW public construction and renovation with NEW works of art contemporaneous with a building's architectural design. So AIA is opposed to diverting Program funds for otherwise worthy purposes.

In my personal experience as an architect, the works of art commissioned for public buildings have used local artists in the Hawaii arts community. This may not be the case for historic works of art bought from international auction houses and other non-artist sources who may own the objects coveted by these institutions.

Page 6 lines 6 through 9 Defines "works of art" to include live performances

It is amazing to architects how this legislature would approve using bond funds to support the activities listed on Page 6. A bond is a commitment for future generations to pay for an improvement that they themselves will be using in their lifetimes. Would anyone use a home mortgage to pay for a live performance at the housewarming party?

If you want to support other culture and arts activities, these can be separate appropriations or from other sources. Some private organizations also have the better ability to raise private funds, such as from ticket fees, for performance programs. By its broadly accessible settings, permanent public art cannot do this. Thank you for the opportunity to **OPPOSE** SB 602 SD 2 HD1.



BISHOP MUSEUM

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April 7, 2009

**TO: Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
House Committee on Finance**

**FR: Bishop Museum
Timothy Johns, President & CEO**

**RE: Committee on Finance
Tuesday, April 7, 2009; 3:30 p.m. Rm. 308
Support of SB 602, SD2, HD1 Relating to the Arts**

Bishop Museum supports SB 602, SD2, HD1 which authorizes use of bond proceeds deposited into the State's works of art special fund to support operations of culture and art organizations; and provide financial assistance for Bishop Museum and 'Iolani Palace for costs associated with works of arts.

Founded in 1889, Bishop Museum's mission is "to study, preserve and tell the stories of the cultures and natural history of Hawai'i and the Pacific." As the State Museum of Natural and Cultural History, we have a responsibility to be stewards of the priceless treasures of the host culture. Bishop Museum's founding collection includes the family heirlooms held by Princess Pauahi, Princess Ruth, and Queen Emma. Today, our cultural collection includes objects from Hawai'i and the Pacific. Our library and archives house Hawaiian Kingdom documents, Hawaiian language newspapers, among other valuable historical information, and an art collection of paintings and etchings of Hawai'i.

The State has already recognized the historical significance and important role of 'Iolani Palace and Bishop Museum as caretakers for Hawai'i's heritage. Bishop Museum's collections impart knowledge of the Native Hawaiian people – their culture, their values, and their history. Cultural practitioners, teachers, students, and families visit Bishop Museum because we are a resource to learn about Hawaiian history and culture. There are 56,000 people in our membership program who participate in Bishop Museum events and activities.

Bishop Museum also offers tourists an opportunity to learn what makes Hawai'i uniquely special from any other state in the union and from any other place in the world. It is one of the greatest

attractions for the state's Asian visitors and a top attraction for mainland tourists. Over 300,000 visitors come to Bishop Museum annually.

In this rapidly changing world, it is more important than ever that we remember what makes Hawai'i so special and unique. Passage of this bill will allow our institutions to further our work – to care for our collections and historical buildings – and that in turn allows us to continue as Hawaiian ambassadors to the community and the world.

As you know, last year Bishop Museum was forced to make cutbacks and underwent a restructuring effort to better ensure the Museum's sustainability and long-term growth. Because of the challenging economic climate facing our State, the community, and especially non-profits in Hawai'i, the Museum's restructuring included a reduction in staff by 14 positions. The staff reductions included management and non-management personnel, and represented approximately 6% of the Museum's staff.

Bishop Museum strives to stay true to its mission. This includes retaining as many of the hard working individuals who have dedicated themselves to the Museum.

If passed, this measure would provide financial assistance to Bishop Museum and 'Iolani Palace by providing a funding source via the special art fund. While this is not a conventional funding mechanism, Bishop Museum is actively searching all avenues of funding that may be or become available. It is also important to note that the Museum has continued its efforts to responsibly cut costs in ways that do not threaten our mission.

We thank you for your ongoing support during this session and for this opportunity to testify in support of SB 602, SD2, HD1.

Peter Rosegg

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**TESTIMONY
HOUSE COMMITTEE ON FINANCE
ON
April 7, 2009**

S. B. 602, SD 2 HD 1

RELATING TO THE ARTS

Chair Oshiro and members of the committee, I am Peter Rosegg, a member of the Hawaii State Foundation on Culture and the Arts Commission and I am testifying as an individual. Thank you for the opportunity to testify before you on S. B. 602, SD 2 HD1.

I strongly oppose aspects of this bill that would divert funding from the Art in Public Places fund to the Bishop Museum and 'Iolani Palace or to divert funds to support performing arts at the expense of the APP program.

The one-percent for art law enacted in 1967 and the Works of Art Special Fund established in 1989 have long been the cornerstones of the State Foundation on Culture and the Arts' support for the visual arts. Over the years, the Art in Public Places (APP) Program has grown in curatorial integrity, programmatic value and the professional expertise of its staff. One mark of its stature is that highly respected Hawaii artists now donate their works to the care of the APP program for display in public buildings.

Today, the Art in Public Places Program is a model for public art programs in at least 24 other states and more than 300 federal, state and county level public art programs.

The founding principle of the one-percent-for-art law is that art humanizes and beautifies the built environment. Art completes the architectural plan of a building and enhances the aesthetic vision of its designers. The law, in effect, reinforces the fundamental relationship between the architect's creativity and the way the building functions

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for the benefit of the public, making the use of that public building an aesthetic, educational and humanitarian experience.

The fact that more bond proceeds may be directed to the special fund as the result of the state's proposed economic stimulus package is welcomed with caution. Revenues to the special fund from construction and renovation of state buildings have averaged \$2.8 million per year over the last 18 years. Most repair and maintenance projects are not assessed the 1% and therefore do not result in revenues to the fund.

Expenses from the fund have averaged about \$2.5 million per year, well below our \$4.4 million budget ceiling. This difference is due to a determined effort to manage the fund prudently in accordance with average yearly revenues.

While I commend the intent of the legislation to provide additional funding for the Bishop Museum and 'Iolani Palace, revising the Works of Art Special Fund compromises the ability of the State Foundation to maintain, conserve and grow the State Art Collection.

Direct funding to 'Iolani Palace and the Bishop Museum would undermine the founding principle of Section 103-8.5, HRS, that art should enhance state buildings. It would compromise our mission to enhance the experience of the public who use these public buildings and state employees who work there.

Moreover, the collections of 'Iolani Palace and the Bishop Museum differ dramatically from the State Art Collection. Our collection comprises carefully selected, outstanding examples of contemporary, Hawaii-themed art by Hawaii-based artists. The 'Iolani Palace and Bishop Museum collections are by nature historical and do not in the same way contribute to the livelihood or encouragement of artists most of whom work in Hawaii, often teaching art to our children from elementary schools to colleges.

More than \$1 million of the Special Fund is currently dedicated to staff salaries for the Art in Public Places Program, the Hawaii State Art Museum, and beginning FY2010, 50% of the SFCA's three administrative positions. If the fund must absorb additional costs, fund revenues will be totally depleted within 2 years, if not sooner. This is likely to result in staff layoffs and/or significantly curtailing and

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compromising operations in our primary mission – to make the art collection available to be seen and enjoyed by the public in their buildings and the state art museum.

The SFCA, through the Biennium Grants Program, has been distributing approximately \$500,000 to performing arts projects in communities statewide on an ongoing basis. The grants program uses a highly-respected peer review system to disperse funds in the most equitable way possible.

As an alternative to compromising the integrity of the Works of Art Special Fund, the Art in Public Places Program and the Hawaii State Art Museum, may I suggest a study into finding alternative funding sources for the performing arts be undertaken. As available, such alternative funding could be dispersed through the established, tested and highly respected Biennium Grants Program with its categories of Arts Education, Community Arts, Heritage and Preservation, Presentation (that includes literary, visual and media arts), and Performing Arts.

The intent of S. B. 602, SD 2 to enable the performing arts of Hawaii to thrive and prosper, especially during tough economic times, is commendable. However, meeting a new need by compromising the meeting of an existing one is not advisable. It is sure to result in an outcry from the general public and the visual arts community and pit supporters of one art form against another.

Thank you for your kind attention and for the opportunity to present testimony on this matter.

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