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## Arts Funding in North Carolina

*Also Trends in the Nonprofit Sector*





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The Center was formed in 1977 by a diverse group of private citizens "for the purpose of gathering, analyzing, and disseminating information concerning North Carolina's institutions of government." It is a nonpartisan organization guided by a self-elected Board of Directors and has individual and corporate members across the state.

Center projects include the issuance of special reports on major policy questions; the publication of a magazine called *North Carolina Insight*; joint productions of public affairs television programs with the University of North Carolina Center for Public Television; and the regular participation of members of the staff and the Board in public affairs programs around the state. An attempt is made in the various projects undertaken by the Center to synthesize the thoroughness of scholarly research with the readability of good journalism. Each Center publication represents an effort to amplify conflicting ideas on the subject under study and to reach conclusions based on sound rationalization of these competing ideas.

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*Arts Funding  
in North Carolina:  
Trends in Public and  
Private Support*

BY TOM MATHER

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*Karen Tam, detail from "North Carolina Belongs to Children," by James Biggers*



*This study was supported by grants from the Governor's Business Council on the Arts & Humanities, The Mary Duke Biddle Foundation, and the Weaver Foundation.*



## Summary

*Public funding for the arts has come under increasing scrutiny in recent years, particularly at the national level, due to the federal budget deficit and the controversial nature of some artwork funded by federal grants. Such concerns led Congress to cut funding for the National Endowment for the Arts (NEA) by nearly 40 percent in FY 1996, and Republican leaders in the U.S. House of Representatives have pledged to eliminate all NEA funding by 1998. To assess the impact of these cuts in North Carolina, the N.C. Center for Public Policy Research studied trends in public and private support for the arts since 1980, focusing particularly on the past five years. This report also builds on the Center's 1983 study of the arts in North Carolina, its look at the impact of 1981–82 federal budget cutbacks in the state, and its 1985 directory to corporate and foundation giving.*

*The Center's new study found differing trends in government funding for the arts. **Federal** support for the arts has declined steadily in North Carolina since peaking in FY 1990. NEA grants in the state for FY 1995 totaled \$1.3 million, less than half the amount in FY 1990 — even before the latest cuts. State and local government funds for the arts in North Carolina have increased substantially in the 1990s, more than making up for cuts in federal funding. **State** funding for the arts totaled \$14.1 million in FY 1996, a 40-percent increase from FY 1991 (22 percent when the dollars are adjusted for inflation). Most of the growth in state funding has been from special appropriations — or direct legislative grants to local arts groups, rather than to state arts agencies (which also fund local arts groups). **Local government** support grew even faster, with funding in FY 1995 totaling \$7.1 million — more than double the amount in FY 1990. But much of the increase in local funding has occurred in a few metropolitan areas, such as Charlotte, Raleigh, and Fayetteville.*

*Private giving to the arts in North Carolina has increased modestly since the early 1990s. Arts grants from **private foundations** in 1994 totaled \$12.9 million, a 14-percent increase from 1991 (5 percent when the dollars are adjusted for inflation). Independent foundations accounted for nearly two-thirds (63 percent) of those foundation grants to the arts in 1994, but corporate foundation giving has been growing at a faster rate. Local arts groups face differing funding trends. Funding for 10 **united arts funds** in North Carolina's larger metropolitan areas totaled \$15.4 million in FY 1994, a 37-percent increase since FY 1991 (26 percent when the dollars are adjusted for inflation). But support for **local arts councils**, based on a sample of 15 groups in smaller communities across the state, has been less steady — growing just 7 percent from FY 1991 to FY 1994 (but a 2-percent drop in inflation-adjusted dollars). Private support increased by 20 percent (10 percent when adjusted for inflation) at the larger united arts funds during that period and 14 percent (5 percent when adjusted for inflation) at the smaller local arts councils.*

So, you say you want a devolution? Well, that's what has been going on with public support for the arts over the past five years. North Carolina's share of federal grants from the embattled National Endowment for the Arts (NEA) has declined steadily since 1990 — particularly in budgets for the last two fiscal years. Meanwhile, the state and local governments have steadily increased their support for the arts. That, along with growing support from private sources, has resulted in a substantial increase in total funding for the arts in the state since 1990 — despite well-publicized cuts in federal funding.

Yet trouble is looming for the arts. Led by conservatives such as Sen. Jesse Helms (R-N.C.), the U.S. Congress cut funding for the National Endowment for the Arts by \$62.5 million (39 percent) in its budget for the 1996 fiscal year. Leaders in the U.S. House of Representatives say they want to eliminate *all* NEA funding by FY 1998, and Senate leaders — although not seeking to eliminate the agency — would like to cut funding dramatically.<sup>1</sup> The loss of NEA funding could have far-reaching effects on the arts because:

- NEA funding totaled \$162 million nationwide in FY 1995, about 15 percent of the \$1.1 billion in total funding for the arts from federal, state, and local governments in the United States. Although government funding is small compared to private donations to the arts (estimated at \$9.96 billion in 1995), the NEA has been the *largest single* donor to the arts since 1976.<sup>2</sup>
- NEA grants play a big role in leveraging additional contributions from states, local governments, and private donors. That's because the federal agency requires that its grants be matched by funds from other sources. Plus, NEA grants often function as seals-of-approval for proposed art projects, stimulating donations from other sources.
- Private giving to the arts in the United States has leveled off since 1990, after rising substantially during the 1970s and 1980s. Estimated private donations actually dropped — when numbers are adjusted for inflation — from an estimated \$10.23 billion in 1992 to \$9.96 billion in 1995, the latest year for which nationwide data are available.<sup>3</sup> (See Table 1 on p. 7.)

*Tom Mather is the associate editor of North Carolina Insight. Former Center interns Jennifer Lehman and John Charles Bradbury helped compile data for this report.*

■ Cutbacks in NEA funding could be causing a ripple effect in funding at other levels of government. From FY 1991 to FY 1996, 28 state legislatures — including the N.C. General Assembly — decreased their funding for the lead arts agencies in their states.<sup>4</sup> (See Table 2 on p. 15.) Total legislative funding for state arts agencies dropped 12 percent during that period, or 23 percent when adjusted for inflation. Funding cutbacks exceeded 30 percent in 11 states — Alaska, Hawaii, Illinois, Maine, Montana, New York, Rhode Island, Tennessee, Utah, Virginia, and West Virginia. Similar cutbacks have extended to some local governments in North Carolina as well, such as the cities of Burlington, Gastonia, Wilmington, and Winston-Salem and the counties of Forsyth, Guilford, Moore, and New Hanover.

The ripple effect from NEA cutbacks already may have begun in North Carolina. In 1995, the N.C. General Assembly — although increasing its overall funding for the arts — repealed a 1988 law that had required the state to set aside funds (0.5 percent of construction costs) for the acquisition of public art for new buildings.<sup>5</sup> House Speaker Harold Brubaker (R-Randolph) says the repeal of the public arts program was the first step in a review of legislative funding for all arts programs in the state. “That kind of shows the direction that this assembly is heading,” Brubaker says. “I think the whole area will be closely scrutinized in terms of cutting back.

“When we have other pressing needs, such as funding for text books and the construction of school buildings, this whole area has to be re-examined. . . . We just have to prioritize. In our minds, it's more important to make sure that there are supplies in the classrooms.” (See related article, “Troubled Times for Art in Public Buildings,” on p. 8.)

## Has North Carolina Followed the National Trends in Funding for the Arts?

What are the potential impacts in North Carolina from cutbacks in federal spending on the arts? Have state and local governments followed the federal government's lead in scaling back their support for their arts? Are donations from private foundations, corporations, and individuals likely to make up for any shortfalls in public funding for the arts? The N.C. Center for Public Policy Research tried to answer such questions in this



Rob Amberg, for HandMade in America

***Nobie Brachens of Mars Hills making a hooked rug.***

study, "Arts Funding in North Carolina: Trends in Public and Private Support."

In conducting this study, the Center set five goals: (1) to assess the likely impact of federal budget cuts in North Carolina; (2) to get a total picture of funding for the arts in the state, including both public and private sources; (3) to examine arts funding from all levels of government — local, state, and federal; (4) to show trends in funding for the arts over time, while focusing particularly on the past five years; and (5) to follow up on the Center's previous studies of the arts, the impact of federal budget cuts, and corporate and foundation giving. This report updates the Center's previous study, "North Carolina: State of the Arts," published in the February 1983 edition of *North Carolina Insight*,<sup>6</sup> with the new study emphasizing funding issues. It also builds on the Center's previous study of the effects of federal budget cuts in 1982 and its directory of foundation and corporate giving in 1985.<sup>7</sup>

The Center obtained information on *national* trends by reviewing published studies on arts funding, but used original sources to compile much of its data on funding for the arts in North Carolina. Center staff analyzed public funding for the arts by

obtaining records on spending by the National Endowment for the Arts, the N.C. Department of Cultural Resources, and city and county governments. Although information on private funding is less readily available, the Center obtained reliable estimates of private support for the arts by examining tax records filed by independent, corporate, and community foundations in North Carolina. The Center compiled additional estimates of private giving by examining financial records for the N.C. Museum of Art, the N.C. Symphony, and local arts councils and united arts funds across the state.

Overall, the Center's research reveals some significant trends regarding support for the arts in North Carolina:

- **The National Endowment for the Arts** has cut its annual funding for the arts in North Carolina by more than half since 1990, not including the most recent round of budget cuts in Washington. Total NEA grants in the state dropped from \$2.8 million in FY 1990 to \$1.3 million in FY 1995 — a decline of 54 percent, or 61 percent when the dollars are adjusted for inflation.<sup>8</sup> (See Table 3 on p. 18.) The latest budget adopted by Congress for FY 1996 cut the NEA's total

funding by 39 percent, which is likely to reduce grants to the state by a similar amount. Meanwhile, the NEA's share of *total* government funding for the arts in North Carolina declined from about 18 percent in FY 1990 to 6 percent in FY 1995, the most recent year for which data are available for all levels of government. (See Table 4 on p. 19.)

- **North Carolina's state government** increased its total annual support for the arts by more than \$4 million over the past five years. Total legislative appropriations for the arts grew from \$10.1 million in FY 1991 to \$14.1 million in FY 1996 — an increase of 40 percent, or 22 percent in inflation-adjusted dollars. (See Table 5 on pp. 24–25.) Meanwhile, the state's share of *total* government funding for the arts was virtually unchanged from FY 1990 to FY 1995, at 62 percent.
- **Special appropriations** — that is, direct legislative grants to local arts groups or projects — accounted for most of the increase in state funding over the past five years. Funding for the N.C. Arts Council, the state's lead agency for promoting the arts, actually declined by 1.2 per-

cent from FY 1991 to FY 1996, or 13.6 percent when dollars are adjusted for inflation. Meanwhile, the N.C. General Assembly increased its special appropriations to local arts groups from \$48,500 in FY 1991 to \$3,048,500 in FY 1996 — an increase of 6,186 percent, or 5,494 percent in inflation-adjusted dollars. (See Table 5 on pp. 24–25.)

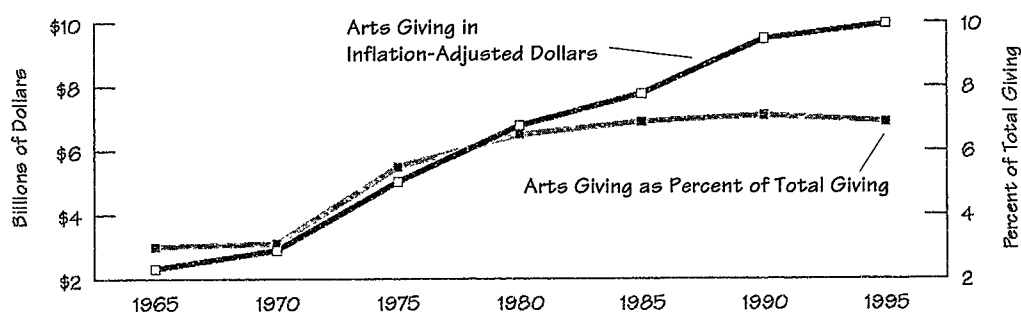
- **Local governments** in North Carolina have more than doubled their support for the arts since 1990. Cities and counties increased their funding for local arts councils from \$3.1 million in FY 1990 to \$7.1 million in FY 1995, an increase of 123 percent, or 88 percent when dollars are adjusted for inflation. (See Table 4 on p. 19.) Local governments' share of *total* government funding for the arts in North Carolina also increased substantially, from 20 percent in FY 1991 to 32 percent in FY 1995. However, much of the growth in local support for the arts has been concentrated in a few metropolitan areas — with Charlotte and Mecklenburg County accounting for more than half (56 percent) of the city and county spending on the arts in the state in FY 1995. (See Table 6 on p. 26.)

***"Green," a mural in glazed ceramic tile by artist Tom Spleth, was commissioned by the Artworks for State Buildings Program that the state legislature killed in 1995. The mural is located in the Albemarle Building in Raleigh.***



Karen Tam

**Table 1. Private Donations to the Arts and Culture,  
Nationwide, 1965-95**  
(Billions of Inflation-Adjusted Dollars)



Year	1965	1970	1975	1980	1985	1990	1995
Arts Giving	\$2.31	\$2.89	\$5.03	\$6.78	\$7.78	\$9.49	\$9.96
% of Total Giving	3.0%	3.1%	5.5%	6.5%	6.9%	7.1%	6.9%

Source: Ann E. Kaplan, ed., *Giving USA*, American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy, New York, N.Y., 1995, p. 24.

■ **Private contributions** account for perhaps the largest source of support for the arts in North Carolina, although precise numbers are hard to compile. Nevertheless, private giving apparently has not increased as much as funding from the state and local governments in recent years. Private foundations (independent, corporate, and community) boosted their grants to arts groups in the state from nearly \$11.3 million in 1991 to more than \$12.8 million in 1994, the most recent year for which data are available. That amounted to a 14-percent increase, or 5 percent when the dollars are adjusted for inflation. (See Table 7 on p. 37.) During that same period, estimated private support at 10 local united arts funds in North Carolina cities grew 35 percent, or 23 percent in inflation-adjusted dollars. Meanwhile, private support at 15 selected local arts councils increased by 14 percent, or 5 percent when dollars are adjusted for inflation. (See Table 8 on p. 38 and Table 9 on p. 39.)

## Public Support for the Arts in the United States

Public support for the arts in the United States dates back to at least the early 1800s, and it

was controversial even then. A loud uproar ensued in 1818, after Congress paid artist John Trumbull \$32,000 for four paintings depicting scenes from the American Revolution. President Franklin D. Roosevelt raised federal support for the arts to new levels during the Depression years, when his Works Progress Administration hired numerous artists.<sup>9</sup> The WPA provided jobs for writers, performers, and visual artists — who did work such as painting murals in public buildings.<sup>10</sup> Another factor to consider, when evaluating federal support for the arts, is the importance of tax policies — which let taxpayers deduct their contributions to nonprofit organizations, including many arts groups.<sup>11</sup> (See the related article, “The Nonprofit Sector in North Carolina: Trends and Key Public Policy Challenges,” on p. 66 of this issue.)

Nevertheless, most observers would agree that the turning point in the nation’s public support for the arts was in 1965 — when Congress established the National Endowment for the Arts and the National Endowment for the Humanities (NEH). The creation of the NEA and NEH institutionalized direct, ongoing federal support for the arts and humanities for the first time.<sup>12</sup> Congressional appropriations for the NEA grew from an initial \$2.5

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## *Troubled Times for Art in Public Buildings*

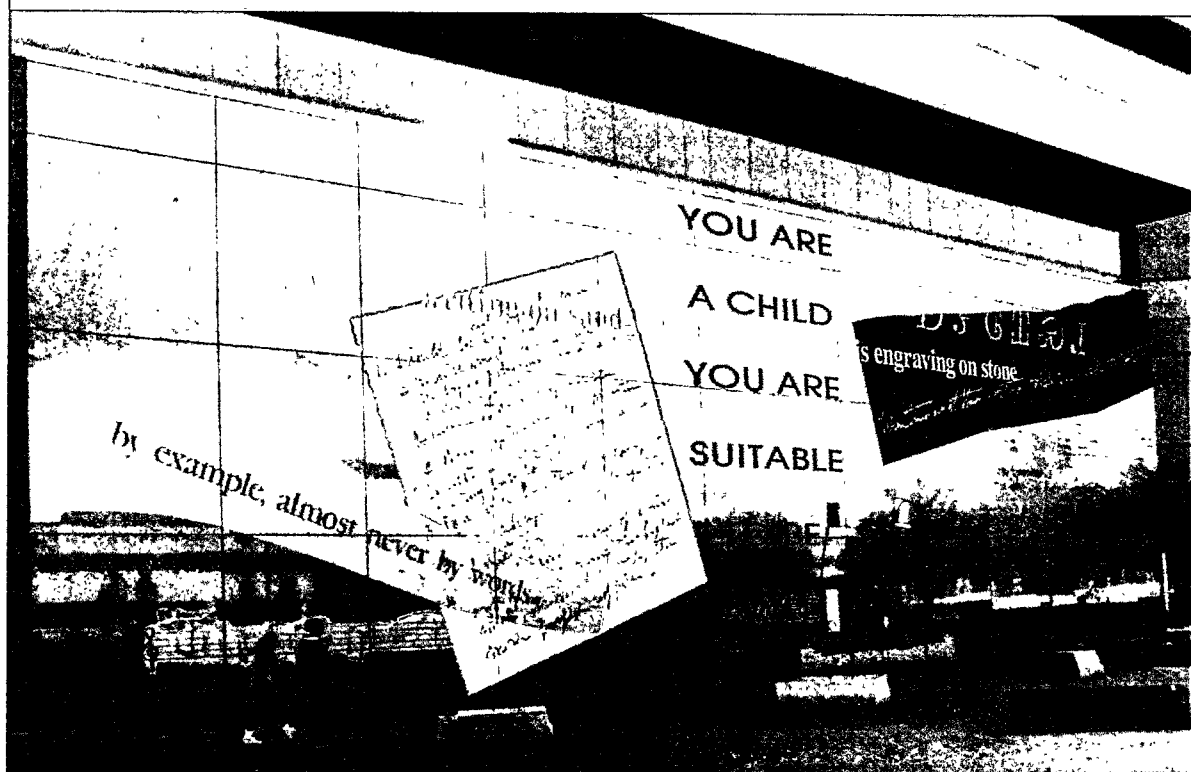
Despite cutbacks in federal funding for the arts, the N.C. General Assembly has boosted its support for the arts in recent years — with one notable exception: the Artworks for State Buildings Program. In 1995, legislators repealed a law that had required public art for major state construction projects because of controversies surrounding some of the first artworks commissioned under the program. The law, enacted in 1988, had required the state to set aside money — 0.5 percent of the construction costs — to acquire art for new or renovated state buildings and their surrounding grounds.<sup>1</sup>

But the program quickly became a target for some legislators who disliked two of the program's earliest and most visible projects:

- **The Education Wall**, which features drawings and quotations about education from North Carolina writers, artists, leaders, and

educators. The project, which is sandblasted into the red granite walls of the state's new Public Education Building north of the Legislative Building in Raleigh, was completed in October 1992 at a total cost of \$119,538. It includes a Braille inscription, a child's sketch of a schoolhouse, excerpts of verse from North Carolina poets, an illustration showing the hydrological cycle, and notes from a speech by former Gov. Charles B. Aycock.

- **The Spiraling Sound Axis**, a "sound sculpture" that features man-made and natural sounds recorded throughout North Carolina. The work, which is played through speakers installed in the rotunda and entryways of the state's new Revenue Building in Raleigh, was completed in October 1993 at a total cost of \$142,250. It includes recordings of sounds such as honking geese, croaking frogs, waves striking a beach, and the chants of a tobacco auctioneer.



Karen Tan

"The general perception of the General Assembly is that we don't want any more sound sculptures or any more graffiti on public buildings," says John Baldwin, an aide to House Speaker Harold Brubaker (R-Randolph). "This is an example of the arts community being totally out of touch with the average taxpayer."

Republican leaders in the House killed the public arts program, Baldwin says, because they had been bombarded with phone calls and letters from constituents who viewed the projects as a waste of taxpayers' money. Legislators also received calls, he says, from citizens opposed to the "Light + Time Tower," a public artwork that was commissioned by the city of Raleigh. (See discussion on p. 35 of the main article.) "A lot of people thought the light tower was funded by state money, and we had to go to a lot of trouble to show them otherwise," Baldwin says.

But public art has its supporters as well. "It's very important for cities and towns in North Carolina to have public art," says Myrick Howard, executive director of Preservation North Carolina, a nonprofit group that promotes historic preservation. "When you think of cities that people admire and respect, whether it's Florence, Italy, or Portland, Oregon, they are places that have promoted public art. Public art is what distinguishes a city from being a good place to live to being a great place to live."<sup>2</sup>

Joseph Covington, director of education for the N.C. Museum of Art, says it's a "great shame" that the legislature killed the Artworks for State Buildings Program — despite controversy over some of the works. "Take any great work of public art through the ages, and if it does anything at all new, some people are going to have a problem with it," Covington says. "That's to be expected; it's not unusual. But it is important to do these projects. Because without art, without something special in our lives, what's to

relieve the everyday reality?

"In North Carolina, there is a political view that nothing that is not strictly utilitarian is worthy of public expenditures," Covington adds. "But I think that is a very narrow-minded attitude. We wouldn't have a state museum of art or a state symphony today if we had always had that attitude. . . . It's just not good enough to say that we have lot of paved roads in the state. People want more out of life." To support that view, Covington cites a recent article about a visit to the Triangle by members of the Seattle Chamber of Commerce. One of the visitors' key impressions was the lack of artwork in the Raleigh area. "There's no public art around," said Ida Cole, the owner of a Seattle-based technology company. "There aren't even pictures on the walls in these places."<sup>3</sup>

Supporters of the Artworks for State Buildings Program also point out that most of the projects completed so far have been well received. For example, visitors at the North Carolina Zoo have responded well to the *Zoological Egg Rest*, a marble sculpture that features larger-than-life carvings of eggs of animals that live in marshy habitats, says Ellen Greer, curator of design for the zoo. "The artwork enhances the zoo experience as well as the environment," Greer says. "I see parents and children approach it, delighted by the size of the eggs as well as the fact that they can climb on and even hug them. The accessibility of the sculpture allows our visitors to make a connection to the natural world."<sup>4</sup>

Nevertheless, even some proponents of public art agree that the Education Wall and the Spiraling Sound Axis undermined support for the Artworks for State Buildings Program. "The public was just not ready for it," says former state Rep. Marie Colton (D-Buncombe), who sponsored the legislation that established the public arts program. "I did plead with the arts people that they should choose art that would go down the palate easier. 'Please, please don't go charging in with some avant-garde art,' and they did. . . . I think that's what doomed it."<sup>5</sup>

Since its inception, the Artworks for State Buildings Program has completed works of art for 14 construction projects. The program,

—continues

***"The Education Wall," by artist Vernon Pratt, is cited by some legislators as a reason for killing the Artworks for State Buildings Program. The mural is located on the west wall of the State Education Building in Raleigh.***

## **Public Art** —*continued from previous page*

although administered by the N.C. Arts Council, was not funded through the council's budget. Instead, it was funded within the capital appropriations for state agencies with construction projects totaling more than \$1 million. The program's total funding for FY 1995 was \$156,593, and overall appropriations for the program totaled \$1.7 million from FY 1990 to FY 1995. (See table on p. 13.) By law, administrative costs were set at 8 percent of the total funding for the Artworks in State Buildings Program until FY 1994. That year, the legislature increased the portion of funding for administration to 20 percent of the total costs and earmarked an additional 2 percent for maintenance costs.

Mary Regan, director of the N.C. Arts Council, defends the way art has been selected for the Artworks for State Buildings Program. The program uses a two-tiered selection process, she says, that involves "ordinary" citizens in each step. First, staff of the Arts Council meet with the users of the building, arts professionals, and designers of the construction project to establish guidelines for the artwork and review proposals from artists. The final approval of the artist and artwork is made by a five-member committee that includes the project designer, a building representative, the chair of the N.C. Arts Council's board of directors, and two citizens appointed by the chair.

"The whole point of selecting art for this program was to get art that reflects the people and history of North Carolina and to say something about what goes on in the buildings," Regan says. "This is art about North Carolina. The Artworks for State Buildings Committee thought that these artworks would be understood. In one sense, the program was a success because the whole point of public art is to get people involved, to get people talking about the artwork and their environment. With this program, we got art that you *can* get involved with."

Despite such public involvement, Regan says that it often takes the public a while to appreciate public art. As an example she cites the Washington Monument, which Congress temporarily stopped funding during its construction in the 1800s. "The Washington Monument, you

look up a certain number of feet, and the stone changes," Regan says. "That's because it was stopped while it was going up — it was so controversial." Covington agrees. "Public art is a relatively new idea for a lot of people in North Carolina," he says. "It takes some time and familiarity with several projects for people to catch on — for people to encounter these projects and realize what a delight they can be. . . . I predict that the "Light + Time" tower will become one of the most popular structures in the city of Raleigh. In a couple of years, people who looked at it with maybe a sideways glance, will be really disappointed if it went away. It will become the kind of thing that people drive visitors by to see when they come to Raleigh."

Meanwhile, the Arts Council is continuing to complete artwork for state construction projects funded prior to the 1995 session. "We still have about 40 projects underway," Regan says. "But the [program] won't apply to new buildings." With the completion of those projects, Regan hopes that support for the public arts program will grow — convincing legislators to restore funding for the program. "We hope to be able to reinstate the program in future years," she says. "I think once we get a few more projects completed, and the legislators see the breadth and quality of the work, the program will be reinstated. . . . It might just take a little time for people, the legislators, to recognize the real strength of this art."

House Speaker Brubaker, however, is not likely to be among those who change their minds about the worth of the public arts program. Brubaker maintains that the Arts Council should not even complete artwork it commissioned prior to the FY 1995–96 budget, even though the state Attorney General's Office has told the council it could proceed with those projects.<sup>6</sup>

"As far as having a requirement for public art, I don't see that coming back under the current House leadership," says Baldwin, the speaker's aide. "There might be some support if somebody comes up with a proposal for a sensible project. But it's going to have to be on a project-by-project basis. Because, very frankly, the arts community has hurt itself with the General Assembly by promoting things that the general public finds ridiculous."



***"Sky Dancing," a mobile by artist Mary Ann Mears, is located in the Student Recreation Center at UNC-Chapel Hill. The project was funded by the Artworks for State Buildings Program.***

Before the legislature's repeal, North Carolina was one of 30 states with "Percent-for-Art" laws that dedicate a portion of construction funds for public art.<sup>7</sup> In addition, more than 200 cities in the United States have public arts programs similar to the one responsible for the "Light + Time Tower" in Raleigh.<sup>8</sup> As in North Carolina, some of these public arts programs across the country have generated controversies. For example, a five-story, stainless steel sculpture that depicts the tree in the city logo for Cedar Rapids, Iowa, has spurred objections from some residents — who have likened it to a head of broccoli or a giant toilet brush.<sup>9</sup>

"Much of this art is approved and installed without any public rancor, and some of it ends up being quite popular with the public," says Alan Ehrenhalt, a political commentator with *Governing* magazine.<sup>10</sup> "The truth is, though,

that percent-for-art is always going to generate more than its share of controversy.

"Most government art subsidies in this country are targeted to individuals, museums, colleges or other willing users. They don't force themselves on the public. . . . Percent-for-art is, by its very nature, different. It places artistic creations on sites where passersby — most of them with no particular interest in art — can't really avoid them."

Nevertheless, there also are plenty of examples of successful public art. In Raleigh, a 10-foot-tall copper sculpture known as "The Acorn" has become a popular attraction in Moore Square. In St. Louis, Mo., the Gateway Arch attracts millions of visitors each year to the Jefferson National Expansion Memorial along the banks of the Mississippi River. One of the

—continues

## **Public Art** —*continued from previous page*

best examples of public art is the Vietnam Veterans' Memorial, the black stone wall that slopes into the mall near the Lincoln Memorial in Washington, D.C. Although veterans' groups stridently opposed the design for "The Wall" when it was chosen in the 1980s, the memorial is now one of the capital's most popular attractions for visitors — including veterans.

The key to successful public art is public involvement, observers say. That means involving ordinary citizens in the process of selecting artists or projects, publicizing proposed arts projects through the news media and public meetings, and selecting art works that reflect the history, culture, and diverse tastes of a community.<sup>11</sup> A good example of that is the process used to design and create sculptures for the Thomas Road Overpass in Phoenix, Arizona. In that project, the artist spoke to nearby residents when seeking ideas for her design, which was inspired by a Native-American burial ground discovered near the site. Later, the artist invited the public to help apply the adobe mud used to sculpt the wall panels, and some residents embedded personal mementos in the wall.<sup>12</sup>

"Governments really shouldn't launch these exotic projects, even if they have the money, without traveling the extra mile to secure some acceptance from the ordinary people who will be the front-line consumers day in and day out," Ehrenhalt says. "... The public can't be taken for granted. It has to be included.

"That may sometimes mean pulling unsophisticated citizens off the sidewalk and asking them to serve on selec-

tion panels, however awkward that feels. Or it might just mean bombarding the media with details about the selection process for a big project, so the talk shows can't suggest at the end that unwanted art is being dumped on the community by stealth."

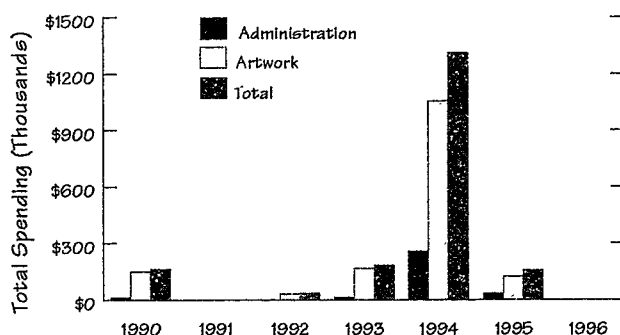
Nevertheless, involving the public more in the selection of artwork also tends to increase the proportion of funding for administration — which could limit the amount of money available for purchasing art. That could lead to criticisms about excessive administrative costs.

—Tom Mather





## Legislative Funding for the N.C. Artworks for State Buildings Program, FY 1990-96



Costs	Fiscal Year End							Totals	Percent of Total
	1990	1991	1992	1993	1994	1995	1996		
Administration	\$13,136	\$0	\$2,670	\$15,961	\$258,773	\$34,449	\$0	\$324,989	17.5%
Artwork	151,058	0	30,705	168,415	1,054,966	122,144	0	1,527,288	82.5
<b>TOTAL</b>	<b>\$164,194</b>	<b>\$0</b>	<b>\$33,375</b>	<b>\$184,376</b>	<b>\$1,313,739</b>	<b>\$156,593</b>	<b>\$0</b>	<b>\$1,852,277</b>	<b>100.0%</b>

Source: N.C. Department of Cultural Resources. Funding for administration also includes maintenance costs. By law, administrative costs were set at 8 percent of the total funding for the Artworks in State Buildings Program from FY 1989 to FY 1993. In FY 1994, the legislature increased the portion of funding for administrative costs to 20 percent of total costs and earmarked an additional 2 percent for maintenance. In 1995, the legislature repealed the law establishing the Artworks in State Buildings Program, but the program is continuing to complete projects funded by appropriations in previous legislative sessions.

### FOOTNOTES

<sup>1</sup> N.C.G.S. 143-47A (1988, revised 1994) established the Artworks for State Buildings Program to acquire works of art for state construction projects exceeding \$1 million. The N.C. General Assembly repealed that law as a special provision in the Continuation Budget Operations Appropriations Act of 1995, Chapter 324, Sec. 12.2 (House Bill 229). The Center has criticized the use of special provisions in budget bills to amend state laws, beginning with its 1986 report, *Special Provisions in Budget Bills: A Pandora's Box for N.C. Citizens*, by Ran Coble.

<sup>2</sup> As quoted in "A tower of grace?" *The News & Observer*, Raleigh, N.C., Aug. 24, 1995, p. 3B.

<sup>3</sup> Sally Hicks, "Triangle struts as Seattle leaders-size it up," *The News & Observer*, Raleigh, N.C., May 23, 1996, p. 1A.

**Detail, "Stream Garden Gate," forged steel by artists David Brewin and Joseph Miller. The gate, located in the N.C. Arboretum in Asheville, was funded by the Artworks for State Buildings Program.**

<sup>4</sup> As quoted in "A Guide to North Carolina's Artworks for State Buildings," a pamphlet produced by the N.C. Arts Council, Dept. of Cultural Resources, Raleigh, 1996, p. 3.

<sup>5</sup> As quoted by Kirsten B. Mitchell in, "Tower becomes a symbol in debate over public art," *The Dispatch*, Lexington, N.C., Sept. 28, 1995, p. A8.

<sup>6</sup> Joe Dew, "Money cutoff demanded for arts program," *The News & Observer*, Raleigh, N.C., Oct. 4, 1995, p. 3A. Also see Under the Dome (column), "Interpreting some artful politics," *The News & Observer*, Raleigh, N.C., Oct. 12, 1995, p. 3A.

<sup>7</sup> Unpublished data from an annual survey of the 50 states by the National Assembly of State Arts Agencies, Washington, D.C., November 1995.

<sup>8</sup> Chuck Twardy, "We're not alone in art debate," *The News & Observer*, Raleigh, N.C., Oct. 8, 1995, p. 3G.

<sup>9</sup> Charles Mahtesian, "The Art Critics of Cedar Rapids," *Governing*, February 1996, p. 12.

<sup>10</sup> Alan Ehrenhalt, "When the Art Critic Is the Taxpayer," *Governing*, June 1994, p. 9.

<sup>11</sup> Twardy, note 8 above.

<sup>12</sup> Nancy Rutledge Connery, "The Added Value of Art," *Governing*, April 1996, pp. 55-57.

— continued from page 7

million in FY 1965 to a peak of \$188 million in FY 1980, but have declined steadily since that time. NEA funding in FY 1995 totaled \$162 million—which was 14 percent lower than the 1980 level in actual dollars and about 50 percent lower in inflation-adjusted dollars.<sup>13</sup> Congress further reduced the agency's funding to \$99.5 million in its FY 1996 budget, and Republican leaders in the U.S. House of Representatives have pledged to eliminate all funding by FY 1998.<sup>14</sup>

The recent declines in federal funding for the NEA have been prompted by two key factors: concerns over the federal budget deficit, which has called into question spending on all government programs; and heightened criticism from conservative religious groups, which view certain NEA-funded projects as immoral. Many conservatives, in particular, have characterized federal arts programs as nonessential frills that cannot be justified when tough decisions must be made about balancing the budget. "Congress has created a

nearly \$5 trillion national debt," says Rep. Philip Crane (R-Ill.). "How can we rationalize spending millions on the NEA when we don't even have enough money to effectively deal with the illegal

immigration crisis or crime in our streets?"<sup>15</sup>

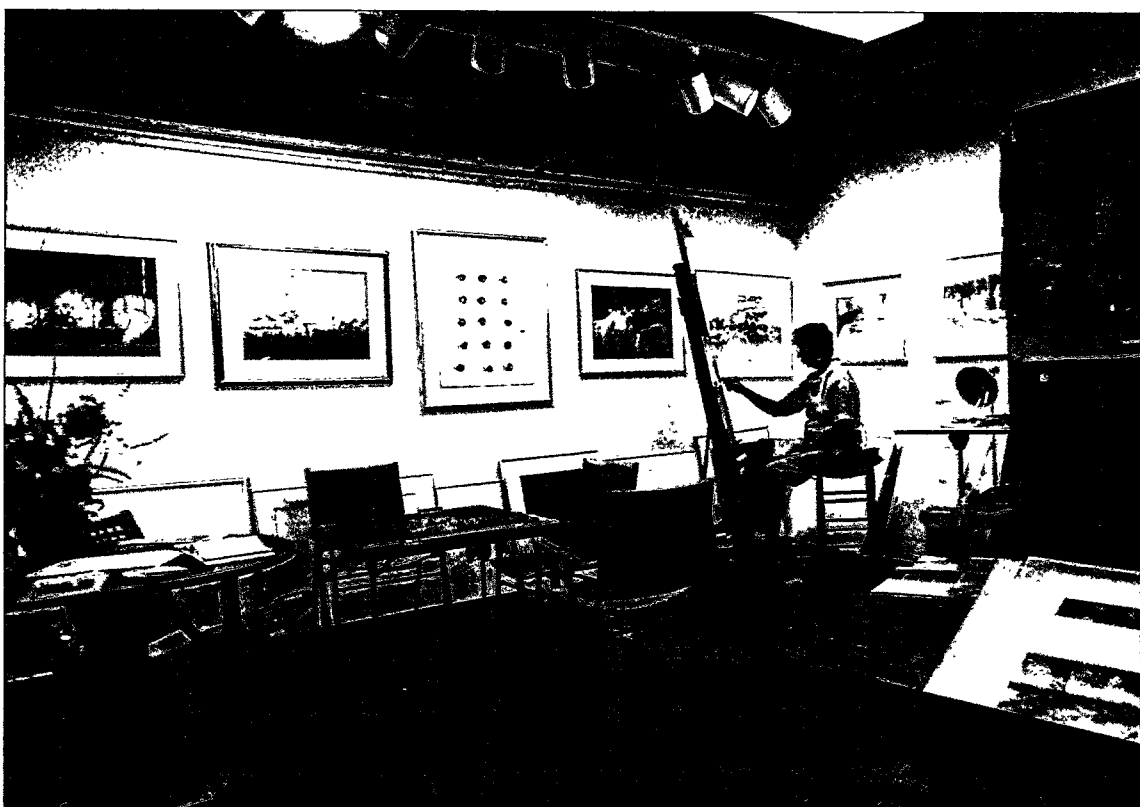
Much of the organized opposition to the NEA has come from conservative Christian groups that have accused the agency of spending federal funds on artwork that is pornographic or against their religious beliefs.<sup>16</sup> Such criticisms have focused on NEA grants that indirectly funded exhibitions of con-

troversial artists who offended mainstream tastes, in particular the late Robert Mapplethorpe, whose work includes photographs depicting explicit homosexual acts; and Andres Serrano, whose "Piss Christ" photo shows a crucifix immersed in a jar of urine.<sup>17</sup> Republican Sen. Jesse Helms of North Carolina has been one of the leading critics of federal arts and humanities programs on such grounds.

"[T]he sky will not fall if the Congress votes to cut funding of the NEA and the NEH, as the arts

*"The aim of art is to represent not the outward appearance of things, but their inward significance; for this, and not the external mannerism and detail, is true reality."*

—ARISTOTLE



Karen Tam

**Table 2. Legislative Appropriations for State Arts Agencies,  
FY 1991-96**

State	FY 1991	FY 1996	Percent Change, 1991-96	Inflation Adjusted Change, 1991-96	State Per Capita Spending, 1996	Rank in Per Capita Spending, 1996
Alabama	\$1,578,774	\$2,008,432	27.2%	11.2%	\$0.48	39
Alaska	1,431,800	564,000	-60.6	-65.6	0.93	18
Arizona	2,067,800	2,590,000	25.3	9.5	0.61	30
Arkansas	972,702	1,275,532	31.1	14.6	0.51	36
California	15,736,000	12,496,000	-20.6	-30.6	0.40	48
Colorado	1,536,172	1,691,077	10.1	-3.8	0.45	42
Connecticut	2,197,217	3,150,185	43.4	25.3	0.96	15
Delaware	1,361,390	1,307,900	-3.9	-16.0	1.82	5
Florida	26,528,509	26,293,366	-0.9	-13.4	1.86	4
Georgia	3,385,294	4,396,670	29.9	13.5	0.61	31
Hawaii	19,600,963	6,122,649	-68.8	-72.7	5.16	1
Idaho	665,400	836,500	25.7	9.9	0.72	25
Illinois	11,233,100	5,543,200	-50.7	-56.9	0.47	40
Indiana	2,811,820	3,002,971	6.8	-6.7	0.52	35
Iowa	1,249,273	1,407,124	12.6	-1.6	0.50	37
Kansas	1,071,659	1,343,043	25.3	9.5	0.52	34
Kentucky	3,367,200	3,308,100	-1.8	-14.1	0.86	20
Louisiana	936,328	4,176,000	346.0	289.8	0.96	16
Maine	755,125	513,389	-32.0	-40.6	0.41	46
Maryland	8,522,216	7,625,642	-10.5	-21.8	1.51	10
Massachusetts	15,224,000	14,162,525	-7.0	-18.7	2.33	2
Michigan	11,520,300	21,734,700	88.7	64.9	2.23	3
Minnesota	5,553,107	7,155,000	28.8	12.6	1.55	9
Mississippi	514,437	1,323,295	157.2	124.8	0.49	38
Missouri	4,480,026	8,522,600	90.2	66.3	1.60	8
Montana	781,129	540,731	-30.8	-39.5	0.62	28
Nebraska	1,047,932	1,272,450	21.4	6.1	0.78	21
Nevada	359,308	701,027	95.1	70.5	0.46	41
New Hampshire	518,539	486,093	-6.3	-18.1	0.42	44
New Jersey	11,703,000	13,657,000	16.7	2.0	1.72	7
New Mexico	1,119,000	1,760,167	57.3	37.5	1.04	13
New York	50,980,900	31,687,000	-37.8	-45.7	1.75	6
<b>North Carolina</b>	<b>5,427,589</b>	<b>5,410,954</b>	<b>-0.3</b>	<b>-12.9</b>	<b>0.75</b>	<b>23</b>
North Dakota	274,185	288,309	5.2	-8.1	0.45	43
Ohio	12,129,849	11,536,596	-4.9	-16.9	1.03	14
Oklahoma	3,195,455	3,138,037	-1.8	-14.2	0.96	17
Oregon	1,536,549	1,142,323	-25.7	-35.0	0.36	49
Pennsylvania	11,704,000	9,100,000	-22.2	-32.0	0.75	22
Rhode Island	1,021,732	626,562	-38.7	-46.4	0.63	27
South Carolina	3,932,925	3,361,661	-14.5	-25.3	0.92	19
South Dakota	404,527	450,116	11.3	-2.8	0.62	29
Tennessee	5,804,300	3,009,850	-48.1	-54.7	0.57	32
Texas	3,386,072	3,316,170	-2.1	-14.4	0.18	50
Utah	6,583,600	2,442,500	-62.9	-67.6	1.25	11
Vermont	479,153	430,000	-10.3	-21.6	0.74	24
Virginia	4,016,007	2,668,552	-33.6	-41.9	0.40	47
Washington	2,396,322	2,264,373	-5.5	-17.4	0.42	45
West Virginia	3,693,180	2,060,475	-44.2	-51.2	1.13	12
Wisconsin	2,436,800	2,693,300	10.5	-3.4	0.53	33
Wyoming	350,705	331,562	-5.5	-17.4	0.69	26
<b>National Totals</b>	<b>\$279,583,370</b>	<b>\$246,925,708</b>	<b>-11.7%</b>	<b>-22.8%</b>	<b>\$0.99</b>	<b>n/a</b>

*Source:* National Assembly of State Arts Agencies, "State Arts Legislative Appropriations—Annual Survey," NASAA, Washington, D.C., 1991-1996 editions, (page number varies).

*Note:* Legislative appropriations are for designated state art agencies only, such as the N.C. Arts Council. Thus, the total for North Carolina does not include special legislative appropriations for arts groups, which totaled \$3.05 million in FY 1996.

and humanities already swim in an ocean of private funds — more than \$9.5 billion annually,” Helms says. “It may be possible to come up with a compromise that will be reasonable to most citizens. However, in all honesty, if the compromise should include giving the taxpayers’ money to people who produce rotten, filthy material under the pretext that it can somehow be considered ‘art’ — count me among those who would prefer to terminate the entire function, and start over.”<sup>18</sup>

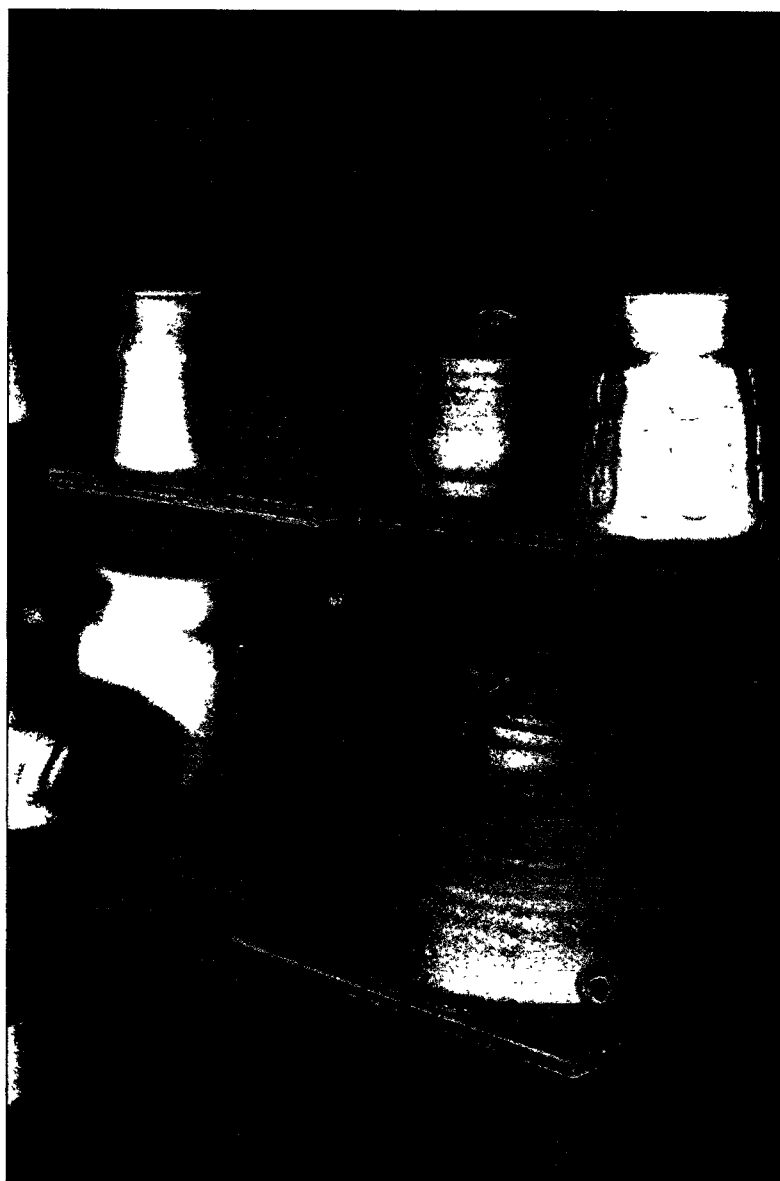
Public funding for the arts also has some strong supporters. Such sentiments were expressed perhaps most visibly when Michael Greene, president of the National Academy of Recording Arts and Sciences, criticized proposals to slash NEA funding. “We must not allow the arts to be politicized, commercialized, sanitized, neutralized, or zeroed out,” Greene said in a speech during the national television broadcast of the Grammy Awards in March 1995.<sup>19</sup> Proponents cite a number of reasons justifying public support for the arts:

- Federal spending on the arts and humanities represents a minuscule portion of the national budget and the federal deficit. In FY 1995, federal funding for various arts programs totaled about \$1 billion, representing about .06 percent of the \$1.564-trillion budget for the United States.<sup>20</sup>
- Many nations spend far greater portions of their budgets on the arts than the United States. Public expenditures on the arts, per person, range from 5 to 15 times higher in European nations than in the United States.<sup>21</sup>
- Only a handful of NEA grants have spurred controversies. The endowment has awarded more than 100,000 grants to artists and art groups since 1965, supporting projects in all 50 states.<sup>22</sup>
- Federal funding is needed to support artwork of nationwide interest, such as statues

and monuments on public property and priceless collections of art, such as the National Gallery.

- The matching requirements of grants from the National Endowment for the Arts help leverage additional donations from individuals, corporations, foundations, states, and local governments. The NEA estimates that for every \$1 it spends, it generates \$11 in state, local, and private matching grants. “That’s a pretty incredible return on a small investment,” says NEA Chair Jane Alexander, an award-winning actress who is the first professional artist to direct the agency.<sup>23</sup>

The National Assembly of Local Arts Agencies, a Washington-based group that represents local arts councils around the country, says NEA grants play



Christine Alexander, for the N.C. Arts Council

*"[T]he sky will not fall if the Congress votes to cut funding of the NEA and the NEH, as the arts and humanities already swim in an ocean of private funds — more than \$9.5 billion annually. It may be possible to come up with a compromise that will be reasonable to most citizens. However, in all honesty, if the compromise should include giving the taxpayers' money to people who produce rotten, filthy material under the pretext that it can somehow be considered 'art' — count me among those who would prefer to terminate the entire function, and start over."*

—U.S. SEN. JESSE HELMS (R-NC)

a critical role in generating funds for the nonprofit arts industry. This industry, in turn, contributes \$36.8 billion a year in expenditures to the nation's economy; provides 1.3 million jobs with compensation totaling \$25.2 billion; and generates annual taxes totaling \$3.4 billion for the federal government, \$1.2 billion for state governments, and \$790 million for local governments.<sup>24</sup> (See the related article, "Arts for Money's Sake: Cultural Spending Can Spur Economic Growth," on p. 56.)

"The NEA has a pretty profound impact on the arts industry," says Randy Cohen, director of research and information for the assembly. "They provide leadership to the field, and it's a statement from the United States saying that culture is important to the people of our country. . . . If you've got an NEA grant, people who know about what you're doing, say: 'Hey, this is a quality project. These people know what they're doing. This project is going to be completed, and completed well.'"

Despite such endorsements, recent nationwide surveys have shown that public opinion is mixed regarding federal funding for the arts. For instance, a July 1995 poll for Time/CNN found that public support for the National Endowment for the Arts is lukewarm at best. The survey found that about one-third (30 percent) of the respondents supported continued funding of the NEA at existing levels. One-fifth (21 percent) of the respondents favored eliminating all funding for the NEA within two years, and 37 percent favored cutting back NEA funding by 5 percent a year over the next five years.<sup>25</sup> However, a more recent survey by pollster Louis Harris found broader support for government funding of the arts. The poll, released in June 1996, found that: more than half (57 percent) of the re-

spondents favored federal funding for the arts: two-thirds (67 percent) of the respondents believed that local governments should help finance arts groups; and nearly two-thirds (63 percent) supported state government funding of the arts.<sup>26</sup>

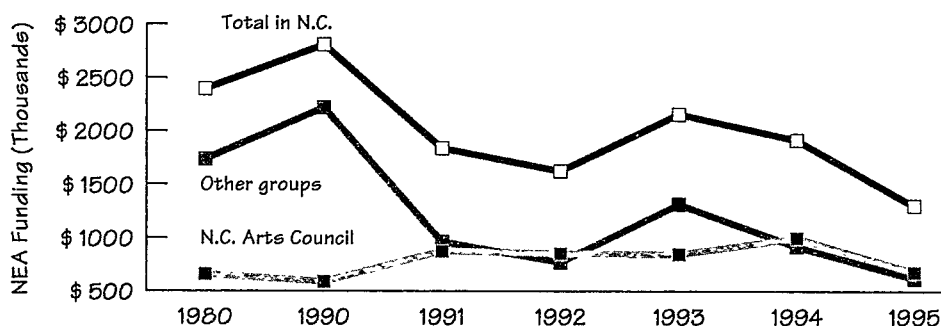
## **The Impact of Federal Funding for the Arts in North Carolina**

Cuts in federal funding for the arts are nothing new in North Carolina, despite all of the publicity regarding Republican Congressional leaders' plans to slash funding for the National Endowment for the Arts. NEA grants in North Carolina dropped by more than half over the past five years — even before the \$62.5-million cut in the federal agency's total budget for FY 1996. From a peak of \$2.8 million in FY 1990, NEA grants in the state dropped to \$1.3 million in FY 1995 — a decline of 54 percent, or 61 percent when dollars are adjusted for inflation. (See Table 3 on p. 18.)

The recent decline in NEA support has mirrored trends in the early 1980s, when President Ronald Reagan's administration pushed for substantial cuts in federal spending for the arts and other areas. Total NEA grants in North Carolina dropped 50 percent during that period, from \$2.4 million in FY 1980 to \$1.2 million in FY 1982.<sup>27</sup> The recent cuts, however, are even more severe than those during the early 1980s — when the effects of inflation are considered. The state's \$1.3-million share of NEA grants in FY 1995 had the same purchasing power as \$670,000 in FY 1980, based on changes in the Consumer Price Index. Plus, the full impact of the recent budget cuts has not yet been felt. Federal funding for the arts in North Carolina for FY 1996



**Table 3. National Endowment for the Arts (NEA) Grants in North Carolina, FY 1980–1995**



NEA Grants in N.C.	Fiscal Year End							Percent Change 1990–95	Inflation Adjusted Change
	1980	1990	1991	1992	1993	1994	1995		
<b>TOTAL</b>	\$2,394,785	\$2,810,253	\$1,838,775	\$1,624,150	\$2,158,564	\$1,916,789	\$1,299,286	-53.8%	-61.0%
<b>N.C. Arts Council</b>	\$658,860	\$589,450	\$876,200	\$853,500	\$845,300	\$998,400	\$679,520	15.3%	-2.7%
<b>Other Groups</b>	\$1,735,925	\$2,220,803	\$962,575	\$770,650	\$1,313,264	\$918,389	\$619,766	-72.1%	-76.4%

*Notes:* Total grants includes all National Endowment for the Arts (NEA) funding for artists and art groups in N.C., including state agencies. Other groups include grant recipients other than the N.C. Arts Council, including such state-supported agencies as the N.C. Symphony and N.C. Museum of Arts as well as public schools and universities, including the N.C. School of the Arts, N.C. State University and UNC-Chapel Hill. The distinction between grants to the N.C. Arts Council and to other groups is somewhat artificial because the council re-grants much of the NEA money it receives to arts organizations across the state.

The Center's analysis of funding by the National Endowment for the Arts was based on grant distributions under the federal fiscal calendar (Oct. 1–Sept. 30), using NEA records. However, the state tracks grants to the N.C. Arts Council based on the state fiscal year (July 1–June 30) in which the money is spent. Under the state method for tracking NEA grants, federal funding grew from \$641,326 in FY 1990 to \$883,700 in FY 1995—an increase of 37.8 percent. But NEA funding dropped to \$794,220 in FY 1996 and \$462,400 in FY 1997—a decline of 51.7 percent over the past two fiscal years, according to state records.

*"Congress has created a nearly \$5 trillion national debt. How can we rationalize spending millions on the NEA when we don't even have enough money to effectively deal with the illegal immigration crisis or crime in our streets?"*

—REP. PHILIP M. CRANE (R-ILL.)

could drop as low as \$780,000 — about one-fourth of the level in FY 1990 — if the 39-percent cut in the NEA's budget for FY 1996 results in a similar drop in funding for the states. Likewise, federal support for the arts in North Carolina could drop to zero if Congress eliminates all funding for the National Endowment for the Arts — as some Congressional leaders have proposed.

NEA funding for the N.C. Arts Council — the state's lead agency for promoting the arts — actually grew modestly over the past five years, from \$589,450 in FY 1990 to \$679,520 in FY 1995. (See Table 3 above.) That was an increase of 15 percent in absolute terms, but a *decline* of 3

percent when dollars are adjusted for inflation. The long-term increase also masks a sharp decline in NEA support to the Arts Council from FY 1994 to FY 1995, when funding fell by \$318,880 or 32 percent.<sup>28</sup>

The recent decline in NEA funding has had the most impact on artists and arts groups outside of state government, such as the numerous museums, theatre groups, and dance companies across North Carolina. Total NEA grants to arts groups other than the N.C. Arts Council dropped 72 percent over the past five years, from \$2.2 million in FY 1990 to \$619,766 in FY 1995.<sup>29</sup> (See Table 3 on p. 18.) That decline has been felt both in the *numbers* of grants as well as the *size* of grants. From 1990 to 1995, the total *number* of NEA grants awarded in North Carolina dropped by a third, from 63 to 42. Meanwhile, the *average* grant amount declined from \$44,607 to \$30,935 during that time span.

*"The NEA has a pretty profound impact on the arts industry. They provide leadership to the field, and it's a statement from the United States saying that culture is important to the people of our country."*

—RANDY COHEN,  
DIRECTOR OF RESEARCH AND INFORMATION,  
NATIONAL ASSEMBLY OF  
LOCAL ARTS AGENCIES,  
WASHINGTON, D.C.

**Table 4. Total Government Funding for the Arts in North Carolina, FY 1990–1995**



Level of Government	Fiscal Year End						Percent of Total in 1995	Percent Change 1990-95	Inflation Adjusted Change
	1990	1991	1992	1993	1994	1995			
Local	\$3,164,427	\$3,437,730	\$4,615,256	\$5,932,879	\$6,087,138	\$7,064,861	32.2%	123.3%	88.5%
State	9,770,227	10,128,155	9,452,875	9,708,015	12,922,295	13,590,329	61.9	39.1	17.5
Federal	2,810,253	1,838,775	1,624,150	2,158,564	1,916,789	1,299,286	5.9	-53.8	-61.0
TOTAL	\$15,744,907	\$15,404,660	\$15,692,281	\$17,799,458	\$20,926,222	\$21,954,476	100.0%	39.4%	17.7%

*Note:* **Local** includes all funding of local arts councils by counties and municipalities in N.C. **State** includes legislative appropriations for the N.C. Arts Council, Museum of Art, Symphony, and special funding for local art groups in N.C. **Federal** includes all National Endowment for the Arts grants to artists and art groups in N.C.

*"The NEA money has never been a large source of money for local arts councils. But a little bit of NEA money triggers a lot of other money."*

—ROBERT BUSH, EXECUTIVE DIRECTOR  
UNITED ARTS COUNCIL OF RALEIGH AND WAKE COUNTY

Although some arts organizations saw increases in the amount of NEA money they received over that period, a larger number of groups experienced cutbacks or the total elimination of NEA funding.<sup>30</sup> Some groups that experienced substantial cuts in NEA funding from FY 1990 to FY 1995 include: in Charlotte, the Afro-American Cultural Center, N.C. Dance Theater, and Opera Carolina; in Durham, the American Dance Festival, Duke University, and the Durham Arts Council; in Greensboro, the Eastern Music Festival and the Greensboro Symphony Society; in Raleigh, the N.C. Symphony Society; and in Winston-Salem, the N.C. Black Repertory Company, Reynolda House, and Southeastern Center for Contemporary Art. (See the related article, "Dancing to a Different Donor — Arts Groups Adapt to Federal Cutbacks," on p. 28.)

The Center's study of local united arts funds and local arts councils found differing effects from the NEA cuts. NEA funding for 10 of the state's united arts funds dropped from \$166,500 in FY 1991 to \$99,725 in FY 1995 — a decline of 40 percent, or 47 percent when dollars are adjusted for inflation. However, NEA grants to 15 selected local arts councils more than tripled over that period, from \$20,300 in FY 1991 to \$74,256 in FY 1995. Nevertheless, in both cases, NEA grants accounted for very small percentages of the groups' total budgets. In FY 1994, NEA grants represented 0.6 percent of the total income for the united arts funds and 1.4 percent of the total income for the local arts councils. (See Table 8 on p. 38 and Table 9 on p. 39.)

"The National Endowment for the Arts has limited impacts, as far as funding goes, for the local arts councils," says Rob Maddrey, president of Arts North Carolina, a group that represents local arts councils and united arts funds across the state. "It [NEA funding] was small to begin with. So, when you cut back on something that small, it's not going to have much of an impact." But Maddrey and other arts administrators say that NEA support, although only a small share of the total budgets for

local arts groups, has had a larger-than-expected impact on their operations. That's because NEA grants require recipients to match the federal money with grants from the state, local governments, and private sources.

"The NEA money has never been a large source of money for local arts councils," says Robert Bush, executive director of the United Arts Council of Raleigh and Wake County. "But a little bit of NEA money triggers a lot of other money." NEA grants also have helped provide the seed money for many local arts programs that later gained support from other funders. "In many cases, what has happened is that local governments and the state have picked up the NEA share," Bush says.

Many arts groups feel that this shift in funding can't go on forever. The National Assembly of Local Arts Agencies, in a survey of nonprofit arts groups across the nation, found that most groups think the loss of NEA funds would eventually lead to cutbacks in local support.<sup>31</sup> "If the NEA were eliminated, 83 percent of the local arts agencies we surveyed said it would have a negative impact on their local government support for the arts," says Randy Cohen of the assembly. "Meaning, that if the NEA takes away its support for the arts, it will take away some of the local government support for the arts. They might just say, 'Let's put this money elsewhere.'"

## **Public Support for the Arts in North Carolina**

North Carolina has a long history of supporting the arts and a nationwide reputation that continues to this day. In 1815, the state legislature spent \$10,000 to commission a statue of George Washington for the State Capitol Building. In the 1920s and 1930s, private citizens established groups that eventually led to the creation of the state art museum and state symphony. Since then, the state can claim a number of "firsts" that show its support for the arts:

- In 1943, the N.C. Symphony, although formed with private money in 1932, became the nation's first state-supported symphony orchestra.
- In 1947, North Carolina became the first state to fund a public collection of art — now the N.C. Museum of Art.
- In 1949, private citizens founded the Arts Council of Winston-Salem, the first organization of its kind in the nation.
- In 1963, the state legislature established the N.C. School of the Arts, the first state-supported residential school for the performing arts in the nation.

- In 1971, the legislature created the nation's first cabinet-level state agency for arts and culture, now known as the Department of Cultural Resources.
- In 1977, the legislature funded the N.C. Arts Council's Grassroots Arts Program, the nation's first program for funding local arts initiatives on a per-capita basis.<sup>32</sup>

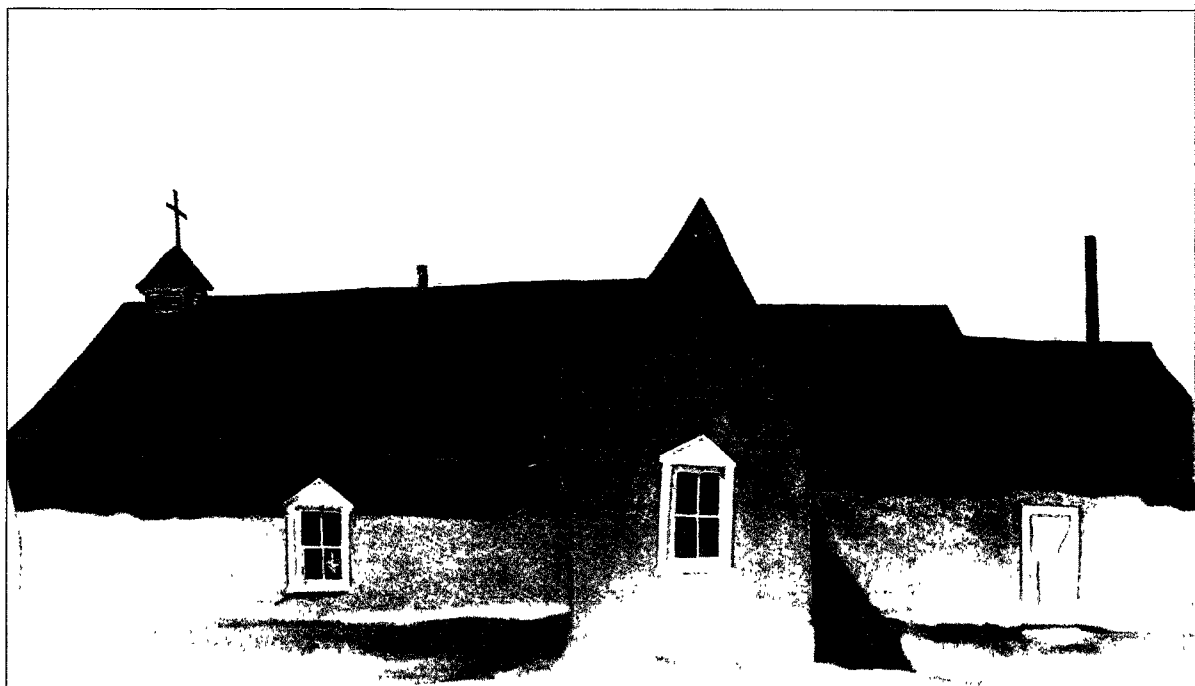
North Carolina also was among the first states to establish a statewide agency for promoting the arts. Former Gov. Terry Sanford established the N.C. Arts Council by executive order in 1964, and the state legislature made it a statutory agency in 1967. In 1971, the Council became part of the

newly created Department of Art, Culture, and History — now known as the Department of Cultural Resources — and it became a full division of the department in 1981.<sup>33</sup>

As the state's lead arts agency, the N.C. Arts Council is the primary vehicle for routing state funds to artists and arts organizations. More than three-fourths (75.5 percent) of the council's \$6.3-million total budget in FY 1995 went toward grants to artists and arts groups across the state. The council also distributes a substantial portion (52 percent in FY 1995) of the National Endowment for the Arts' grants in North Carolina. Primary responsibilities of the N.C. Arts Council include awarding grants, providing arts-related services and information, developing support for artists and arts organizations in the state, and administering the Artworks for State Buildings Program that the state legislature repealed in 1995.



*Christine Alexander, for the N.C. Arts Council*



*"Cebolla Church," oil on canvas by Georgia O'Keeffe (1945)*

In FY 1996, the N.C. Arts Council received \$5.4 million in state appropriations, or 38 percent of the state's total funding for arts programs. Other arts programs that received major appropriations from the state in FY 1996 included: the N.C. Museum of Art, \$3.3 million, or 23 percent of total arts funding; the N.C. Symphony, \$2.4 million, 17 percent of the total; and special legislative appropriations to local arts groups, \$3 million, or 22 percent of the total. (See Table 5 on pp. 24–25.)

A key factor contributing to North Carolina's traditionally strong support for the arts is the network of **local arts councils** in most of the state's counties and larger cities. Local arts councils function as clearinghouses for the arts in local communities, doing everything from sponsoring workshops to running museums and theater companies. Some of these local councils, generally in the state's larger cities, have taken on additional fundraising responsibilities. These councils, known as **united arts funds**, conduct annual fundraising drives that generate financial support for a range of other arts organizations in their communities. These funds function like the United Way campaigns in their communities, serving as central collection points for private donations and distributing that money to a range of arts organizations. For example, the Arts & Science Council of Charlotte/Mecklenburg raised \$8.9 million in revenues in FY 1995, while distributing an equivalent amount in grants to 21 affiliated

arts organizations as well as a number of local schools.<sup>34</sup>

"North Carolina as a state has a wonderful local arts agency infrastructure," says Randy Cohen of the National Assembly of Local Arts Agencies in Washington, D.C. "They really are just model agencies, and they have very supportive communities for the arts."

After Winston-Salem formed the nation's first local arts council in 1949, other local groups were established in the 1950s and early 1960s in a number of the state's larger cities, including Charlotte, Greensboro, High Point, and Raleigh. The state had seven local councils when Gov. Sanford created the N.C. Arts Council in 1964, but the state council has played a key role in establishing a network of other local councils across the state. "We noticed that whenever there was a good local arts council in a county, good things happened across the board," says Mary Regan, the director of the state council. The state now has 106 local arts councils, located in 90 of the state's 100 counties, and 11 of those councils function as united arts funds. (See Table 10 on p. 41.)

"North Carolina has the most united arts funds of any state in the country," says Oscar E. Marin, director of the National Coalition of United Arts Funds in New York. "North Carolina has some of the most successful funds too, especially for the Southeastern U.S." In 1994, the Arts & Science



Council of Charlotte/Mecklenburg was the nation's 8th largest united arts fund in money-raising, and funds in Winston-Salem and Raleigh ranked among the top 25.<sup>35</sup> "North Carolina certainly has the most going on with the arts, outside of the major centers such as New York and California," Marin says.

## State Maintains Its Support for the Arts

The Center's study of funding trends found that state government has continued its strong financial support for the arts in recent years. The N.C. General Assembly increased its total funding for the arts substantially from FY 1990 to FY 1995, during the same time span that the National Endowment for the Arts slashed its grants in North Carolina. Total state legislative appropriations for the arts grew from \$9.8 million in FY 1990 to \$13.6 million in FY 1995 — an increase of 39 percent, or 18 percent when adjusted for inflation. (See Table 4 on p. 19.) Legislative funding increased again in FY 1996, to \$14.1 million. Meanwhile, the state's share of *total* government funding for the arts was virtually unchanged, from 62.1 percent in FY 1990 to 61.9 percent in FY 1995.

But just looking at the state's total funding for the arts does not tell the whole story. Most of the growth in state arts funding in recent years has come from huge increases in **special appropriations**, or direct non-recurring grants to specific arts groups or projects from the state legislature. With these special appropriations, also known as "pork barrel" funding, legislators can earmark funds for arts groups in their districts — thus bypassing the administrative screening process established by the N.C. Arts Council to distribute grants to arts organi-

zations around the state. For example, in FY 1995 legislators approved special appropriations ranging from \$2,000 for the Burnsville Playhouse in Yancey County to \$100,000 for the Brevard Music Center in Transylvania County. The N.C. General Assembly increased its special appropriations to local arts groups by more than 6,000 percent, from \$48,500 in FY 1991 to \$3,048,500 in FY 1996. Meanwhile, legislative funding for the N.C. Arts Council — the state's lead agency for promoting the arts — actually declined by 1.2 percent from FY 1991 to FY 1996, or 13.6 percent in inflation-adjusted dollars. During that same period, state funding for the N.C. Symphony increased by 40 percent, or 22.3 percent when adjusted for inflation. Meanwhile, state funding for the N.C. Museum of Art increased 13.5 percent in absolute terms, but declined slightly (-0.8 percent) when adjusted for inflation. (See Table 5 on pp. 24–25.)

Looked at another way, special appropriations as a share of the state's total spending on the arts grew from 0.5 percent in FY 1991 to 21.6 percent in FY 1996. By contrast, the N.C. Arts Council's share of the total state arts spending declined from 54.1 percent in FY 1991 to 38.3 percent in FY 1996. This shift in funding mechanisms has several implications:

- State funding for the arts has become more of a political process as the state legislature has come to exert more control over the allocation of state money to local arts organizations, programs, and events.
- Much of the state funding for local arts groups is now bypassing the review process of the N.C. Arts Council, which was established to insure

*"When we teach a child to sing or play an instrument, we teach her to listen. When we teach a child to draw, we teach her to see. When we teach a child to dance, we teach him about his body and about space. When we teach a child design, we teach the geometry of the world. When we teach children about the folk and traditional arts and the great masterpieces, we teach them to celebrate their roots and find their place in history."*

—JANE ALEXANDER, CHAIR  
NATIONAL ENDOWMENT FOR THE ARTS  
AND AWARD-WINNING ACTRESS

a fair and accountable distribution of the state's arts dollars.

- State funding for arts has become more dependent on non-recurring, annual legislative appropriations, rather than on long-term financial commitments to statewide arts programs.
- Special appropriations do not stimulate as much giving from other sources as do grants from the N.C. Arts Council, which generally requires grant recipients to obtain matching funds from other contributors.

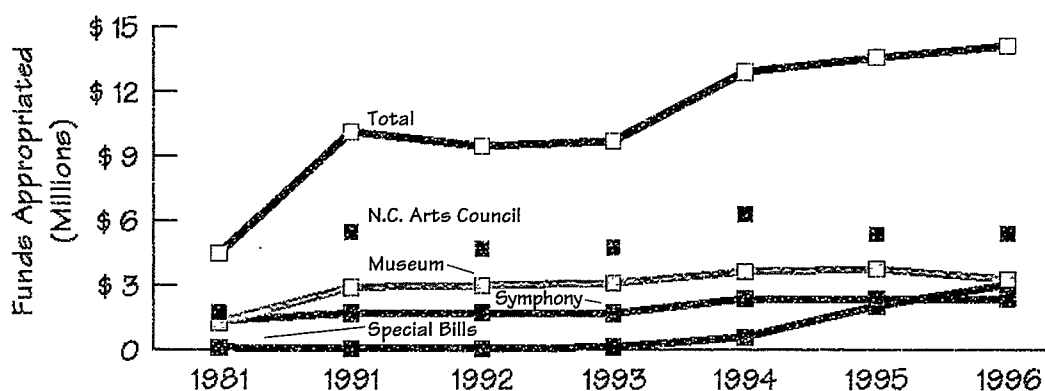
"We try not to look a gift horse in the mouth," Mary Cook, director of public affairs for the N.C. Department of Cultural Resources, says of the special appropriations. "Whatever hassles come along the way, we're grateful to have this money." Nevertheless, Cook says planning has become more difficult for the administrators of state art

agencies because of the growth in special appropriations. "We prefer to call it one-time special money, with a huge emphasis on the 'one-time,'" she says. "Yes, we have some extra money. But we have no idea from year to year whether we're going to get it again."

Others in the arts community are more critical of the shift in funding priorities. Rob Maddrey, president of Arts North Carolina, says many administrators of local arts groups feel that the N.C. Arts Council spends funds more fairly than does the legislature in its "pork barrel" appropriations. "You can't dispute that the state has increased its support for the arts, including at the local level," Maddrey says. "But the amount of money is largely dependent on who you know and how it's doled out by the legislature."

Elizabeth Taylor, director of Arts Advocates of N.C., a nonprofit group that lobbies for the arts in the state, says arts groups have mixed feelings about

**Table 5. Legislative Funding for State Arts Programs in North Carolina, FY 1981-96**



Source: N.C. Department of Cultural Resources. Special Bills include all legislative special appropriations for local art groups in the state.

*"The general perception of the General Assembly is that we don't want any more sound sculptures or any more graffiti on public buildings. This is an example of the arts community being totally out of touch with the average taxpayer."*

— JOHN BALDWIN, AIDE TO HOUSE  
SPEAKER HAROLD BRUBAKER

the increase in special appropriations. "There are two sides to that issue," Taylor says. "If this means that the legislators see the need to put more money into arts groups, that's a wonderful indicator. However, we have a state agency whose purpose is to distribute state arts money, and that is the state Arts Council. So why shouldn't that money go directly through the state arts agency?"

*"A system that produces \$2 million to \$3 million a year for arts organizations can't be all bad. But the distribution of money could be done more equitably."*

AL ADAMS, LOBBYIST FOR ARTS  
ADVOCATES OF N.C. AND FORMER WAKE  
COUNTY STATE REPRESENTATIVE

Percent of Total in 1996	Percent Change, 1991-96	Inflation Adjusted Change, 1991-96	State Arts Programs
38.3%	-1.2%	-13.6%	N.C. Arts Council
23.3	13.5	-0.8	N.C. Museum of Art
16.8	40.0	22.3	N.C. Symphony
21.6	6185.6	5493.6	Special Bills
100.0%	39.6%	22.0%	TOTAL

"That's why this [special appropriations] money is a source of concern. I'm not saying it's bad, because it's \$3 million that's sprinkled across the state for arts groups. . . . But as special appropriations, nobody knows what they need to do to get the money. So it pits arts groups against themselves, and it promotes discord."

Margaret "Tog" Newman, chair of the board of directors for the N.C. Arts Council, points out that the council's grants — unlike special appropriations — generally require recipients to obtain additional matching grants from individuals, corporations, foundations, and local governments. "Every dollar granted in '94-95 was matched by \$8 from other sources," Newman says of the Arts Council's grants programs.

House Speaker Harold Brubaker says the increase in special appropriations was, in part, a message to the N.C. Arts Council. Some legislators feel that the council has awarded too many grants to individual artists, he says, rather than to local arts groups around the state. "What it's showing the Arts Council is that they should broaden their scope and look more at arts groups rather than individuals, which they have been doing," Brubaker says. "The whole question is: Where do you direct your support, to individuals or to groups? In this case, I don't think there's any question. We should be looking at groups."

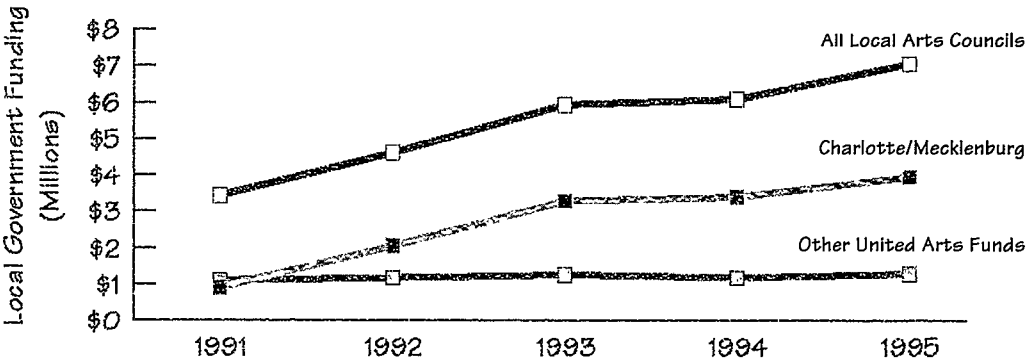
Budget information from the state, however, shows that the N.C. Arts Council distributes a relatively small proportion of its grants to individual artists. In FY 1994-95, the Arts Council gave \$342,447 to individual artists, or 7.9 percent of its total grants. That same year, the council gave \$3.7 million to arts groups (78.2 percent of its total grants) and \$659,677 to community organizations (13.9 percent of its total grants).<sup>36</sup> In total, the Arts Council distributed \$4.7 million in grants to 855 organizations in FY 1994-95 — compared to legislature's distribution of \$2 million in special appropriations to 94 organizations that year.

Lobbyist and former legislator Al Adams, who represents Arts Advocates of North Carolina, has a simpler explanation for the recent increase in special appropriations for the arts. Adams, who represented Wake County in the N.C. House from 1975 to 1984, says the increase is more of a return to the status quo than an aberration. The N.C. General Assembly, Adams says, routinely earmarked several millions of dollars a year in special appropriations to local arts groups up until the late 1980s, when House Speaker Joe Mavretic (1989–90) led an effort to scale back “pork barrel” spending. “A system that produces \$2 million to \$3 mil-

lion a year for arts organizations can’t be all bad,” Adams says. “But the distribution of money could be done more equitably.” Legislators created the Arts Council to establish a fairer system for distributing arts funds, he says, but appear to be backing away from that goal.

Compared to similar agencies in other states, the N.C. Arts Council has fared better than most in recent years. Nationwide, state legislative appropriations to state arts agencies declined 23 percent in inflation-adjusted dollars from FY 1991 to FY 1996.<sup>37</sup> (See Table 2 on p. 15.) That compares with a 13-percent decline in inflation-adjusted funding

**Table 6. Local Government Funding for the Arts in Charlotte vs. Other Areas in North Carolina**  
(Millions of Dollars)



Local Government Funding	1991	1992	1993	1994	1995
Charlotte/Mecklenburg	\$0.905	\$2.050	\$3.284	\$3.397	\$3.956
Other United Arts Funds	1.104	1.172	1.255	1.180	1.286
All Local Arts Councils	3.438	4.615	5.933	6.087	7.065
Charlotte/Mecklenburg % of Total Local Funding for Arts Councils	26.3%	44.4%	55.4%	55.8%	56.0%

*Source:* N.C. Arts Council, surveys of local government funding of community arts councils and commissions in North Carolina, 1991–95.

*Note:* The increase in local government support for the arts in Charlotte is not as large as suggested by the growth in funding for the Arts & Science Council from FY 1991–95. That’s because the Charlotte City Council shifted from directly funding a number of local groups, such as the Mint Museum, to indirectly funding those groups through the Arts & Science Council starting in FY 1992. Thus, the city shifted about \$1.6 million a year to the Arts & Science Council from a number of arts groups that previously had received direct funding. The arts groups still receive funding, however, but it comes through the Arts & Science Council rather than the city council.



**Artist Connie Bostic paints scenes for a mural in the Thomas Wolfe Memorial Visitor Center in Asheville. The painting was funded through the Artworks for State Buildings Program.**

in North Carolina during that same time span. In 1996, North Carolina ranked 23rd among the states in per capita funding for state arts agencies. But the state's per capita funding of 75 cents was lower than the national average of 99 cents.

### **Local Governments Boost Their Funding for the Arts**

One of the most significant findings of the Center's study of funding for the arts in North Carolina is the large increase in support from local governments. This finding was revealed in the Center's examination of the financial reports of united arts funds and local arts councils as well as in data collected by the state. The N.C. Arts Council has surveyed local arts councils across the state since the late 1980s on the amount of funding they receive from city and county governments. These surveys show that local governments have more than doubled their funding for local arts councils over the past five years, from \$3.1 million in FY 1990 to \$7.1 million in FY 1995.<sup>38</sup> That amounts to an increase of 123 percent, or 88 percent when dollars are adjusted for inflation. (See Table 4 on

p. 19.) Local governments also increased substantially their share of *total* government funding for the arts in North Carolina, from 20 percent in FY 1990 to 32 percent in FY 1995.

The Center found similar trends in its examination of financial reports for 10 of the state's united arts funds and 15 selected local arts councils.<sup>39</sup> This research shows that local governments increased their funding of *united arts funds* from \$2.0 million in FY 1991 to \$5.2 million FY 1995 — an increase of 161 percent, or 132 percent when adjusted for inflation. (See Table 8 on p. 38.) Local government support grew more modestly during the same time span at the 15 *local arts councils*, from \$546,074 in FY 1991 to \$841,948 in FY 1995. That was an increase of 54 percent, or 37 percent when adjusted for inflation. (See Table 9 on p. 39.)

These data show that local governments have shouldered a large share of the increases in funding for local arts groups across the state. Arts administrators credit much of that increase to improving relations between arts groups and local governments. "It's easier to find champions for your local arts groups in local governments because they're your

—continues on page 33

## *Dancing to a Different Donor— Arts Groups Adapt to Federal Cutbacks*



DURHAM — The African-American Dance Ensemble has gained international renown for its energetic performances inspired by traditional African music, dances, costumes, and story-telling. Led by Chuck Davis, a Raleigh native who established his reputation as a dancer and choreographer in New York City, the ensemble stages more than 200 performance activities a year across the United States. Yet audiences are more likely to see the Durham-based dance company perform in small, rural communities like Brevard or Lillington than in large cultural centers like New York or Los Angeles.

"That's our niche — out in the communities," says Rodney Trapp, executive director of the ensemble. "Chuck Davis has a wonderful saying, 'In order to understand dance, study the people. In order to understand people, study their dance.' But we don't like to just go into a community, have a performance, and then leave. The audience may have an exciting show, but their lives aren't changed. We prefer a deeper relationship with our audience, by spending two or three days in the community, visiting the school system, conducting workshops, and then staging a concert."

Since its inception in the mid-1980s, the ensemble has held performances, workshops, demonstrations, and other activities in 48 of North Carolina's 100 counties, including many small communities that generally have little exposure to contemporary performance art. "About one-half of our work takes place in North Carolina," Trapp says. "Although we tour around the country, we do an extremely large number of touring events across the state."

The ensemble's grassroots approach to performing as well as its reputation in the dance field has helped it become one of the state's leading recipients of grants from the National Endowment for the Arts in the 1990s. That's because one of the NEA's goals is to bring cultural events down to the local level, often by awarding grants for dance and musical performance tours in small communities. The ensemble also has benefited from the NEA's attention to arts groups that promote cultural diversity.

But the ensemble is visiting fewer small communities across the state these days, due to cutbacks in federal funding from the National Endowment for the Arts. The group's funding from the NEA has been cut in half over the past few years — from \$77,400 in FY 1992 to \$39,000 in FY 1995 — and a further drop is

*"The NEA is allowing us to subsidize our fees so that school systems can have us in and augment their educational programs. When you take that away, you hurt young people. . . . We know the important role that the arts play in a community, and we know the impact that the cutbacks will have."*

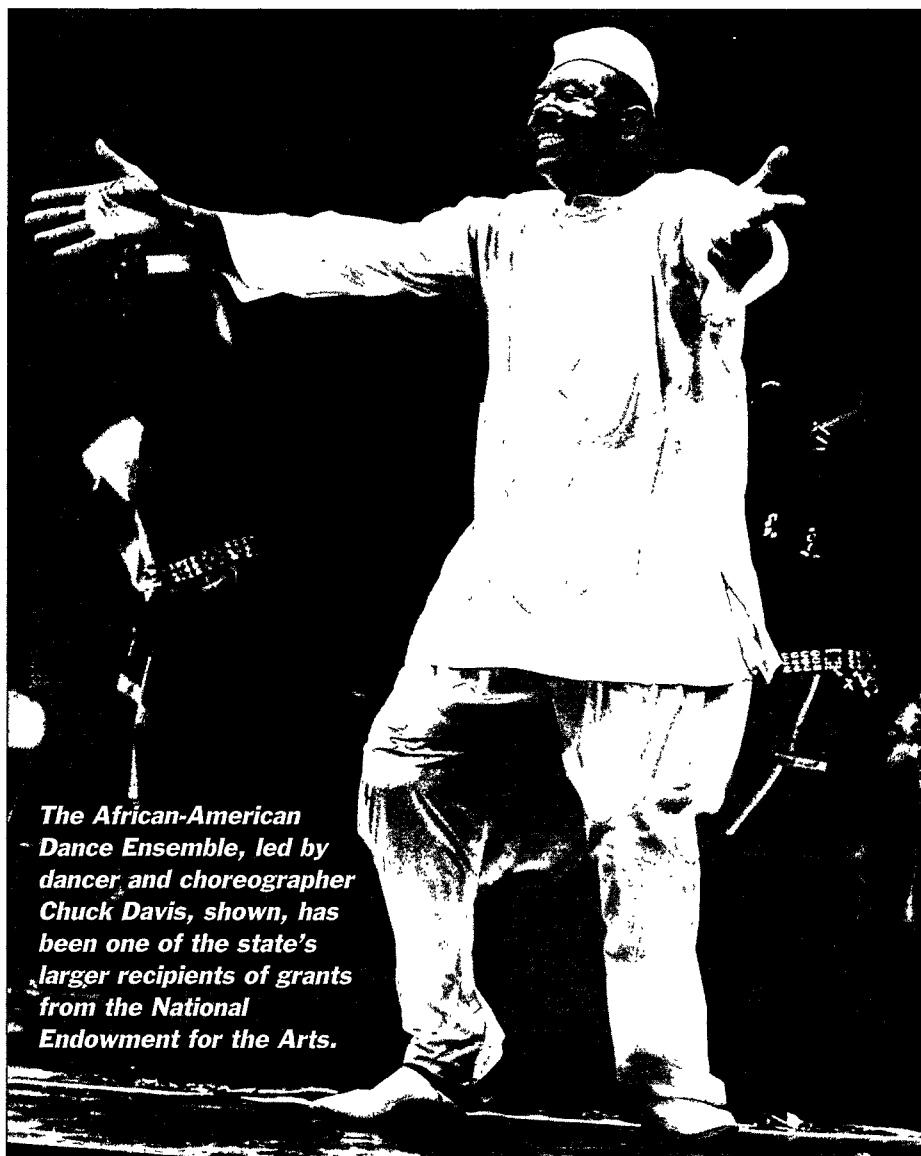
—RODNEY TRAPP, EXECUTIVE DIRECTOR  
AFRICAN-AMERICAN DANCE ENSEMBLE, DURHAM

expected for FY 1996. Moreover, Trapp says, the NEA has reduced funding to many of the local arts groups that used to book the ensemble using endowment grants.

"We got a double whammy, in effect," Trapp says. "The downside is we're now going to have to be more aggressive and look for work more in the large, metropolitan areas. So the smaller communities are going to suffer. We have to go where we can find work."

The African-American Dance Ensemble has been at the forefront of efforts to promote more

awareness and appreciation of minority cultures in the United States. Davis is a long-time student of African culture who makes annual trips to the continent to study its music, dance, art and folklore. The ensemble's artists wear traditional African costumes during their performances, which feature musicians who play African percussion instruments and dancers who perform adaptations of tribal dances. In addition to performing, members of the ensemble hold workshops and demonstrations on African culture in communities across the state — often in small



**The African-American Dance Ensemble, led by dancer and choreographer Chuck Davis, shown, has been one of the state's larger recipients of grants from the National Endowment for the Arts.**

*Kevin Kaister, for the African-American Dance Ensemble*



**"To Market," oil on panel by artist Ellis Wilson (c. 1954)**

school systems that otherwise wouldn't be exposed to such cultural events.

"This is what is being supported by the NEA," Trapp says. "The NEA is allowing us to subsidize our fees so that school systems can have us in and augment their educational programs. When you take that away, you hurt young people. . . . We know the important role that the arts play in a community, and we know the impact that the cutbacks will have."

Some conservatives, however, applaud the cutbacks that have led to fewer NEA grants for arts groups such as the African-American Dance Ensemble. NEA grants not only pay for art that many people do not appreciate, opponents say, but are an unnecessary frill when the federal government faces annual budget deficits in the

hundreds of millions of dollars. The *Times-News* of Burlington, N.C., expressed that view in a recent editorial: "When it comes to ending government subsidies for the arts, the sooner the better. Government funding violates the rights of the taxpayer while corrupting the integrity of the artist. It forces people to pay for art for which [they] have no use, or worse, art that violates their basic moral sensibilities. It also turns artists into vassals of the state, making them subject to the whims of the political process. No artist on the government dole can ever consider themselves free."<sup>1</sup>

Trapp says the African-American Dance Ensemble doesn't need NEA grants to survive, but to subsidize performances in communities that couldn't otherwise afford such cultural at-



tractions. The ensemble generates the bulk of its budget from ticket sales and other earned income, but it also gets substantial support from public and private sources. Money from admissions and other earned income account for nearly two-thirds (64 percent) of the group's \$580,000 budget for 1996. Government grants make up nearly one-fourth (24 percent) of the group's budget, while donations from foundations, individuals, and other private sources account for the remaining 12 percent. The group receives government support from the National Endowment for the Arts, N.C. Arts Council, N.C. Department of Cultural Resources, and the City of Durham.

"We have used the NEA money as leverage money," Trapp says. "It is relatively small, maybe a little more than 3.5 percent of our total budget. But it leverages so much more, because we are then able to put that money toward grant applications to foundations and the state Arts Council."

Performing arts groups like the African-American Dance Ensemble have been among the hardest hit by cutbacks in NEA grants in North Carolina in recent years. Other groups that had large drops in NEA funding from FY 1990 to FY 1995 include: the N.C. Black Repertory Company in Winston-Salem, down \$64,500; the American Dance Festival in Durham, down \$42,000; the N.C. Dance Theater in Charlotte, down \$22,000; the N.C. Symphony Society, down \$25,000; and the Charlotte Symphony Orchestra Society, down \$10,000.

"We've had to drop whole programs," says Stephanie Reinhart, who co-directs the American Dance Festival with her husband, Charles. "We dropped our dance critics conference and our young choreographers and composers project."

The American Dance Festival, an international event that features dance workshops and performances, has been able to maintain its overall annual budget at about \$2.5 million by obtaining more private donations and generating more income from its operations. The festival received NEA grants totaling \$41,300 for FY 1996, which accounts for less than 2 percent of its current budget but is \$58,400 less than the NEA grants it received for FY 1991.

Charles Reinhart, co-director of the ADF, says he is concerned that the cutbacks in the

*"When it comes to ending government subsidies for the arts, the sooner the better. Government funding violates the rights of the taxpayer while corrupting the integrity of the artist."*

—EDITORIAL, TIMES-NEWS,  
BURLINGTON, NC

National Endowment for the Arts could have a chilling effect on performing arts groups. Reinhart says the NEA cutbacks, together with recent political attacks on the arts, have imposed a sort of censorship on arts groups by pressuring them to avoid controversial topics.

"Why are the arts being attacked?" Reinhart asks. "That's the real issue here. . . . You just have to wonder how many organizations are doing things that are safer in order to draw bigger audiences — and are therefore being more popular, more commercial."

"To me, it's not a question of whether government support for the arts is important or not. It's how do we as a civilization value the arts . . . In some countries, like France, government support for the arts would never come up as a political issue. They see it — both in political and cultural terms — as in 'Look how vital the arts are to our country.'"

Some of the larger art museums in the state also have been hurt by the cutbacks in grants from the National Endowment for the Arts. One of those affected is the Southeastern Center for Contemporary Art, a Winston-Salem based institution that promotes work by contemporary artists around the country. SECCA, which has been one of the largest recipients of NEA grants in the state since 1990, received no money from the endowment for FY 1995 — after receiving a total of \$297,000 in NEA grants over the five previous years.

SECCA has received some unwanted attention over the past few years because of a con-

troversial exhibition it funded in part with an NEA grant. In 1988-89, the museum produced a traveling exhibition of works by contemporary artists — including Andres Serrano, whose work included "Piss Christ," a photograph of a crucifix immersed in a jar of urine. That exhibit has become one of rallying points for conservatives who say the federal government has no business funding the arts. Yet SECCA administrators say they see no direct connection between their loss of NEA funding and the Serrano exhibit.

"No, I don't," says Ginny Rutter, public relations and marketing coordinator for SECCA. "I really think it was due more to the severe cut-backs in NEA funding. Because we continued to receive money afterwards from the NEA, with significant funding for our artist-in-the-community series. Also, this [the loss of funding in 1995] was almost 10 years after the controversy over Andres Serrano."<sup>2</sup>

SECCA also recently found out that it has been awarded a \$15,000 grant from the NEA grant for FY 1996, she says. That grant is being used to commission a public art sculpture in Winston Lake Park by Maya Lin, the artist who designed the Vietnam Veterans' Memorial in Washington, D.C. Lin's design for the Vietnam memorial was attacked by veterans' groups when it was first proposed, but the memorial now is one of the most popular attractions in the nation's capital.

"Artists will always do controversial work, no matter what," Rutter says, "because they mirror the strengths and weaknesses of today's society."

— Tom Mather

#### FOOTNOTES

<sup>1</sup> Unsigned editorial, "End of art subsidy? Quicker the better!" *Times-News*, Burlington, N.C., July 27, 1996, p. A4.

<sup>2</sup> The traveling exhibition that included Andres Serrano's works was shown in Los Angeles, Pittsburgh, and Richmond, Va., but it never came to North Carolina.

***"Blue Dancer,"***  
**bronze by sculptor Alexander Archipenko**  
**(1913)**

*"Artists will always do controversial work, no matter what, because they mirror the strengths and weaknesses of today's society."*

—GINNY RUTTER  
PUBLIC RELATIONS COORDINATOR  
SOUTHEASTERN CENTER FOR  
CONTEMPORARY ART  
WINSTON-SALEM

—continued from page 27

next-door neighbors in many cases," says Rob Maddrey of Arts North Carolina. "So, I am not at all surprised that there is increasing support from local government to arts groups in the state."

The N.C. Arts Council also deserves some of the credit for the increase in funding for the arts from cities and counties. The state council has played an instrumental role in the establishment of many local arts councils across North Carolina and has provided information, staff support, and technical assistance to hundreds of local arts groups. The state Arts Council also established a challenge grant program in the mid-1970s that provides matching funds for grants from local governments to arts groups. As a result, the number of local governments contributing to the arts jumped from 16 in FY 1975 to 96 in FY 1977. By FY 1995, that number had grown to 198.

"We didn't just put the money out and sit back," says Mary Regan, director of the N.C. Arts Council. "Instead, as we were developing the concept of the [challenge grant] program, we met with the League of Municipalities and the Association of County Commissioners and got support for the program from the leadership. Both organizations ran articles about the program in their newsletters and feature stories on successful local programs."

The increasing support from local governments is part of a nationwide trend, says Randy Cohen of the National Assembly of Local Arts Agencies. "We found that nationally, the average local arts agency has received a 5 percent increase in local government support during each of the past five years," Cohen says. "I think local arts agencies have been especially successful, compared to the NEA or the state arts agencies, because part of their mission

is to integrate the arts into the fabric of daily living for the residents of a given community."

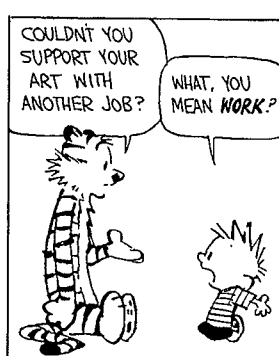
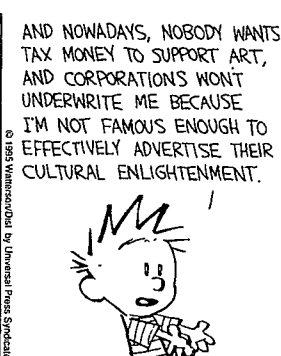
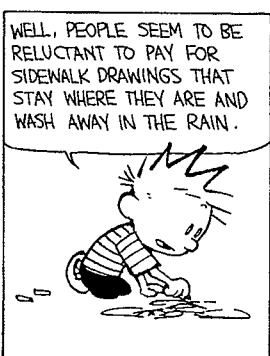
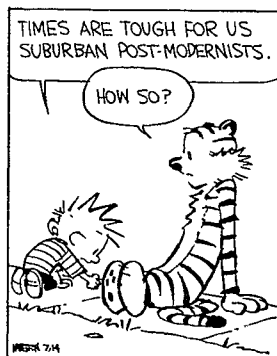
Nevertheless, Cohen predicts that further cutbacks in NEA grants will cause local governments to scale back their support for the arts. "The NEA grants leverage additional money for those communities," he says, adding that many local governments will find other ways to spend their money without such incentives.

Some local governments already appear to be trimming their support for the arts. Despite the overall growth in local support, the Center's research found that a number of cities and counties reduced their funding for local arts councils from FY 1991 to FY 1995. More than half (13 of 25) of the united arts funds and local arts councils that the Center studied received less support from local governments in 1995 than they did in 1991. Groups that had declines in local government funding during that period (in absolute terms) include the: United Arts Council of Gaston County (-75 percent), United Arts Council of Greensboro (-60 percent), Moore County Arts Council (-40 percent), Caldwell Arts Council (-22 percent), Alamance County Arts Council (-21 percent), Stanly County Arts Council (-20 percent), Union County Arts Council (-17 percent), Arts Council of Winston-Salem (-17 percent), Arts Council of Wilson (-16 percent), High Point Arts Council (-9 percent), Toe River Arts Council (-8 percent), and Craven Arts Council (-4 percent).

At least some of the declines in local government support can be attributed to changing political makeups on county boards of commissioners and town councils. For example, the Guilford County Board of Commissioners totally cut its funding for the United Arts Council of Greensboro and the High Point Arts Council after conservative Republicans

## Calvin and Hobbes

by Bill Watterson



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***"Commerce,"  
by sculptor Raymond Kaskey,  
located on the Square in Charlotte.***

captured a majority of seats on the board in the early 1990s. The Guilford commissioners cut their combined funding for the two arts councils from \$80,000 in FY 1991 to zero dollars in FY 1992, before partially restoring its funding to \$30,000 in FY 1993.

"When I came here, the county was giving us no money at all," says John Santuccio, president of the Greensboro arts council. "One of the county commissioners told me that funding for the arts was unconstitutional."

Much of the growth in local government support has been concentrated in a few metropolitan areas. The Arts & Science Council of Charlotte and Mecklenburg County, in particular, accounted for more than half (56 percent) of the *total* city and county funding for all local art councils in the state in FY 1995. (See Table 6 on p. 26.) Local govern-

ment funding for the arts in Charlotte/Mecklenburg grew from \$904,700 in FY 1991 to \$3.96 million in FY 1995 — an increase of 337 percent, or 289 percent when adjusted for inflation.<sup>40</sup> By contrast, local government support for *all other* local arts councils and united arts funds in the state grew from \$2.5 million in FY 1991 to \$3.1 million in FY 1995 — an increase of 23 percent, or 9 percent when adjusted for inflation.

In addition to Charlotte/Mecklenburg, other arts councils that had increases in local government support (in absolute terms) from FY 1991 to FY 1995 include the: Arts Council of Fayetteville and Cumberland County (391 percent), United Arts Council of Raleigh and Wake County (325 percent), Catawba County Council for the Arts (49 percent), Chowan Arts Council of Edenton (25 percent), McDowell Arts & Crafts Association (24 percent), Arts Council of Macon County (21 percent), Ashe County Arts Council (21 percent), United Arts Council of Rowan (19 percent), Randolph Arts Guild (7 percent), Durham Arts Council (5 percent), and the Arts Alliance of Asheville (3 percent).

The big increase in support for the Arts Council of Fayetteville/Cumberland County resulted from a combined effort by local arts groups to seek increased local government funding for the arts, says Council President Libby Seymour. The arts council asked the city and county to increase their funding for the arts to \$1 million a year (compared to \$90,000 in 1993) to bring the community closer to the average for metropolitan areas in the state, she says. The council also tied local funding for the arts to Fayetteville's ongoing effort to revitalize its downtown. "We didn't get \$1 million, but we did get \$450,000 — which wasn't as much as we had asked for, but it was a significant increase over what we had been getting," Seymour says. "I think our local elected officials are seeing the value of a healthy cultural community to the city and county."

The moderate increase in local government spending in Durham does not reflect the city council's recent decision to dedicate 1 percent of the city's local property tax for the arts. "In one year, FY 1996, it generated almost \$62,000 of new money" for the arts, says E'Vonne Coleman, direc-

tor of the Durham Arts Council. "In a community of 200,000 people, that ain't bad."

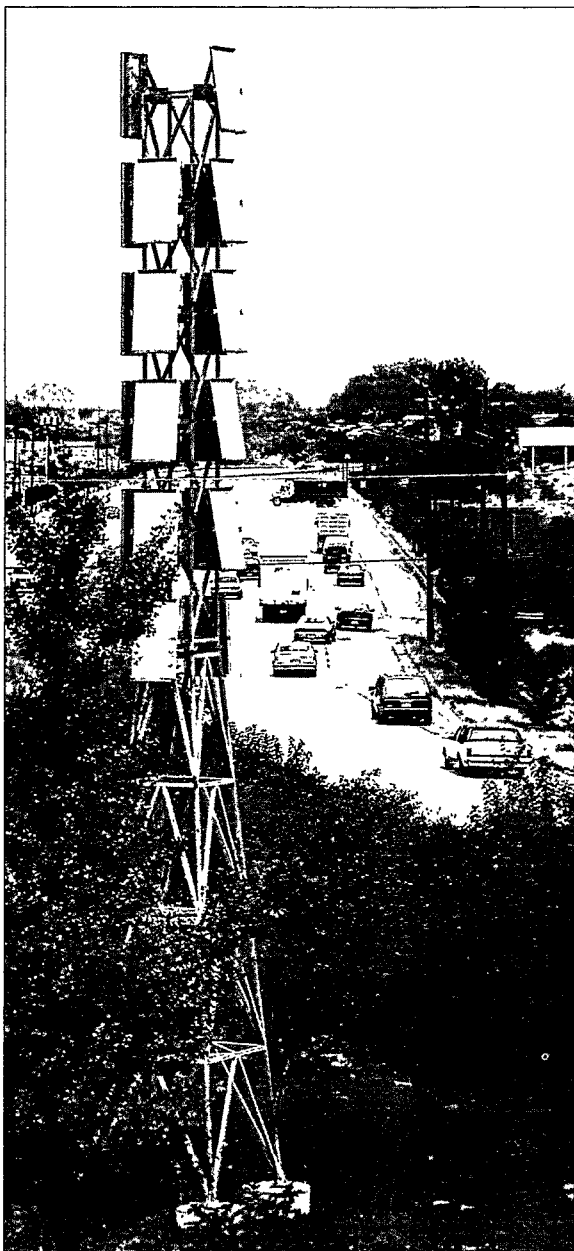
Despite the overall increase in local government support for the arts, cities and counties are not immune to the kind of criticisms that have been leveled at the federal government for funding controversial artwork. For instance, Raleigh Mayor Tom Fetzter, as one of the key issues in his 1995 re-election campaign, attacked the city council for funding a public art project along one of the city's major thoroughfares. Fetzter — who won the race — got a lot of mileage from political ads opposing the "Light + Time Tower," a \$51,100 sculpture that was supported by his opponent, Councilmember Mary Watson Nooe. "I'm not trying to be an arbiter of public taste," Fetzter said. "What I'm trying to be is a careful steward of tax dollars."<sup>41</sup> Earlier in the year, the Raleigh City Council had attempted to pressure a city-funded gallery, ArtSpace, into canceling an exhibit containing paintings that dealt with sexual themes.<sup>42</sup> (See related article, "Troubled Times for Art in Public Buildings," on p. 8.)

Such controversies have erupted even in the Charlotte/Mecklenburg area, which leads the state in local government support for the arts. In May 1996, a group of religious conservatives asked the Charlotte City Council to cut all funding for the Charlotte Repertory Theatre after the theater staged a production of "Angels in America," a Pulitzer Prize-winning play that includes material about homosexuality and the AIDS epidemic.<sup>43</sup> "That has raised the whole issue of taxpayers' money going to the arts, and it has called into question the city's support for the Arts & Science Council," says Lauren Batten, director of annual giving for the Arts & Science Council of Charlotte and Mecklenburg County.

Despite the controversy, the Charlotte City Council renewed its funding support for the Arts & Science Council in its budget for FY 1997. But Michael Marsicano, president of the Arts & Science Council, says the incident shows that arts groups may need to do a better job of marketing themselves or demonstrating their value to their communities. "What I find is that if you ask someone on the street, 'Do you support government funding for the arts?,' many people will tell you no," Marsicano says. "But if you ask them, 'Do you support government funding for Discovery Place, the Mint Museum, or the North Carolina Blumenthal Performing Arts Center?,' they almost all say yes. That tells me we have a marketing issue."

Not all of the controversy over public art, however, is motivated by conservative politics. In Chapel Hill, which is not known as a hotbed of conservatism, many local residents have objected to a public art project planned for the town's main street. The series of sculptures, titled "621 yards/.69 seconds," would show the trajectory of a bullet passing westward along Franklin Street. But at a public hearing in November 1995, a majority of the citizens

***The "Light + Time Tower," by artist Dale Eldred, became a campaign issue in the Raleigh mayor's race after it was erected on a major thoroughfare.***



Karen Tam



**Don Davis, potter from Asheville**

said they were uncomfortable with such a graphic reminder of gun violence — in the aftermath of several violent shootings that occurred in the town that year. “Why would anyone want to put a sculpture up on Franklin Street that commemorates these kinds of events?” Dr. Vincent Kopp of Chapel Hill asked at the hearing. The artist who designed the sculptures, Thomas Sayre, told the council: “I hope the town will have the guts to do something that won’t please everyone, but will be a kind of rallying point.”<sup>44</sup> In March 1996, the Chapel Hill Town Council agreed to go forward with the project after the artist agreed to rename and redesign the sculpture based on public input.<sup>45</sup>

### **Private Support for the Arts in the United States**

Private giving to the arts, although harder to quantify, greatly surpasses government funding.<sup>46</sup> Nationwide, private donations to the arts, culture, and humanities totaled about \$9.96 billion in 1995, according to estimates by the AAFRC Trust for Philanthropy, which has studied giving patterns

in the United States for more than 30 years.<sup>47</sup> By contrast, total funding for the arts from federal, state, and local governments in the United States amounted to about \$1.1 billion in 1995.<sup>48</sup> In other words, private sources donate about \$9 to the arts for every \$1 in government funding. The role of private donations is generally much bigger for arts groups than for other charitable causes, except for religious groups — which typically receive no government funding. As a whole, charities receive about one-third of their funding from government sources.<sup>49</sup>

Long-term trends show that private donations to the arts have been increasing, both in absolute terms and relative to other causes. Total arts giving has quadrupled over the past 30 years, even when numbers are adjusted for inflation. (See Table 1 on p. 7.) But the growth rate for private contributions to the arts has slowed in recent years. Private donations increased 135 percent from 1970 to 1980, and 38 percent from 1980 to 1990, but only 5 percent from 1990 to 1994.<sup>50</sup>

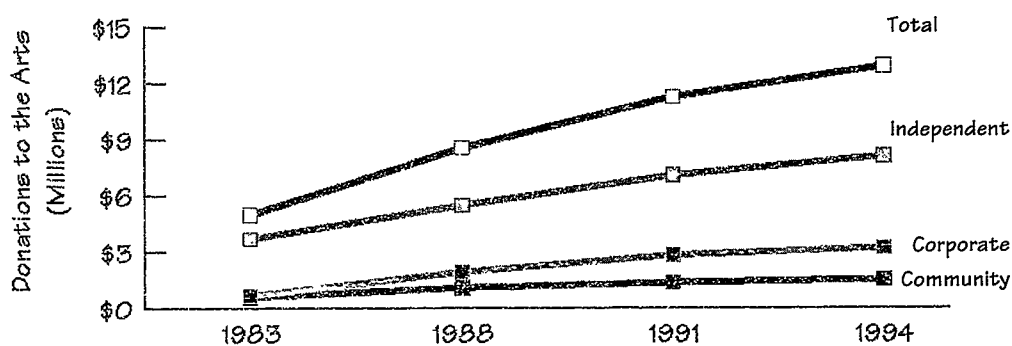
Arts contributions also have increased in relation to other philanthropic causes. Donations to the

arts accounted for 7.5 percent of all private giving in 1994 — up from 6.7 percent in 1980 and 3.1 percent in 1970. Nevertheless, private donations to the arts are small compared to some other causes. (See Table 11 on p. 43.) Private donors give the most money to religious causes, which attracted 45 percent of the \$130 billion in total estimated private giving in 1994. Other causes that attract more donations than the arts include: education (13 percent of total giving in 1994), human services (9 percent), and health (9 percent).<sup>51</sup>

Another way to look at private donations is to break them down by source — individuals, foundations, and corporations. **Individual** giving is by far the largest source of contributions for *all* charitable

causes, accounting for nearly \$9 out of every \$10 dollars in donations in 1994. (See Table 12 on p. 44.) Donations from individuals (including bequests) totaled \$113.9 billion in 1994, or 87.7 percent of total private giving. By contrast, **foundation** giving amounted to \$9.9 billion (7.6 percent of the total in 1994), and **corporate** giving totaled \$6.1 billion (4.7 percent).<sup>52</sup> These patterns might not hold true for arts organizations, however. For instance, a nationwide survey of united arts funds found that they raised the most money in their 1994 campaigns from corporations (55.8 percent of the total, including matching gifts), followed by individuals (27.9 percent), government (7.6 percent), private foundations (7.3 percent), and special events

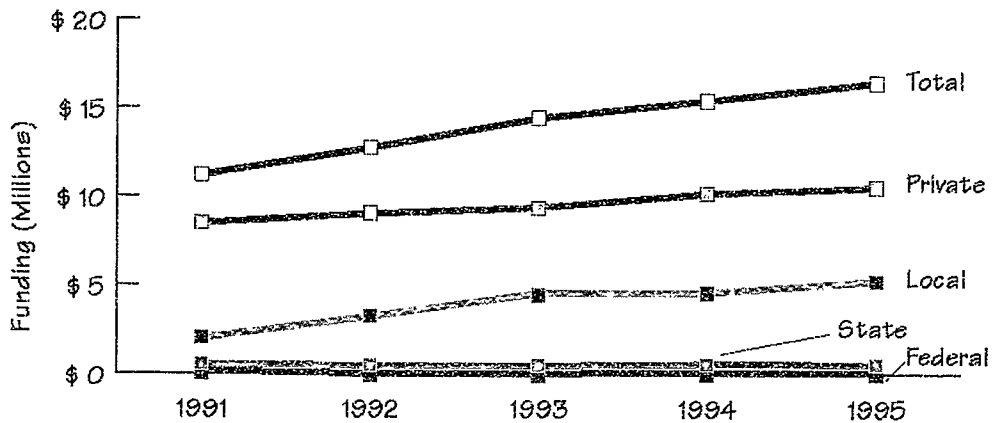
Table 7. Foundation Giving to the Arts  
in North Carolina, 1983–94



Type of Foundation	1983	1988	1991	1994	Percent of Total in 1994	Percent Change, 1991–94	Inflation Adjusted Change, 1991–94
Corporate	\$686,155	\$1,943,123	\$2,828,714	\$3,226,280	25.1%	14.1%	4.8%
Independent	3,704,776	5,508,285	7,088,661	8,123,242	62.9	14.6	5.3
Community	594,860	1,109,338	1,359,528	1,551,580	12.1	14.1	4.9
Total Arts Grants	\$4,985,791	\$8,560,746	\$11,276,903	\$12,901,102	100.0%	14.4%	5.1%

Notes: Data compiled from publicly available 990-PF tax forms and annual reports of independent, corporate, and community foundations in North Carolina. Donations to the arts include grants to artists, arts groups, museums, art festivals, performing arts, film, historic societies, historic preservation, arts education, and minority cultural events. Data for 1988 and 1991 adapted from Anita G. Shirley, *North Carolina Giving*, 1990 and 1993 Editions, Capital Consortium, Raleigh, N.C. Data for 1983 and 1994 compiled by the N.C. Center for Public Policy Research.

**Table 8. Sources of Funding for  
10 Local United Arts Funds  
in North Carolina, 1991-95**



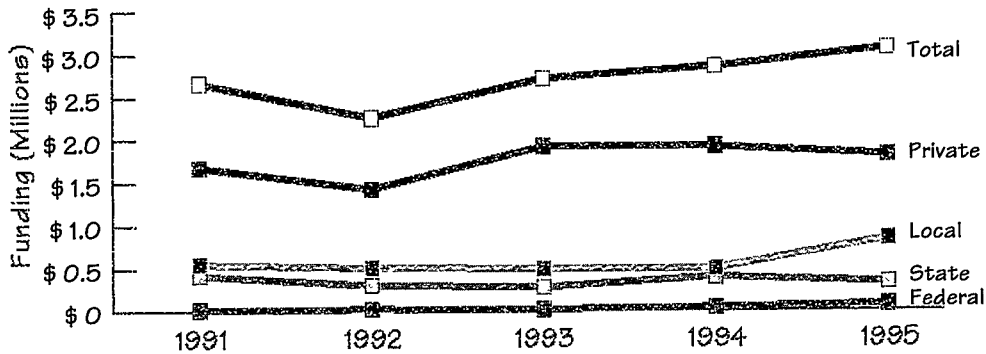
Source of Funds	1991	1992	1993	1994	1995	Inflation		
						Percent of Total, 1994	Percent Change, 1991-95	Percent Adjusted Change, 1991-95
Local Gov't	\$2,008,438	\$3,221,679	\$4,539,465	\$4,577,572	\$5,241,652	29.8%	161.0%	132.3%
State Gov't	535,036	469,878	466,555	562,306	551,667	3.7%	3.1%	-8.2%
Federal	166,500	4,927	26,680	92,800	99,725	0.6%	-40.1%	-46.7%
Private	8,482,027	9,008,301	9,350,160	10,147,987	10,498,476	66.0%	19.6%	9.6%
<b>TOTAL</b>	<b>\$11,192,001</b>	<b>\$12,704,785</b>	<b>\$14,382,860</b>	<b>\$15,380,665</b>	<b>\$16,391,520</b>	<b>100.0%</b>	<b>37.4%</b>	<b>25.9%</b>

*Source:* Compiled from information on government funding from the N.C. Arts Council, the National Endowment for the Arts, and budget reports from local arts councils. Groups examined included the following 10 local united arts funds: Arts Council of Winston-Salem, Art & Science Council of Charlotte/Mecklenburg, Catawba County Council for the Arts, Arts Alliance of Asheville, Durham Arts Council, High Point Arts Council, United Arts Council of Gaston County, United Arts Council of Greensboro, United Arts Council of Raleigh & Wake County, and United Arts Council of Rowan.

Data on private giving include all sources of revenue except government grants, including donations, memberships, fund drives, sales, interest income, and grants from corporations and foundations. Information on private and total giving for FY 1995 is based on budget projections rather than actual numbers, except for arts funds in Buncombe, Forsythe, Mecklenburg, Rowan, and Wake counties. Thus, the change in private and total giving is for the period FY 1991-1994.



**Table 9. Sources of Funding for  
15 Local Arts Councils in  
North Carolina, 1991-95**



Source of Funds	1991	1992	1993	1994	1995	Percent of Total in 1994	Inflation	
							Percent Change, 1991-95	Adjusted Change, 1991-95
Local Gov't	\$546,074	\$507,198	\$495,578	\$494,572	\$841,948	17.3%	54.2%	37.2%
State Gov't	416,508	302,228	277,547	398,763	330,887	14.0	-20.6	-29.3
Federal	20,300	25,689	20,950	40,770	74,256	1.4	265.8	225.6
Private	1,678,324	1,425,010	1,920,189	1,918,737	1,817,270	67.3	14.3	4.7
<b>TOTAL</b>	<b>\$2,661,206</b>	<b>\$2,260,125</b>	<b>\$2,714,264</b>	<b>\$2,852,842</b>	<b>\$3,064,361</b>	<b>100.0%</b>	<b>7.2%</b>	<b>-1.8%</b>

*Source:* Compiled from information on government funding from the N.C. Arts Council, the National Endowment for the Arts, and budget reports from local arts councils. Groups examined included 15 local councils: Caldwell Arts Council, Ashe County Arts Council, Arts Council of Macon County, Toe River Arts Council, McDowell Arts & Crafts Association, Alamance County Arts Council, Union County Arts Council, Randolph Arts Guild, Stanly County Arts Council, Moore County Arts Council, Chowan Arts Council, Craven Arts Council, Arts Council of the Lower Cape Fear, Arts Council of Fayetteville and Cumberland County, and Arts Council of Wilson.

Data on private giving include all sources of revenue except government grants, including donations, memberships, fund drives, sales, interest income, and grants from corporations and foundations. Information on private and total giving for FY 1995 is based on budget projections, rather than actual numbers. Thus, change in private and total giving is for the period FY 1991-94.

*"The arts are not going to die in America because Congress turns its back on them — the artist is a weed that can survive in the cracks of a sidewalk. But in the act of supporting its arts, Congress demonstrates a pride in our arts which I know will move most American artists to tap their highest artistic ideals in return."*

—ARTHUR MILLER, AUTHOR,  
JUNE 6, 1995, IN A LETTER TO  
U.S. REP. NEWT GINGRICH (R-GA.),  
SPEAKER OF THE HOUSE

(1.4 percent).<sup>53</sup> (See Table 13 on p. 44.) Generally speaking, foundations and corporations tend to give larger percentages of their charitable contributions to the arts than do individuals. In 1993, the arts attracted about 15 percent of the grants from foundations<sup>54</sup> and 11 percent of the corporate donations<sup>55</sup> — compared to about 7.5 percent of the total for all private contributions.

### Private Giving in North Carolina

The N.C. Center for Public Policy Research gathered data on private giving to the arts in North Carolina from four primary sources: publicly available 990-PF tax records from private foundations; financial records from the N.C. Museum of Art, N.C. Symphony, local arts councils, and local united arts funds; information voluntarily provided to the Center by corporations about their direct giving programs; and previously published studies. These sources, although not as complete as government funding records, show some significant trends in private giving patterns, as well as the relative importance of funding sources in the state. Overall, private giving to the arts in North Carolina has increased significantly over the past five years — although perhaps not as much as the growth in funding from state and local governments. Some key trends in private giving to the arts in North Carolina include:

- Private foundation giving to the arts in 1994 amounted to \$12.9 million, an increase of 14 percent (5 percent when adjusted for inflation) from 1991, and 51 percent (20 percent when adjusted for inflation) since 1988. Nearly two-thirds (63 percent) of that support came from private independent foundations, followed by corporate foundations (25 percent), and community foundations (12 percent). (See Table 7 on p. 37.)
- Corporations and individuals account for virtually all (98 percent) of the private contributions to the fundraising campaigns for the state's local united arts funds. In 1994, these fund drives raised \$6.9 million in private funds for arts organizations in their communities. Corporations accounted for 51.7 percent of those contributions, followed by individuals (46.6 percent), private foundations (1.1 percent), and special events (0.6 percent). From 1990 to 1994, total private giving increased by 24 percent at the state's united arts funds — or 7.6 percent when adjusted for inflation.<sup>56</sup> (See Table 14 on p. 45.)
- Private giving accounted for about one-sixth (17.6 percent) of the N.C. Museum of Art's income, which totaled \$6.2 million in FY 1995. Total private contributions grew from \$877,389 in FY 1991 to nearly \$1.1 million in FY 1995, an increase of 24.5 percent — or 10.8 percent when the dollars are adjusted for inflation. (See Table 15 on p. 48.)
- Private contributions accounted for about one-fifth (21.2 percent) of the N.C. Symphony's income, which totaled \$6.1 million in FY 1995. Private donations grew from \$1.1 million in FY 1991 to nearly \$1.3 million in FY 1995, an increase of 12.9 percent — but just 0.5 percent when the dollars are adjusted for inflation. (See Table 16 on p. 48.)

The Center obtained another measure of private contributions to the arts by examining the financial statements for 15 local arts councils and 10 united arts funds.<sup>57</sup> The Center estimated *total private support* for the arts funds and councils by subtracting the amount of public funding (from local, state, and federal governments) from the groups' total income by year. This measure of private support includes money the arts groups raised from private contributions (individual, foundation, and corporate donations) as well as their earnings from

sales, special events, performances, entrance fees, interest income, and other sources. Although not a perfect measure of individual giving, the Center's analysis of financial records for these arts groups found that:

- Total private support for 10 of the state's local united arts funds grew from \$8.5 million in FY 1991 to \$10.1 million in FY 1994 — an increase of 20 percent, or 10 percent when adjusted for inflation. Private sources also accounted for two-thirds (66 percent) of the united arts funds' total income in FY 1994 — nearly double the support from all levels of government. (See Table 8 on p. 38.)
- Total private support for the 15 local arts councils grew from \$1.7 million in FY 1991 to \$1.9 million in FY 1994 — an increase of 14 percent, or 5 percent when adjusted for inflation. As with the united arts funds, private sources accounted for two-thirds (67 percent) of the local arts coun-

cils' total income in FY 1994 — more than double the support from all government sources. (See Table 9 on p. 39.)

### Foundation Giving Increases Moderately in North Carolina

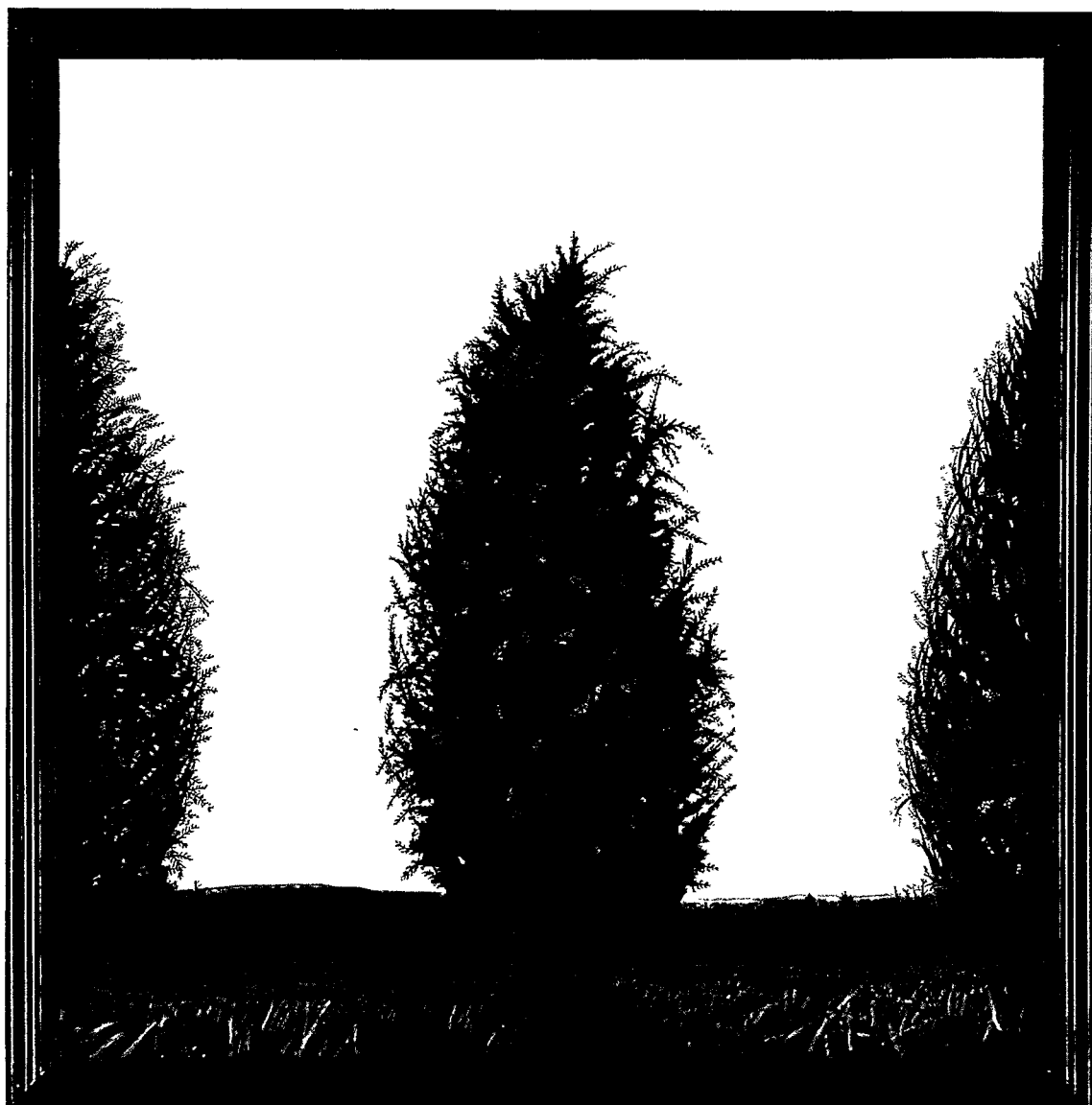
Although foundations account for a relatively small share of private giving (less than 8 percent of the nation's total charitable contributions in 1994), they provide the most reliable source of data on private donations in North Carolina. That's because private foundations are required by federal law to file statements on their charitable giving each year with the Internal Revenue Service and the state Attorney General's Office. These records, known as 990-PF forms, show the total assets and contributions for each foundation by year.<sup>58</sup> Additional data on foundation giving can be obtained from annual reports that are published by some foundations, such as many of the community foundations that function as charities in large cities across the state.

The Center examined all of the 990-PF forms on file with the state Attorney General's Office for the 1994 tax year or the foundations' 1993–94 fiscal year. Tax forms were missing for a few foundations with a history of supporting the arts in North Carolina, so the Center requested contributions data directly from these foundations. In addition, the Center requested 1994 annual reports from all of the community foundations in the state that did not file 990-PF forms.<sup>59</sup> Data on foundation giving for earlier years (1983, 1988, and 1991) were obtained from previous directories to foundation and corporate giving by the N.C. Center for Public Policy Research and Capital Consortium, a private consulting firm based in Raleigh.<sup>60</sup> The Center used all of these sources to compile a list of foundations' contributions to the arts in North Carolina. Donations to the arts were defined as contributions to individual artists, arts groups, arts events and festivals, arts education, music, film, museums, historical societies, historic preservation, minority cultural events and groups, and performing arts like ballet, symphonies, dance, and theatre. The Center

**Table 10. Nonprofit Arts Organizations in North Carolina**

Type of Group	Number in 1986	Number in 1996	Percent Change, 1986–96
Arts Councils	99	106	+7.1%
Arts Centers/Facilities	68	142	+108.8
Artist Organizations	132	331	+150.8
Arts Festivals/Concert Series	87	292	+235.6
Arts Service Organizations	61	83	+36.1
Arts Publications	—	13	—
Literary Magazines, Presses	44	52	+18.2
Cinemas	6	5	-16.7
Dance Companies	54	108	+100.0
Galleries and Museums	171	256	+49.7
Music Performing Groups	214	525	+145.3
Theater Performing Groups	196	311	+58.7
<b>TOTAL</b>	<b>1,132</b>	<b>2,224</b>	<b>+96.5%</b>

Source: N.C. Arts Council



***"Three Trees, Two Clouds," oil on linen by artist John Beerman (1990)***

did *not* include donations to media or communications-related groups, such as public radio or public television stations. The Center also excluded foundation grants to arts groups and events located outside of North Carolina.<sup>61</sup>

In 1991, the most recent year for which complete data are available, 749 private foundations with assets totaling \$4.1 billion were based in North Carolina. Those foundations awarded grants totaling \$222.6 million to all charitable causes in 1991, up from \$181.3 million in 1988, and \$95.7 million in 1982. More than one-third (289) of those foundations contributed to the arts in North Carolina in 1991, with those arts donations accounting for 5 percent of the total grant dollars awarded by founda-

tions that year. North Carolina foundations gave the largest share of their support to education (46 percent of the grant dollars in 1991), followed by health and hospitals (20 percent), social services (19 percent), religion (6 percent), and the environment (3 percent).<sup>62</sup> The percentage of grant dollars donated to the arts by foundations in North Carolina is significantly lower than for foundations in the United States as a whole, which gave 15 percent of their grant dollars to the arts in 1993.<sup>63</sup>

Foundation support for the arts apparently has not grown as much in North Carolina as for the nation as a whole. North Carolina foundations donated \$12.9 million to the arts in 1994 — which was an increase of 14 percent from 1991 (\$11.3 million), 51

percent from 1988 (\$8.6 million), and 159 percent from 1983 (\$5.0 million). (See Table 7 on p. 37.) By contrast, foundation support for the arts *nation-wide* totaled \$834.7 million in 1993, which was an increase of 22 percent from 1991 (\$682.5 million) and 84 percent from 1989 (\$454.2 million).<sup>64</sup>

Foundation giving also varies by type of foundation. Private **independent foundations**, such as the Z. Smith Reynolds Foundation in Winston-Salem, are nonprofit grantmaking organizations that generally originate from gifts and bequests from a single individual or family. **Corporate foundations**, such as the Duke Power Company Foundation in Charlotte, are created by private companies that generally give portions of their profits to the foundations for grantmaking.<sup>65</sup> (Some corporations also have direct-giving programs separate from their foundations. For example, Glaxo Wellcome Inc. has a corporate foundation and a direct-giving program.) **Community foundations**, such as the Community Foundation of Western North Carolina in Asheville, are grantmaking organizations funded by multiple donors, generally for the purpose of sponsoring charitable activities in a particular region or community.<sup>66</sup>

In 1994, independent foundations donated \$8.1 million to the arts in North Carolina, accounting for nearly two-thirds (63 percent) of all foundation giving. (See Table 7 on p. 37.) By contrast, corporate foundations gave \$3.2 million to the arts (25 percent of total foundation giving in the state), and community foundations gave \$1.6 million (12 percent). Arts donations from foundations as a whole, as well as from each type of foundation, increased by about 14 percent (5 percent when adjusted for inflation) from 1991 to 1994 in North Carolina. However, donations from corporate foundations have been growing faster than those from independent and community foundations over a longer time span. From 1988 to 1994, donations increased 66 percent from corporate foundations, 47 percent from independent foundations, and 40 percent from community foundations. When adjusted for

inflation, those increases totaled 32 percent, 18 percent, and 12 percent, respectively.

As with foundation giving as a whole, donations to the arts are dominated by a relatively small number of foundations that give away lots of money. In 1994, the top 25 foundation donors to the arts gave nearly \$10 million to arts groups and events in the state, accounting for more than three-fourths (77 percent) of the total donations to the arts from all of the foundations in North Carolina. The largest foundation contributors to the arts in 1994 were: among independent foundations, the A.J. Fletcher Foundation of Raleigh, which gave \$1,497,350; among corporate foundations, the Wachovia Foundation of Winston-Salem, which gave \$608,050; and among community foundations, the Foundation for the Carolinas in Charlotte, which gave \$679,471. (See Table 17 on p. 51 for a list of the top 20 independent foundation donors to the arts; Table 18 on p. 53 for the top 15 corporate foundation donors to the arts, and Table 19 on p. 62 for a list of community foundation donors to the arts.)

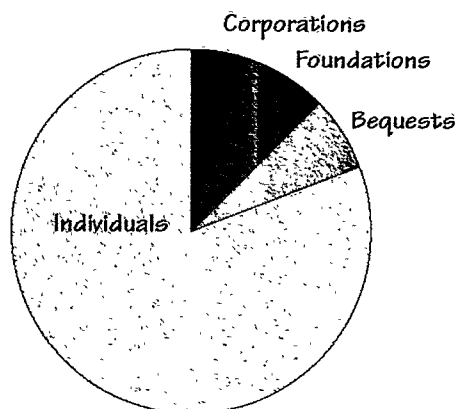
**Table 11. Distribution of Private Donations by Charitable Causes, 1994**  
(Nationwide Contributions, in Billions of Dollars)

Charitable Causes, by Group	Contributions Received in 1994	Percent of Total
Religion	\$58.87	45.3%
Education	16.71	12.9
Health	11.53	8.9
Human Services	11.71	9.0
Arts, Culture & Humanities	9.68	7.5
Public/Society Benefit	6.05	4.7
Environment/Wildlife	3.53	2.7
International Affairs	2.21	1.7
Unclassified	9.59	7.4
<b>TOTAL</b>	<b>\$129.88</b>	<b>100.0%</b>

Source: Ann E. Kaplan, ed., *Giving USA*, American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy, N.Y., 1994, p. 13.

**Table 12. Sources of  
Total Private Giving in the United States, 1994**  
(Billions of Dollars)

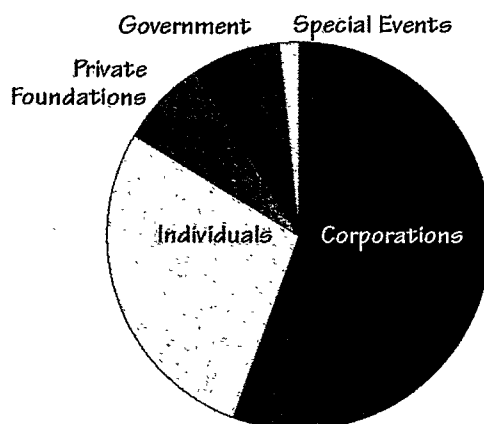
Sources of Giving	Total Giving	Percent of Total
Individuals	\$105.09	80.9%
Foundations	9.91	7.6
Bequests	8.77	6.8
Corporations	6.11	4.7
<b>TOTAL</b>	<b>\$129.88</b>	<b>100.0%</b>



Source: Ann E. Kaplan, ed., *Giving USA*, American Association of Fund-Raising Counsel, (AAFRC) Trust for Philanthropy, New York, N.Y., 1994, p. 12.

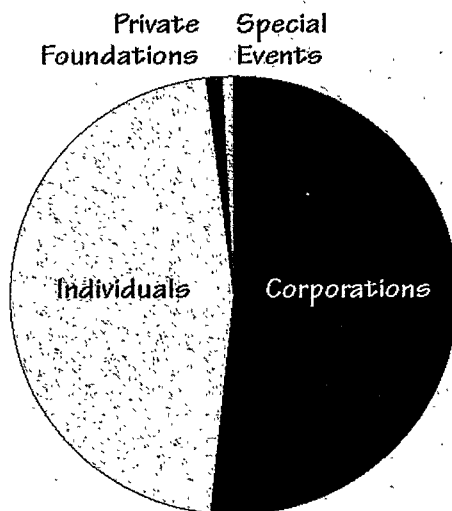
**Table 13. Sources of Funding  
for Local United Arts Funds, Nationwide, 1994**

Sources of Funding	Total Giving	Percent of Total
Corporations	\$40,116,800	55.8%
Individuals	20,045,400	27.9
Government (All Levels)	5,497,300	7.6
Private Foundations	5,269,300	7.3
Special Events	978,400	1.4
<b>TOTAL</b>	<b>\$71,907,200</b>	<b>100.0%</b>



Source: Oscar E. Marin, ed., *United Arts Fundraising 1994*, National Coalition of United Arts Funds, American Council for the Arts, New York, N.Y., 1995, p. 2. Data based on a nationwide survey of 56 united arts funds, which raised a total of \$71.9 million in their 1994 fundraising campaigns.

**Table 14. Sources of Private Funding for Local United Arts Fund Campaigns in North Carolina, 1990-94**



Sources of Donations	1990	1991	1992	1993	1994	Percent of Total in 1994	Percent Change, 1990-94	Inflation Adjusted Change, 1990-94
Corporations	\$3,157,700	\$2,949,000	\$3,383,200	\$3,578,300	\$3,563,900	51.7%	12.9%	-1.9%
Individuals	2,325,100	2,556,700	3,078,100	3,119,700	3,214,000	46.6	38.2	16.7
Foundations	62,200	33,200	51,600	74,300	73,200	1.1	17.7	0.7
Special Events	18,000	17,100	11,500	48,200	41,100	0.6	128.3	92.7
<b>TOTAL</b>	<b>\$5,563,000</b>	<b>\$5,556,000</b>	<b>\$6,524,400</b>	<b>\$6,820,500</b>	<b>\$6,892,200</b>	<b>100.0%</b>	<b>23.9%</b>	<b>4.6%</b>

Source: Oscar E. Marin, ed., *United Arts Fundraising*, 1990 to 1994 editions, National Coalition of United Arts Funds, American Council for the Arts, New York, N.Y., 1991-95, Exhibit C-2. Based on surveys of 10 local united arts funds in North Carolina, including: Arts & Science Council of Charlotte/Mecklenburg, Arts Council of Winston-Salem and Forsyth County, United Arts Council of Raleigh & Wake County, United Arts Council of Greensboro, High Point Arts Council, Catawba County Council for the Arts, Arts Alliance of Asheville & Buncombe County, United Arts Council of Rowan, and the Arts Council of Davidson County. Survey also included data from the Durham Arts Council for 1990-93, and the United Arts Council of Gaston County for 1994.

## Corporate Giving to the Arts in North Carolina

Although corporations account for only 5 percent of the *total charitable giving* in the United States, businesses play a bigger role in supporting the arts. For instance, corporations donated more than half (56 percent) of the money raised by

local united arts funds in their 1994 fund-raising campaigns, according to a nationwide survey by the American Council for the Arts.<sup>67</sup> Support for the arts from the nation's largest companies reached an all-time high of \$875 million in 1994, up from \$518 million in 1991, according to the Business Committee for the Arts, a national nonprofit group that has surveyed corporate donations since the late 1960s.<sup>68</sup>

Data on corporate giving are hard to compile because companies are not required to divulge such information — unless they route their contributions through a foundation. Grants from corporate foundations account for about one-fourth of the total giving by corporations.<sup>69</sup> In other words, corporations give about \$3 in direct donations to charitable causes for every \$1 they donate through corporate foundations. Nevertheless, data on corporate foundation donations (as discussed above) should provide a good indication of trends in corporate giving as a whole. (See Table 18 on p. 53 for a list of the 15 largest corporate foundation donors to the arts in North Carolina.)

The Center tried to assess trends in *direct* corporate giving to the arts in North Carolina in several ways, including: surveying major corporations in the state on their direct donations to the arts; analyzing the financial records of local united arts funds and selected local arts councils; and analyzing the financial records for the N.C. Museum of Art, which receives substantial corporate support. (The N.C. Symphony also receives substantial corporate support, but could not provide an itemized breakdown of private giving by sources.)

Financial records from the N.C. Museum of Art Foundation provide some insight into direct corporate giving in North Carolina. As a quasi-public agency, the foundation was able to provide itemized breakdowns on the sources of the museum's funding over the past five years. Those records show that corporate donations have been a significant — although unsteady — source of income. The Museum of Art Foundation received \$418,024 from corporate grants and memberships in 1995 — an increase of 28 percent from 1991, or 14 percent when the dollars are adjusted for inflation. (See Table 15 on p. 48.) Corporate contributions accounted for relatively small portion (6.7

percent) of the museum's total income in 1995.

Three companies responded to the Center's survey requesting information on direct corporate giving to the arts by some 25 companies.<sup>70</sup> Although this sample is not large enough from which to draw conclusions, the results may be illustrative:

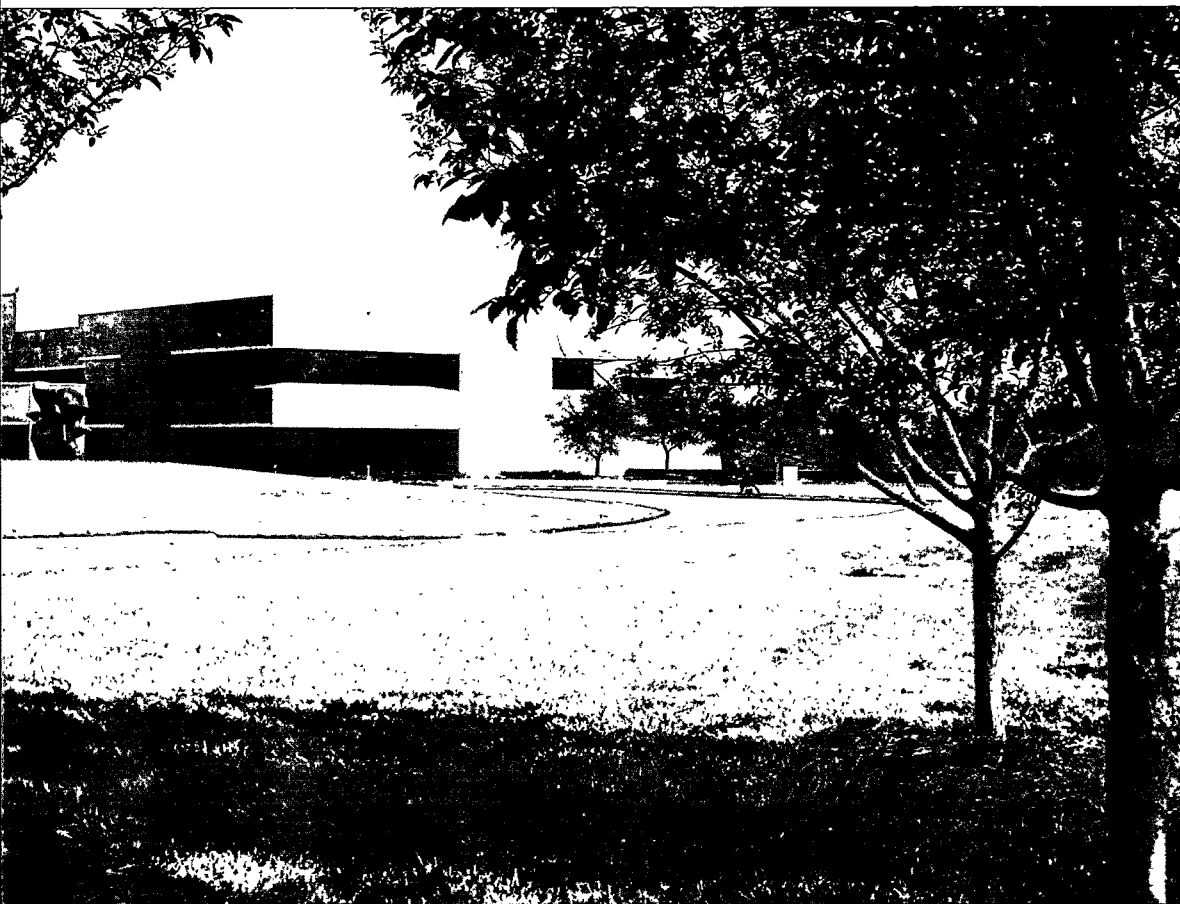
- **Glaxo Wellcome** reported that it donated \$440,800 to the arts in North Carolina in 1994 — an increase of 23 percent from 1991, or 13 percent when adjusted for inflation. The company's art donations accounted for about 8 percent of its total charitable contributions in 1994.
- **E.I. du Pont de Nemours & Co.** reported that it donated \$54,300 to the arts in the state in 1994 — an increase of 8 percent from 1991 but a decline of 1 percent when adjusted for inflation. Art donations accounted for 0.2 percent of DuPont's total charitable contributions in 1994.
- **Philip Morris USA** reported that it donated \$29,000 to the arts in North Carolina in 1994 — a decline of 3 percent from 1991, or a drop of 11.5 percent when adjusted for inflation. Arts donations accounted for 12 percent of the company's total charitable contributions in 1994.

The Center's analysis of financial records from local united arts funds and local arts councils did not yield much information on direct corporate giving. Although many of these groups receive corporate donations, most of them do not itemize such contributions in their financial statements. However, the American Council for the Arts, in its nationwide survey of united arts funds, found that corporations donated 51.7 percent of the private money raised by North Carolina's local united arts funds in 1994.

*"What I find is that if you ask someone on the street, 'Do you support government funding for the arts?', many people will tell you no. But if you ask them, 'Do you support government funding for Discovery Place, the Mint Museum, or the North Carolina Blumenthal Performing Arts Center?', they almost all say yes. That tells me we have a marketing issue."*

—MICHAEL MARSICANO, PRESIDENT  
ARTS & SCIENCE COUNCIL OF CHARLOTTE/MECKLENBURG





N.C. Museum of Art

***North Carolina was the first state to fund a public collection of art —  
now the N.C. Museum of Art***

The council's survey found that total corporate giving (including direct and in-kind contributions) increased from \$5.6 million in 1990 to \$6.9 million in 1994 — an increase of 13 percent, but a decline of 2 percent when adjusted for inflation.<sup>71</sup>

In addition, four united arts funds in the state reported data to the Center on the amount of money they have received from corporate contributions over time. Although this sample is not large enough from which to draw definitive conclusions, these funds reported big jumps in corporate donations since 1980. Over the past five years, however, corporate giving has not kept up with inflation at three of the four funds.

- **The High Point Arts Council** reported that it received \$136,051 in corporate donations in 1995 — a decline of 4 percent since 1990, or a drop of 19 percent when adjusted for inflation. Corporate donations in 1995,

however, were nearly eight times higher in absolute dollars than in 1980 (\$17,929).

- **The United Arts Council of Raleigh and Wake County** reported that it received \$394,800 from corporate donations in 1995 — an increase of 6.3 percent since 1990, but a decline of 10 percent when adjusted for inflation. (The council did not exist in 1980.)
- **The United Arts Council of Rowan in Salisbury** reported that it received \$36,895 in corporate donations in 1995 — an increase of 3.3 percent since 1990, but a decline of 7 percent when adjusted for inflation. Corporate donations have tripled in absolute dollars since 1980 (\$11,451).
- **The Arts & Science Council of Charlotte/Mecklenburg** reported that it received \$1.5 million in corporate donations for

**Table 15. Sources of Funding for the  
N.C. Museum of Art, FY 1991-95**

<b>Funding Source</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>Percent of Total, in 1995</b>	<b>Percent Change, 1991-95</b>	<b>Inflation Adjusted Change, 1991-95</b>
<b>State</b>	\$3,009,002	\$2,988,124	\$3,106,349	\$3,636,982	\$3,763,488	60.7%	25.1%	11.3%
<b>Federal</b>	104,204	34,445	0	2,092	117,188	1.9	12.5	0.1
<b>Corporations</b>	325,723	181,888	244,526	368,478	418,024	6.7	28.3	14.2
<b>Foundations</b>	50,138	39,097	111,206	95,173	86,544	1.4	72.6	53.6
<b>Individuals</b>	501,528	549,327	633,368	612,188	588,008	9.5	17.2	4.3
<b>Earned Income</b>	698,805	826,200	824,326	1,209,332	1,221,798	19.7	74.8	55.6
<b>TOTAL</b>	\$4,689,400	\$4,619,081	\$4,919,775	\$5,924,245	\$6,195,570	100.0%	32.1%	17.6%
<b>Total Private</b>	\$877,389	\$770,312	\$989,100	\$1,075,839	\$1,092,576	17.6	24.5	10.8

*Source:* N.C. Museum of Art. Table includes funding directly to the N.C. Museum of Art as well as the Museum of Art Foundation. Federal includes grants from the National Endowment for the Arts and the Institute for Museum Services. Individual gifts include donations and membership fees. Corporate contributions include grants, membership fees, and in-kind donations. Earned income includes money from fees, sales, publications, interest, dividends, stock sales, and miscellaneous sources. Total private includes all donations from corporations, individuals, and foundations.

**Table 16. Sources of Funding for the  
N. C. Symphony, FY 1991-95**

<b>Funding Source</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>Percent of Total in 1995</b>	<b>Percent Change, 1991-95</b>	<b>Inflation Adjusted Change, 1991-95</b>
<b>State</b>	\$1,700,920	\$1,710,434	\$1,707,673	\$2,383,557	\$2,381,960	38.8%	40.0%	24.6%
<b>Federal</b>	105,000	96,000	101,300	80,000	77,800	1.3	-25.9	-34.1
<b>Local Gov't</b>	234,172	318,761	337,772	340,125	346,443	5.6	47.9	31.7
<b>Private</b>	1,148,766	1,092,835	970,203	1,204,024	1,297,258	21.2	12.9	0.5
<b>Earned Income</b>	1,964,558	1,663,473	1,636,659	1,852,001	2,029,369	33.1	3.3	-8.1
<b>TOTAL</b>	\$5,153,416	\$4,881,503	\$4,753,607	\$5,859,707	\$6,132,830	100.0%	19.0%	5.9%

*Source:* N.C. Symphony. Federal includes grants from the National Endowment for the Arts. Private includes donations from individuals, corporations, and foundations. Earned income includes money from ticket sales, special productions, interest, and miscellaneous sources. The symphony's earned income FY 1991 was unusually high because it held more performances and brought in a number of well-known artists.

distribution in FY 1995 — an increase of 48.9 percent since 1990 or 25.7 percent when adjusted for inflation.

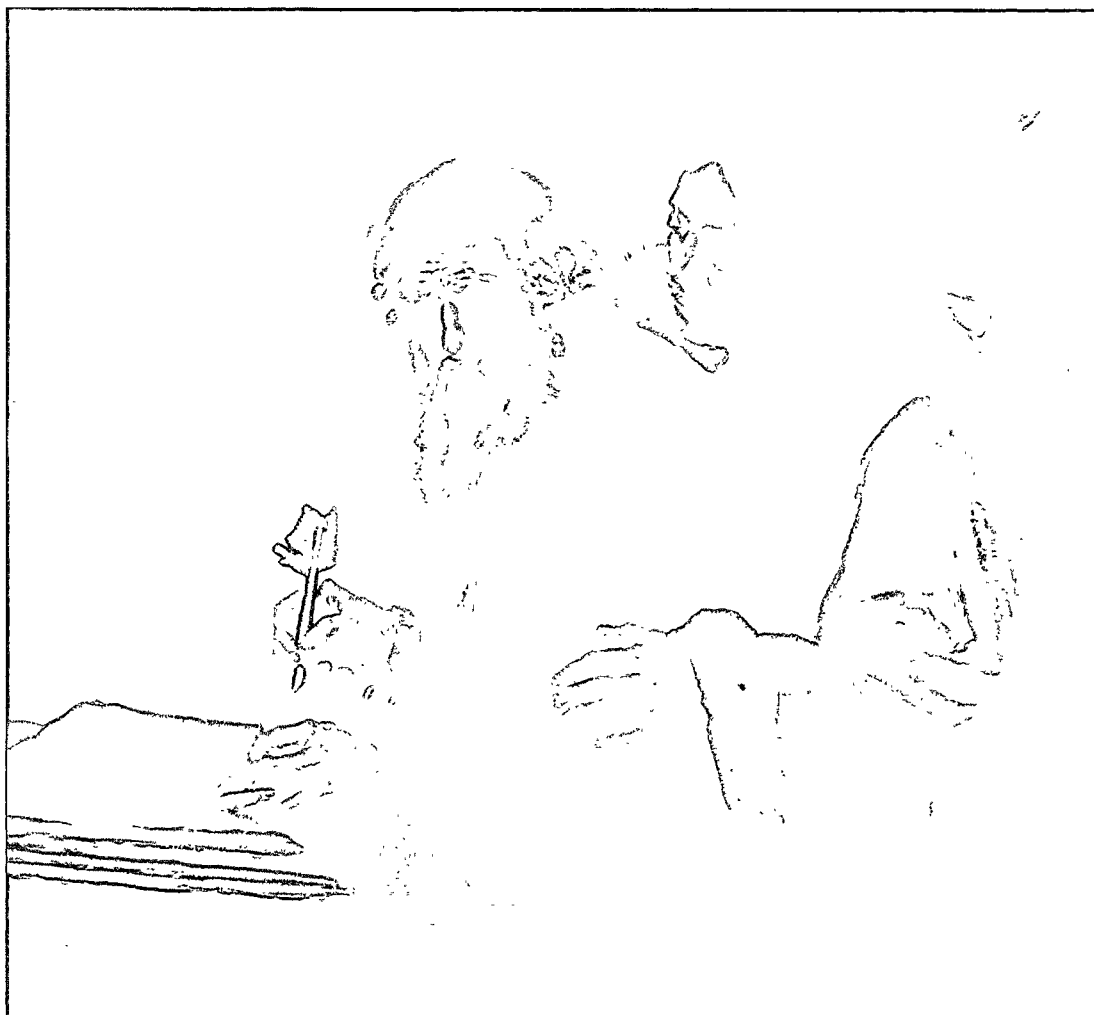
### Individual Giving

Although individual giving is considered the largest source of charitable contributions, precise numbers are hard to come by. As stated previously, nationwide studies estimate that individual donations and bequests account for nearly 90 percent of the donations to *all* charitable causes, and much of this money is given to religious organizations. Several studies suggest, however, that individuals might not make up such a large percent-

age of the contributions to the arts. For instance, the American Council for the Arts found in its 1994 survey that individuals accounted for less than a third (28 percent) of the total money raised by united arts funds nationwide and less than half (42 percent) of the money raised by united arts funds in North Carolina.<sup>72</sup> Data collected by that survey as well as the N.C. Center for Public Policy Research, however, suggest that individual giving has become a much more important source of funding for arts groups in recent years. The American Council for the Arts found that individual giving to North Carolina's local united arts fund campaigns increased from \$2.3 million in 1990 to \$3.2 million in 1994 — an increase of 38 percent or 17 percent

***Detail, "Falcon Horus," stone, Egypt (663–525 B.C.)***





***"St. Matthew and the Angel," oil on canvas by Willem Drost (c.1660-65)***

when adjusted for inflation. (See Table 14 on p. 45.)

The Center tried to assess trends in individual giving to the arts in North Carolina by analyzing the financial records of local united arts funds, local arts councils, the N.C. Museum of Art, and the N.C. Symphony. The income statements for these groups were examined in an attempt to identify contributions by individuals and other sources over the past five years. As with corporate contributions, the financial statements of most of the united arts funds and local arts councils do not itemize the sources of contributions in enough detail to determine individual giving patterns. However, four united arts funds in the state provided itemized data to the Center on the amount of money they have received from individual contributions over time. Although this sample is not large enough from

which to draw definitive conclusions, all four funds reported large increases in individual donations over the past five years.

- ❑ **The High Point Arts Council** reported that it received \$134,552 in individual donations in 1995 — an increase of 38 percent since 1990, or 17 percent when adjusted for inflation. Individual gifts in 1995 were more than 14 times higher in absolute terms than the amount raised in 1980 (\$9,464).
- ❑ **The United Arts Council of Raleigh and Wake County** reported that it received \$231,867 from individual donations in 1995, more than double the amount raised in 1990 — \$98,700. That was an increase of 135 percent, or 98 percent when adjusted for inflation. (The council did not exist in 1980.)

**Table 17. Largest Private  
Independent Foundation Donors  
to the Arts in North Carolina, 1988-94**

Name of Foundation	Arts Giving in N.C.				Percent Change, 1988-94	Arts as % Total Giving
	1988	1991	1994	3-Year Total		
1 A.J. Fletcher Fdn.	\$1,234,917	\$1,285,741	\$1,497,350	\$4,018,008	21.3%	54.7%
2 Mary Duke Biddle Fdn.	426,392	482,416	526,946	1,435,754	23.6	67.2
3 Alex Shuford Fdn.	224,502	137,450	934,500	1,296,452	316.3	100.0
4 C.D. Spangler Fdn.	0	214,800	605,000	819,800	N/A	12.5
5 Cannon Fdn.	370,046	371,000	76,000	817,046	-79.5	5.8
6 Kellenberger Historical Fdn.	201,065	243,270	359,633	803,968	78.9	83.8
7 J.G. Hanes Memorial Fdn.	383,250	403,000	N/A	786,250	N/A	88.2
8 Z. Smith Reynolds Fdn.	96,000	377,500	302,250	775,750	214.8	2.7
9 John W. & Anna H. Hanes Fdn.	140,000	253,834	244,274	638,108	74.5	30.2
10 J.G. Hanes Memorial Fund	80,000	14,000	540,000	634,000	575.0	42.5
11 Janirve Fdn.	207,205	407,500	N/A	614,705	N/A	15.9
12 W.R. Kenan Fund for the Arts	N/A	N/A	579,858	579,858	N/A	100.0
13 Mary Reynolds Babcock Fdn.	88,655	95,510	380,000	564,165	328.6	5.3
14 W.R. Kenan Charitable Trust	0	500,000	0	500,000	N/A	2.2
15 First Gaston Fdn.	324,500	8,125	59,500	392,125	-81.7	22.9
16 Blumenthal Fdn.	58,455	169,870	107,330	335,655	83.6	11.3
17 Hillsdale Fund	143,200	64,800	97,750	305,750	-31.7	11.1
18 The News & Observer Fdn.	131,204	93,956	62,517	287,677	-52.4	24.0
19 Kathleen Price Bryan Family Fdn.	0	236,100	47,500	283,600	N/A	6.5
20 Broyhill Family Fdn.	120,750	66,900	88,933	276,583	-26.3	6.6
<b>TOTALS</b>	<b>\$2,995,224</b>	<b>\$4,140,031</b>	<b>\$5,011,991</b>	<b>\$12,147,246</b>	<b>67.3%</b>	<b>13.4%</b>

*Sources:* Data on foundation giving compiled from publicly available 990-PF tax forms and annual reports of foundations for the years 1988, 1991, and 1994. Data for 1988 and 1991 adapted from Anita Gunn Shirley, *North Carolina Giving*; 1990 and 1993 Editions, Capital Consortium, Raleigh, N.C.

- **The United Arts Council of Rowan** in Salisbury reported that it received \$13,585 in individual donations in 1995 — an increase of 52 percent since 1990, or 29 percent when adjusted for inflation. Individual gifts in 1995 were more than four times greater in absolute terms in 1980 (\$3,044).
- **The Arts & Science Council of Charlotte/Mecklenburg** reported that it received \$2.1 million in individual donations for distribution in FY 1995 — an increase of 81 percent since 1990, or 53 percent when adjusted for inflation.

Interviews with the directors of several united arts funds suggest that these trends are not an aberration. Fund directors say they have been putting much greater emphasis on individual donations — particularly through payroll deduction programs — during the past few years. “We have seen a tremendous growth in [private] giving, especially from individuals, which is something that our organization had not really focused on until the early 1990s,” says Robert Bush, director of the United Arts Council of Raleigh and Wake County. “That is where we’ve seen our major growth.” Adds Kathryn Greathouse of the Catawba County Council for the Arts: “We see reaching individuals as the place for growth, and the best way to reach them is through the workplace and payroll deductions. If you make it easy for them to give, it seems to me that they will.”

Nevertheless, the apparent increase in individual giving to united arts funds and local arts councils does not necessarily mean that all arts groups — such as museums, dance companies, and symphony orchestras — have experienced similar

*“The people who primarily benefit from the arts tend to be middle- and higher-income folks. That raises the question: Do you want to spend public money to benefit those people, or is that best left to the private sector?”*

—MICHAEL WALDEN, PROFESSOR  
NORTH CAROLINA STATE UNIVERSITY

trends. For instance, individual giving to the N.C. Museum of Art Foundation has been much less consistent. Individual contributions and membership fees for the art museum totaled \$588,008 in FY 1995 — an increase of 17.2 percent from FY 1991, or 4.3 percent when the dollars are adjusted for inflation. But individual giving dropped 7 percent from a peak in FY 1993, when it totaled \$633,368. (See Table 15 on p. 48.) (The N.C. Symphony could not provide itemized financial information showing individual giving patterns.)

## Conclusion

The arts in North Carolina have survived — and even thrived — despite five years of funding cuts from the National Endowment for the Arts. Total public and private support for the arts increased substantially from 1990 to 1995 in North Carolina, even though annual funding from the National Endowment for the Arts dropped by more than half (54 percent) during that period.

North Carolina’s arts community has prospered due to steady and growing support from state and local governments, private foundations, corporations, and individuals. This variety in the sources of financial support has helped North Carolina earn, with some justification, a national reputation as one of the leading states for supporting the arts. Local governments more than doubled (123 percent) their funding for local arts councils from 1990 to 1995, and state government boosted its total spending on the arts by 39 percent. Meanwhile, private foundations increased their donations to the arts in North Carolina by 14 percent from 1991 to 1994, and total private funding for local arts councils and united arts funds grew by a comparable amount.

These trends suggest that further cuts — or even the elimination of — NEA funding would not spell disaster for the arts in North Carolina. Nevertheless, such cutbacks would not come without pain. Some likely impacts of further NEA cuts include:

- Increased pressure on the state and some local governments to make up for further losses in NEA grants by cutting back on public arts programs and reducing their support for private arts organizations.
- The loss of technical and professional support from NEA staff, who have played a key role in helping the state develop programs for promoting folk art and establishing the network of local arts councils across the state, among other things.

**Table 18. Largest Corporate Foundation Donors  
to the Arts in N.C., 1988-94**

Name of Corporate Foundation	Arts Giving in N.C.				Percent Change, 1988-94	Arts as % Total Giving
	1988	1991	1994	3-Year Total		
1 Duke Power Co. Fdn.	\$348,819	\$996,533	\$394,941	\$1,740,293	13.2%	10.4%
2 First Union Fdn.	552,148	489,356	256,716	1,298,220	-53.5	9.2
3 Wachovia Fdn.	127,834	227,083	608,050	962,967	375.7	12.7
4 Dickson Fdn.	58,900	155,850	257,800	472,550	337.7	13.6
5 RJR Nabisco Fdn.	127,793	N/A	285,000	412,793	123.0	1.9
6 Philip Van Every Fdn.	154,500	98,000	72,500	325,000	-53.1	7.7
7 Glaxo Wellcome Fdn.	0	0	250,000	250,000	N/A	9.8
8 Royal Insurance Fdn.	N/A	110,500	134,575	245,075	N/A	29.0
9 Jefferson-Pilot Fdn.	0	115,400	123,000	238,400	N/A	6.6
10 Belk Fdn.	35,000	58,000	96,500	189,500	175.7	6.2
11 CCB Fdn.	50,183	38,250	54,500	142,933	8.6	15.1
12 Lance Fdn.	24,500	81,000	29,500	135,000	20.4	9.4
13 National Gypsum Fdn.	N/A	N/A	124,600	124,600	N/A	53.8
14 Pepsi-Cola of Charlotte Fdn.	25,000	41,990	41,200	108,190	64.8	45.1
15 Barclays Bank Fdn.	38,250	45,650	10,500	94,400	-72.5	10.5
<b>TOTALS</b>	<b>\$1,194,108</b>	<b>\$1,461,079</b>	<b>\$2,344,441</b>	<b>\$4,999,628</b>	<b>96.3%</b>	<b>7.7%</b>

*Sources:* Data on foundation giving compiled from publicly available 990-PF tax forms filed by foundations for the years 1988, 1991, and 1994. Data for 1988 and 1991 adapted from Anita G. Shirley, North Carolina Giving, 1990 and 1993 Editions, Capital Consortium, Raleigh, N.C. Data not available for 1994 giving for the Royal Insurance, Jefferson-Pilot, and CCB foundations. For those foundations only, 1994 data based on 1993 giving, which was adapted from Anita Gunn Shirley, "N.C. Corporate Giving," Capital Consortium, Raleigh, N.C., 1995.

*Note:* This table includes data from corporate foundations only and not contributions from corporate direct-giving programs. A number of corporations that donate money to the arts make their contributions through direct gifts rather than, or in addition to, foundation grants. However, unlike foundations, corporate direct-giving programs are not required by law to file publicly available records listing their contributions. N.C. companies that are believed to be among the largest supporters of the arts through direct-giving programs include: Carolina Power & Light, DuPont, Glaxo Wellcome, NationsBank, Philip Morris, and Sara Lee Corp.

- A tougher fund-raising climate for arts groups due to the loss of NEA matching grants, which often have provided “seed” or challenge money for projects by attracting money from individuals, corporations, foundations, and local governments.

Although it's too early to tell, the recent cuts in NEA funding also could lead to a ripple effect, in which the state and local governments follow the federal government's lead in slashing public support for the arts. “The impact is not in the actual dollars that will be lost from the arts endowment, but in the loss of national leadership and the trickle-down effect,” says Mary Regan, executive director of the

N.C. Arts Council. “To say that the nation does not value public support for the arts can cause states not to value it and local governments not to value it.”

A few recent trends show that this is no idle concern. For instance, the state legislature in 1995 eliminated the Artwork for State Buildings Program, which since 1990 had set aside a small portion (0.5 percent) of the construction funds for artwork in new state buildings and major renovations. (See the related article, “Troubled Times for Art in Public Buildings,” on p. 8.) In addition, the state legislature — although boosting total state funding for the arts in recent years — increasingly has funneled money to the arts through special appropriations bills rather than statewide arts programs. Thus

**Cynthia Wynn,  
metalworker  
from Asheville**



*Rob Amberg, for HandMade in America*



the N.C. Arts Council, the state's lead agency for promoting the arts, saw its budget decline 1.2 percent from FY 1991 to FY 1996 — during a time when total state funding for the arts increased by 40 percent. If funding is adjusted for inflation, the Arts Council's budget dropped by 14 percent during that period, while total state spending for the arts increased by 22 percent. Meanwhile, annual special appropriations to the arts grew by \$3 million during that period. However, such funds do not provide a reliable source of income to arts organizations because they are susceptible to political winds and depend on whether arts groups or their local legislators have clout in the N.C. General Assembly.

At the local level, more than half (13) of the 25

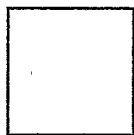
local arts councils and local united arts funds examined by the Center for this study received less funding from local cities and counties in FY 1995 than they did in FY 1991. For example, local government support (in absolute terms) dropped 75 percent for the United Arts and Science Council of Gaston County, 60 percent for the United Arts Council of Guilford County, and 40 percent for Arts Council of Moore County. Much of the growth in local support for the arts has occurred in a few metropolitan areas, such as Charlotte and Mecklenburg County — which accounted for more than half (56 percent) of local government funding for arts councils in the state in FY 1995.

—continues on page 62



**Artisans such as Frank Barrow, a wood sculptor from Shelby, helped generate \$122 million for the economy of Western North Carolina in 1994, according to a study for HandMade in America, an Asheville-based nonprofit group.**

## *Art for Money's Sake: Cultural Spending Can Spur Economic Growth*



Arts groups are using a new sales pitch these days with potential contributors. Forget art for art's sake. A healthy dose of arts and culture also can help stimulate economic growth in a community, arts proponents say.

In Charlotte alone, the nonprofit arts industry pumped \$31.2 million into the local economy in 1994, according to a study for the Arts & Science Council of Charlotte/Mecklenburg. Arts groups were directly responsible for 796 full-time jobs that generated \$17.5 million in personal income to local residents, \$141,000 in revenue to local governments, and \$437,000 in revenue to the state, according to the study.<sup>1</sup>

"When we invest in the arts, we are not opting for cultural benefits at the expense of economic benefits," says Michael Marsicano, president of the Charlotte arts council. "Careful research shows that in addition to being a vital means of social enrichment, the arts are also an economically sound investment. Quite simply, the arts are an industry that generates jobs."<sup>2</sup>

A similar study by The Arts Council of Winston-Salem and Forsyth County found that the council and its 13 member groups create 236 full-time jobs that annually generate \$5.2 million in wages and \$440,000 in state and local taxes.<sup>3</sup> "I just walked out of a meeting with a corporate CEO where I used that information," says David Hudson, president of the arts council. "He was very surprised."

The economic impact studies for both arts councils were based on methodologies developed by the National Assembly of Local Arts Agencies, a Washington-based group that represents 3,800 local arts councils around the country. Nationwide, the group estimates that the nonprofit arts industry contributes \$36.8 billion a year in expenditures to the U.S. economy; provides 1.3 million jobs with compensation totaling \$25.2 billion; and generates annual taxes to-

taling \$3.4 billion for the federal government, \$1.2 billion for state governments, and \$790 million for local governments.<sup>4</sup>

The importance of the arts in economic development is being recognized by cities and states across the country. For example, the states of Oklahoma and Kentucky have identified the promotion of arts and cultural attractions as key elements in their economic development plans.<sup>5</sup> In North Carolina, the most recent statewide study examining the economic impact of the arts was released in the late 1980s by the Governor's Business Council on the Arts and Humanities, a private group of business and foundation leaders and individuals who are interested in the arts. That study estimated that nonprofit arts groups generated \$331 million for the state's economy in 1987, not including the impact of individual artists and commercial arts firms.<sup>6</sup> The study, which was based on a survey of the state's 1,250 arts groups at that time, also found that:

- Direct spending on the arts totaled \$143.2 million, which included \$90 million in spending by arts organizations and another \$53 million in direct spending by audiences that use retail and lodging establishments while participating in arts activities.
- Secondary spending on the arts totaled \$187.7 million, based on the assumption that every \$1 dollar in direct arts spending generated an additional \$2.31 for the economy.<sup>7</sup>
- Each dollar appropriated by the N.C. General Assembly for the arts generated \$5.30 in direct arts-related spending and \$14.50 in total economic impact.
- Nonprofit arts groups in the state were "labor intensive," with more than 46 percent of their total budgets going to salaries, wages, and benefits.

Some people are skeptical of such economic



Karen Tom

***The City of Raleigh helped develop ArtSpace, a collection of artist studios and galleries, as part of an urban renewal effort.***

impact studies, particularly ones that extol the benefits of *government* funding for the arts. "I'm always skeptical of those kinds of numbers, and most of the time they are exaggerated tremendously," says Don Reid, a Republican member of the Charlotte City Council. "We're always using economic impact as a primary reason for spending public money, whether that be a convention center, a performing arts center, or a sports arena."

Michael Walden, a professor with the Department of Agricultural and Resource Economics at N.C. State University, says studies that tout the economic benefits of government spending often fail to recognize that such funds would help the economy just as much or more if spent on other purposes or if kept in the private sector. He also questions the fairness of spending public money to support an activity, such as the arts, that doesn't benefit all citizens equally. "The

people who primarily benefit from the arts tend to be middle- and higher-income folks," Walden says. "That raises the question: Do you want to spend public money to benefit those people or is that best left to the private sector?"

Despite such words of caution, several factors suggest that the total economic impact of the arts in North Carolina may be much greater than indicated by the study for the Governor's Business Council on the Arts and Humanities. First, the number of nonprofit arts groups in the state has nearly doubled over the past decade, from 1,132 in 1986 to 2,224 in 1996, according to statistics kept by the N.C. Arts Council. (See Table 10 on p. 41.) Second, due to the affects of inflation, the \$331 million in total economic impact for 1987 would be equivalent to \$444 million in 1995 dollars. Third, and most importantly, the 1987 study did not look at individual artists and

—continues



*Institute for Outdoor Drama*

***Outdoor dramas such as “Unto the Hills” in Cherokee helped generate \$72 million for North Carolina’s economy in 1995, according to the Institute for Outdoor Drama at UNC — Chapel Hill.***

commercial arts ventures — which are likely to have a much larger total impact on the economy than nonprofit arts groups.

The film industry, for example, generated more than \$391 million for the state’s economy and created 32,840 temporary jobs in 1995, according to the N.C. Film Office.<sup>8</sup> North Carolina is now one of the top three states in film production, with a record of 54 motion pictures filmed here in 1995.<sup>9</sup> Another arts-related industry that is important to the state’s economy is the production of handmade crafts. In Western North Carolina alone, the crafts industry contributed \$122 million to the economy in 1994, according to a study conducted for HandMade in America, an Asheville-based nonprofit group that promotes arts and crafts. The study, which was restricted to the 20 western-most counties in the state, found that crafts generated \$48.3 mil-

lion in personal income and produced \$72.3 million in sales.<sup>10</sup>

Arts and cultural attractions also are important components of the state’s tourist and recreation industries. For example, more than 236,000 people attended outdoor dramas, such as “Unto These Hills” in Cherokee, in North Carolina in 1995. “Last summer, nine outdoor theaters in North Carolina had an economic impact of \$72 million,” says Scott Parker, director of the Institute of Outdoor Drama at the University of North Carolina at Chapel Hill. “So we’re very much a part of the travel and tourism industry.” (The institute’s study assumed that each \$1 spent by tourists generated an additional \$3.50 in secondary spending.)<sup>11</sup> In their leisure time, tourists and residents also spend lots of money attending plays, movies, dance performances, symphonies, concerts, and other music produc-

tions. They also pay admission fees at art exhibitions, museums, and historical sites.

"Cultural attractions draw visitors who stay in North Carolina hotels, eat in North Carolina restaurants, and visit other areas of the state along the way," says Dave Phillips, the state Secretary of Commerce. "This is economic development. These visits create jobs and generate revenue."<sup>12</sup>

Arts organizations and events — both commercial and nonprofit — make direct contributions to their local economies through spending on employee wages, materials, and services; taxes paid to state and local governments; and money spent by tourists and residents on concerts, exhibitions, and other cultural attractions.

Indirectly, arts groups help to enhance the quality of life in a community — making it more attractive to residents, tourists, and businesses — and can play an important role in sparking urban renewal efforts.

For instance, the arts are an integral part of Raleigh's efforts to revitalize its old City Market. As part of that effort, the city developed ArtSpace, a renovated building that houses studios and galleries for working artists. The city also sponsors an annual arts festival called Artsposure in the area and provides funding to the nearby City Gallery of Contemporary Art. These efforts have helped attract other businesses to the district, including restaurants, antique shops, art galleries, and gift shops.

***The City of Greensboro's Cultural Center houses galleries, studios, and offices for a number of local arts groups.***



Tom Mather



***A scene from "Romeo and Juliet" at the  
N.C. Shakespeare Festival in High Point.***

Similar arts-related developments in other North Carolina cities include the Sawtooth Center in Winston-Salem, Pack Place Center in Asheville, the Cultural Center in Greensboro, and city arts centers in Wilson and New Bern.

"The arts are a thriving industry in North Carolina, creating good jobs and generating millions in revenue each year," Commerce Secretary Phillips says. "Art is economic develop-

ment; it helps create the quality of life that continues to make North Carolina the No. 1 place to live, work, and do business."<sup>13</sup>

— Tom Mather

#### FOOTNOTES

<sup>1</sup>Randy Cohen, *Arts in the Charlotte Economy*, report conducted for the Arts & Science Council of Charlotte/Mecklenburg by the National Assembly of Local Arts

Agencies, Washington, D.C., 1995, p. 3. The study did not use a standard economic multiplier to determine secondary impacts, but instead used an input/output analysis that was tailored to the local economy. Including secondary impacts, the study found that arts groups created 1,107 full-time jobs that generated \$23.5 million in personal income, \$821,000 in tax revenues to the city, and \$1.2 million to the state.

<sup>2</sup> *Ibid.*, p. 1.

<sup>3</sup> Unpublished study cited in a news release by the Arts Council of Winston-Salem and Forsyth County, Feb. 22, 1994. For a discussion of the study's methodology, see note 1 above.

<sup>4</sup> Randy Cohen, *Jobs, the Arts, and the Economy*, National Assembly of Local Arts Agencies, Washington, D.C., 1994, p. 3. For a discussion of the study's methodology, see note 1 above.

<sup>5</sup> As cited by Linda Hoke, "The Impact of the Arts on Economic Development," *Southern Growth Update*, Vol. 21, No. 4 (Summer 1996), Southern Growth Policies Board, Research Triangle Park, N.C., p. 6. According to the article, the arts and culture are integral parts of Oklahoma's 1993 *Strategic Economic Development Plan* and Kentucky's 1994 *Strategic Plan for Economic Development*.

<sup>6</sup> Unpublished study prepared for the Governor's Business Council on the Arts and Humanities, Raleigh, N.C., by the N.C. Arts Council, a state agency, and Arts Advocates of North Carolina, a nonprofit group that lobbies for the arts. Results of the study are summarized in a pamphlet titled, "The Arts Business in North Carolina, Update '87," available from the N.C. Arts Council.

<sup>7</sup> For more on the use of economic multipliers, see J. Barlow Herget and Mike McLaughlin, "Not Just Fun and Games Anymore: Pro Sports as an Economic Develop-

ment Tool," *North Carolina Insight*, Vol. 14, No. 2 (September 1992), p. 2. Also see Mike McLaughlin, "More on Multipliers in Evaluating the Economic Impact of Movies," *North Carolina Insight*, Vol. 14, No. 3 (February 1993), p. 7.

<sup>8</sup> The N.C. Film Office did not use an economic multiplier to derive its estimates of the impact of the film industry in North Carolina. The office stopped using a multiplier after the Center criticized such practices in its articles about filmmaking in North Carolina; see note 7 above.

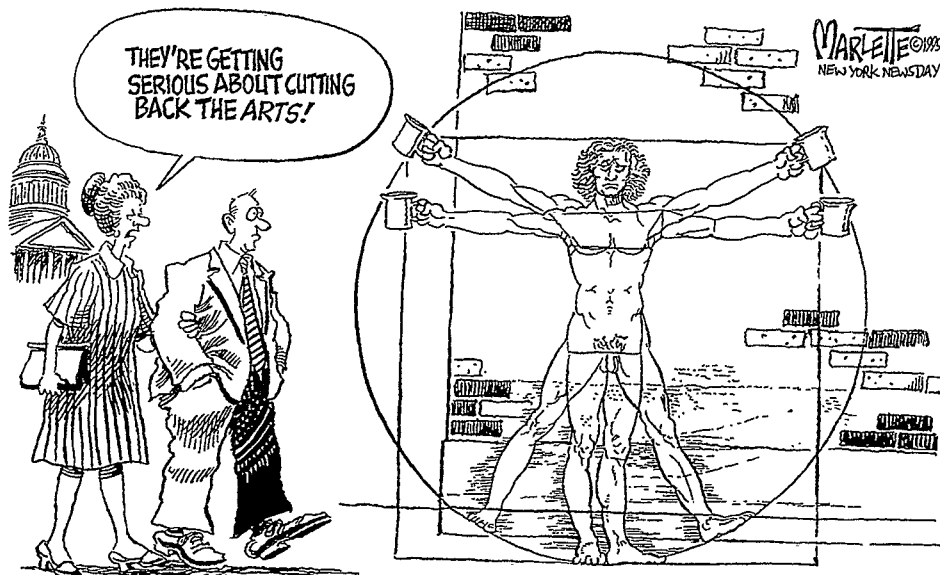
<sup>9</sup> Dave Phillips, "The Arts Bring Quality of Life, Businesses to North Carolina," *Southern Growth Update*, Vol. 21, No. 4 (Summer 1996), Southern Growth Policies Board, Research Triangle Park, N.C., p. 7. For more on the state's film industry, see Sharon Overton, "Filmmaking in North Carolina: A Second Home for Hollywood," and related articles in *North Carolina Insight*, Vol. 14, No. 3 (February 1993), p. 2.

<sup>10</sup> Dinesh S. Dave and Michael R. Evans, "The Determination of the Economic Contribution of the Craft/Handmade Industry in Western North Carolina," Center for Business Research, Appalachian State University, Boone, N.C., 1995, preface. (Study prepared for HandMade in America, Asheville, N.C.) The study did not use an economic multiplier to estimate the impacts of the craft industry.

<sup>11</sup> Unpublished study by the Institute of Outdoor Drama, "Economic Impact of Outdoor Historical Dramas," University of North Carolina at Chapel Hill, December 1995. Also see Louise Lockwood, "Outdoor Drama: Filling the Seats When the Sun Sets," *North Carolina Insight*, Vol. 5, No. 4 (February 1983), p. 15.

<sup>12</sup> Phillips, note 9 above.

<sup>13</sup> *Ibid.*



—continued from page 55

It's also important to recognize the role that NEA grants have played in helping North Carolina develop a steady and diverse source of funding for the arts. The matching requirements for NEA grants have helped leverage additional funding for the arts from state and local governments and private sources. The NEA estimates that each \$1 it grants helps generate an additional \$11 in matching funds nationwide.

Perhaps more importantly, grants from the NEA and the N.C. Arts Council in the 1970s and

1980s helped establish the network of local arts councils and united arts funds that generate support for artists and arts groups across the state. In many cases, local governments have continued supporting arts groups, events, and programs that started out with — but no longer receive — NEA funding. But local officials could start viewing these arts programs as unnecessary frills as they face sometimes-conflicting public demands for lower taxes and increased services in areas such as crime control, public education, and highway construction.

**Table 19. Community Foundation Giving to the Arts  
in North Carolina, 1988–94**

Name of Foundation	Arts Giving in N.C.				Percent Change, 1988-94	Arts as % Total Giving
	1988	1991	1994	3-Year Total		
1 Foundation for the Carolinas	\$166,165	\$504,226	\$679,471	\$1,349,862	308.9%	6.6%
2 Winston-Salem Fdn.	588,319	389,655	363,161	1,341,135	-38.3	8.6
3 Salisbury Community Fdn.	67,625	226,477	26,475	320,577	-60.9	2.2
4 Greater Triangle Community Fdn.	84,460	79,544	129,671	293,675	53.5	15.8
5 Community Fdn. of Western N.C.	103,312	14,025	144,901	262,238	40.3	12.7
6 Foundation of Greater Greensboro	N/A	107,562	49,000	156,562	N/A	5.5
7 Community Fdn. of Gaston Co.	84,220	7,000	48,086	139,306	-42.9	10.3
8 Community Fdn. of Henderson Co.	500	5,687	34,500	40,687	6800.0	4.5
9 N.C. Community Fdn.	0	217	30,918	31,135	N/A	4.2
10 Outer Banks Community Fdn.	4,326	9,110	8,900	22,336	105.7	13.3
11 Cape Fear Community Fdn.	N/A	8,010	10,304	18,314	N/A	3.4
12 Cumberland Community Fdn.	1,500	0	14,693	16,193	879.5	27.9
13 Polk County Community Fdn.	6,586	1,165	6,000	13,751	N/A	7.3
14 Elizabeth City Fdn.	2,000	5,000	3,500	10,500	N/A	11.9
15 Riegelwood Community Fdn.	325	1,850	0	2,175	N/A	3.5
16 Tri-County Fdn.	N/A	N/A	2,000	2,000	N/A	5.1
<b>TOTALS</b>	<b>\$1,109,338</b>	<b>\$1,359,528</b>	<b>\$1,551,580</b>	<b>\$4,020,446</b>	<b>39.9%</b>	<b>6.6%</b>


*Source:* Data on foundation giving compiled from publicly available 990-PF tax forms and annual reports of foundations for the years 1988, 1991, and 1994. Data for 1988 and 1991 adapted from Anita Gunn Shirley, *North Carolina Giving*, 1990 and 1993 Editions, Capital Consortium, Raleigh, N.C.



*"Democratic nations will  
habitually prefer the useful to  
the beautiful, and they will  
require that the beautiful should  
be useful."*

—ALEXIS DE TOCQUEVILLE  
IN *DEMOCRACY IN AMERICA*, 1840.

In sum, arts groups in North Carolina have benefited from increasing support from the state, local governments, and private donors during the 1990s. But the specter of federal cutbacks is likely to put pressure on the state, city, and county governments to scale back their funding for the arts. That means arts groups may be forced to trim their budgets, as well — unless they can solicit more contributions from private sources or raise more money through their programs and sales.

"Certainly we're trying to broaden our support from public sources, but we're really trying to build our support from the private sector," says John Santuccio, president of the United Arts Council of Greensboro, who stresses that future support for arts groups depends on individual giving through workplace payroll-deduction programs. "That really is where our biggest opportunity lies. . . . If we value our art in the community, it's going to have to be the local community that supports it." 

## FOOTNOTES

<sup>1</sup> Judith Miller, "Future Of Arts Agency Is Unclear," *The New York Times*, March 14, 1996, p. B1.

<sup>2</sup> Nina Kressner Cobb, *Looking Ahead: Private Sector Giving to the Arts and Humanities*, President's Committee on the Arts and Humanities, Washington, D.C., 1996, pp. 4–5.

<sup>3</sup> Ann Kaplan, ed., *Giving USA*, American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy, New York, N.Y., 1996, p. 24.

<sup>4</sup> National Assembly of State Arts Agencies, "State Arts Agencies Legislative Appropriations — Annual Survey," NASAA, Washington, D.C., 1991–1996 editions (page number varies). See Table 2 on p. 15 for a list of states and the changes in their legislative funding for state arts agencies from FY 1991–96.

<sup>5</sup> N.C.G.S. 143-47A (1988, revised 1994) established the Artworks for State Buildings Program to acquire works of art for state construction projects costs exceeding \$1 million. The law required the state to set aside money — 0.5 percent of the construction costs — to acquire art for new or renovated state

buildings and their surrounding grounds. Although the state legislature repealed the law during the 1995 session, the program is completing projects funded prior to 1995.

<sup>6</sup> "North Carolina: State of the Arts?" *North Carolina Insight*, Vol. 5, No. 4 (February 1983), pp. 2–81. The Center's theme issue on the arts examined the state's funding for the arts, the effects of federal budget cuts on the arts, private support for the arts, arts education, and major arts agencies and programs in North Carolina.

<sup>7</sup> For more on federal budget cuts in the early 1980s, see Lyman Collins, "Federal Budget Cuts To Culture: How Keen the Axe?" *North Carolina Insight*, Vol. 5, No. 4 (February 1983), pp. 32–36. Also see Jim Bryan, et al., *Federal Budget Cuts in North Carolina, Part II*, N.C. Center for Public Policy Research, Raleigh, N.C., April 1982, 332 pp. For the Center's directory to foundations and corporate giving, see Anita Gunn Shirley, *Grantseeking in North Carolina*, N.C. Center for Public Policy Research, Raleigh, N.C., 1985.

<sup>8</sup> The Center adjusted funding numbers for inflation using the federal government's Consumer Price Index.

<sup>9</sup> Robert Hughes, "Pulling the Fuse on Culture," *Time*, Aug. 7, 1995, p. 65.

<sup>10</sup> Mandy Rafool and Laura Loyacono, *Creative Solutions for Funding the Arts*, National Conference of State Legislatures, Denver, Colo., 1995, p. 2.

<sup>11</sup> Cobb, note 2 above, p. 16. In North Carolina, the state House Select Committee on Nonprofits recommended in March 1996 that the N.C. General Assembly enact legislation aimed at increasing charitable giving in the state. One of the committee's recommendations would let North Carolinians who do not itemize on their federal tax returns take advantage of a special tax credit for donations above the statewide average rate for giving to nonprofits, including arts groups. The legislation was enacted as part of H.B. 18 in the 1996 session of the General Assembly. See the article, "The Nonprofit Sector in North Carolina: Trends and Key Public Policy Challenges," on p. 66 of this issue.

<sup>12</sup> Cobb, note 2 above, p. 16.

<sup>13</sup> Rafool and Loyacono, note 10 above, Figure 4, p. 9.

<sup>14</sup> Miller, note 1 above.

<sup>15</sup> Laura L. Loyacono, "The Arts: Singing the Blues," *State Legislatures* magazine, National Conference of State Legislatures, Denver, Colo., May 1995, p. 25.

<sup>16</sup> *Ibid.*, p. 26. Also see Christopher Knight, "The art of pay-back politics," *The News & Observer*, Raleigh, N.C., p. 9A.

<sup>17</sup> Hughes, note 9 above, p. 66. Serrano received \$15,000 from the Southeastern Center for Contemporary Art, a Winston-Salem based museum that had funded his work using NEA money.

<sup>18</sup> U.S. Sen. Jesse Helms, "Arts can survive on private funds," letter in the *Philanthropy Journal of North Carolina*, March 1995, p. 10.

<sup>19</sup> Salvatore Caputo, "Action can help ward off federal arts cuts," *The News & Observer*, Raleigh, N.C., March 14, 1995, p. 7E.

<sup>20</sup> Cobb, note 2 above, p. 16. In addition to the NEA, the federal government funds some 200 arts and humanities programs scattered among various agencies — including the Smithsonian Institution, the National Gallery of Art, the National Park Service, and the National Endowment for the Humanities.

<sup>21</sup> Hughes, note 9 above, p. 64. Also see Rosemary Yardley, "Federal funding for the arts may soon become a thing of the past," *News & Record*, Greensboro, N.C., July 26, 1995, p. 11A.

<sup>22</sup> National Endowment for the Arts, *America in the Making: A Prospectus for the Arts*, NEA, Washington, D.C., 1995, p. 13.

<sup>23</sup> Loyacono, note 15 above, p. 27. Also see National



**"A Tough Story," oil on canvas by John G. Brown (1886)**

Endowment for the Arts, note 22 above, p. 6.

<sup>24</sup> Randy Cohen, *Jobs, the Arts, and the Economy*, *National Assembly of Local Arts Agencies*, Washington, D.C., 1994, p. 3.

<sup>25</sup> Hughes, note 9 above, p. 62. The survey was conducted for Time/CNN by Yankelovich Partners Inc. It was based on a telephone poll of 1,000 adult Americans on July 19–20, 1995, with a sampling error of +/- 3 percent.

<sup>26</sup> The Louis Harris poll was conducted for the National Assembly of Local Arts Agencies in Washington, D.C., and the American Council for the Arts in New York City. It was based on a telephone poll of 1,600 adult Americans in the spring of 1996, with a sampling error of +/- 3 percent. For more information, see Susan Gray, "Government Arts Subsidies Win Support in New Poll," *The Chronicle of Philanthropy*, June 27, 1996, p. 32.

<sup>27</sup> See Collins and Bryan, note 7 above.

<sup>28</sup> The Center's analysis of funding by the National Endowment for the Arts was based on grant distributions under the federal fiscal calendar, using NEA records. However, the state

tracks NEA grants to the N.C. Arts Council based on the state fiscal year in which the money is spent. Under the state method for tracking NEA grants, federal funding grew from \$641,326 in FY 1990 to \$883,700 in FY 1995 — an increase of 37.8 percent. But NEA funding dropped to \$794,220 in FY 1996 and \$426,400 in FY 1997 — a decline of 51.7 percent over the past two fiscal years, according to state records.

<sup>29</sup> These "other" arts organizations outside the N.C. Arts Council include a few groups that support state art programs, such as the N.C. Museum of Art Foundation and the N.C. Symphony Society, as well as publicly supported schools and universities. The distinction between NEA grants to the N.C. Arts Council and to other groups is somewhat misleading because the council re-grants much of the NEA money it receives to arts organizations across the state.

<sup>30</sup> From FY 1990 to FY 1995, NEA funding in North Carolina declined for 36 arts groups and increased for 21 groups.

<sup>31</sup> The National Assembly of Local Arts Agencies surveyed 789 nonprofit arts organizations in 22 states, including North

Carolina, for fiscal years 1990, 1991, and 1992.

<sup>32</sup>For an overview of North Carolina's historic involvement in the arts, see Michael Matros and Lyman Collins, "Baskets and Ballet: Making Arts Policy in North Carolina," *North Carolina Insight*, Vol. 5, No. 4 (February 1983), pp. 2-9.

<sup>33</sup>The N.C. Department of Cultural Resources was created under the Executive Organization Act of 1973, N.C.G.S. 143B-49. For more details, see Lyman Collins, "The North Carolina Arts Council," *North Carolina Insight*, Vol. 5, No. 4 (February 1983) pp. 72-76.

<sup>34</sup>Annual Report, Arts & Science Council of Charlotte/Mecklenburg, FY 1994-95, pp. 5-11.

<sup>35</sup>Oscar E. Marin, ed., *United Arts Fundraising 1994*, National Coalition of United Arts Funds, c/o American Council for the Arts, New York, N.Y., 1995, p. 7 and Exhibit C-1.

<sup>36</sup>Ardath G. Weaver, ed., *The State of the Arts*, FY 1993-95 Biennial Report, N.C. Arts Council, N.C. Department of Cultural Resources, Raleigh, N.C., May 1996, p. 23.

<sup>37</sup>National Assembly of State Arts Agencies, note 4 above.

<sup>38</sup>The Center adjusted the numbers from the state survey of local government funding for arts councils to reflect corrections reported by the Arts & Science Council of Charlotte/Mecklenburg for fiscal years 1991 and 1995.

<sup>39</sup>The 10 united arts funds studied by the Center were the: Arts Alliance of Asheville, Arts Council of Winston-Salem, Art & Science Council of Charlotte/Mecklenburg, Catawba County Council for the Arts, Durham Arts Council, High Point Arts Council, United Arts Council of Gaston County, United Arts Council of Greensboro, United Arts Council of Raleigh & Wake County, and United Arts Council of Rowan. The 15 local arts councils in smaller communities were the: Alamance County Arts Council, Arts Council of Fayetteville and Cumberland County, Arts Council of the Lower Cape Fear in Wilmington, Arts Council of Macon County, Arts Council of Wilson, Ashe County Arts Council, Caldwell Arts Council, Chowan Arts Council in Edenton, Craven Arts Council in New Bern, McDowell Arts & Crafts Association, Moore County Arts Council, Randolph Arts Guild, Stanly County Arts Council, Toe River Arts Council of Mitchell and Yancey Counties, and Union County Arts Council.

<sup>40</sup>The increase in local government support for the arts in Charlotte is not as large as suggested by the growth in funding for the local Arts & Science Council from FY 1991-95, according to Michael Marsicano, the council's president. That's because the Charlotte City Council shifted from directly funding a number of local arts groups, such as the Mint Museum, to indirectly funding those groups through the Arts & Science Council starting in FY 1992. Thus, the city shifted about \$1.6 million to the Arts & Science Council from a number of arts groups that previously had received direct funding. The arts groups still receive funding, but it comes through the Arts & Science Council rather than the city council.

<sup>41</sup>Matthew Easley, "Hue and cry at end of city's rainbow," *The News & Observer*, Raleigh, N.C., Sept. 21, 1995, p. 1A.

<sup>42</sup>Matthew Easley and Chuck Twardy, "Ousted artist calls it censorship," *The News & Observer*, Raleigh, N.C., Feb. 25, 1995, p. 1A.

<sup>43</sup>Dan Chapman, "'Angels' dominates debate," *The Charlotte Observer*, May 14, 1996, p. 1C.

<sup>44</sup>Joyce Clark, "Gun sculptures touch a nerve in Chapel Hill," *The News & Observer*, Raleigh, N.C., Nov. 29, 1995, p. 1B. Also see Clark, "What they're saying," *The News & Observer*, Raleigh, N.C., Nov. 30, 1995, p. 6B.

<sup>45</sup>Memo from Toni Pendergraph of the Chapel Hill Public Arts Commission to Jean McLaughlin, coordinator of the Art-

works for State Buildings Program, N.C. Arts Council, June 17, 1996.

<sup>46</sup>Cobb, note 2 above, pp. 4-5. Private donations are harder to quantify than government funding because individuals, private companies, and institutions — with few exceptions — are not required by law to make public their charitable contributions.

<sup>47</sup>Kaplan, note 3 above, p. 24.

<sup>48</sup>Cobb, note 2 above, p. 5.

<sup>49</sup>Kaplan, note 3 above, 1995 edition, p. 28.

<sup>50</sup>*Ibid.*, pp. 20-21.

<sup>51</sup>*Ibid.*

<sup>52</sup>*Ibid.*, p. 12.

<sup>53</sup>Marin, note 35 above, p.2.

<sup>54</sup>Kaplan, note 3 above, 1995 edition, p. 64.

<sup>55</sup>*Ibid.*, p. 79.

<sup>56</sup>Marin, note 35 above, Exhibit C-2 (no page number).

<sup>57</sup>Financial records for local arts councils and united arts funds were obtained from the groups themselves or from the N.C. Arts Council, which keeps files on each group that receives funding from the state.

<sup>58</sup>Copies of foundations' 990-PF forms can be examined in the state Revenue Building at 501 N. Wilmington St. and in the Archives/State Library Building at 109 E. Jones St. in Raleigh.

<sup>59</sup>In 1983, only 21 of the 589 (3.6 percent) foundations in North Carolina published annual reports. See Anita Gunn Shirley, *Grantseeking in North Carolina*, N.C. Center for Public Policy Research, Raleigh, N.C., 1985, p. 16.

<sup>60</sup>*Ibid.* Also see Anita Gunn Shirley, *North Carolina Giving*, Capital Consortium, Raleigh, N.C., 1990 and 1993 editions; and Shirley, *NC Corporate Giving*, Capital Consortium, Raleigh, N.C., 1995.

<sup>61</sup>Virtually all of the arts grants from North Carolina foundations are awarded to arts groups and events in the state. However, there are a few notable exceptions. For instance, the Caledonian Foundation in Laurinburg donated \$304,450 to the arts in 1994, with all of those grants going to groups located in Scotland.

<sup>62</sup>Shirley, note 60 above, 1993 edition, p. xvii.

<sup>63</sup>Kaplan, note 3 above, 1995 edition, p. 64.

<sup>64</sup>Loren Renz, Steven Lawrence, and Rikard Treiber, *Foundation Giving*, The Foundation Center, New York, 1995 edition, p. 56.

<sup>65</sup>Many private companies have direct giving programs that are separate from their corporate foundations. For example, Glaxo Wellcome Inc. makes many charitable contributions through its direct giving program, in addition to donations it makes through the Glaxo Wellcome Foundation.

<sup>66</sup>Shirley, note 60 above, 1993 edition, p. xi.

<sup>67</sup>Marin, note 35 above.

<sup>68</sup>Business Committee for the Arts, *The BCA Report: 1995 National Survey of Business Support to the Arts*, BCA, New York, 1995. The BCA survey was based on telephone interviews in 1995 with 1,000 businesses with annual revenues of \$1 million or more, with a margin of error of +/- 3 percent.

<sup>69</sup>Kaplan, note 3 above, 1995 edition, p. 79.

<sup>70</sup>Some of the corporations that make the largest contributions to the arts do not give through foundations, so listings of their contributions are not available from public records. Companies that are believed to make large contributions to the arts through direct or in-kind giving programs in North Carolina include: Carolina Power & Light, DuPont, Glaxo Wellcome, NationsBank, Philip Morris, and Sara Lee Corp.

<sup>71</sup>Marin, note 35 above, Exhibit C-2 (no page number).

<sup>72</sup>*Ibid.*, p. 2 and Exhibit C-2.

# The Nonprofit Sector in North Carolina: Trends and Key Public Policy Challenges

by Ran Coble

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*North Carolina has more than 25,000 tax-exempt organizations, 14,252 of which are the 501(c)(3) charitable groups that most people think of as nonprofits. These nonprofits—which include religious, educational, charitable, scientific, literary, and cultural groups—face a number of challenges and opportunities in their intersections with the government and business sectors. The challenges include: ripple effects from government cutbacks; government proposals to tax or further regulate nonprofits; scandals affecting a few organizations or their leaders; public perceptions about the tax-exempt status of nonprofits; criticisms from businesses that resent perceived competition from nonprofits; and efforts to limit nonprofits' right to lobby and advocate for their causes. But the future also holds a number of opportunities for nonprofits, including: increased clout by nonprofits acting together as a sector; greater recognition by North Carolina's governor and chief executives in other states; legislative measures to increase charitable giving and reduce red tape; new technologies that could improve communication, efficiency, and fundraising efforts; growing research efforts dealing with the nonprofit sector; new sources of funding for nonprofits; and a reservoir of public trust in nonprofits.*

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*Ran Coble is the executive director of the N.C. Center for Public Policy Research, a 501(c)(3) nonprofit.*

**I**n the 14th century, William Langland wrote a poem, "The Vision of Piers Plowman," which included a list of charitable deeds that a wealthy merchant might make to serve his soul:

... and therewith repair hospitals  
help sick people  
mend bad roads  
build up bridges that had been  
broken down  
help maidens to marry or make  
them nuns  
find food for prisoners and  
poor people  
put scholars to school or some  
other crafts  
help religious orders, and  
ameliorate rents or taxes.<sup>1</sup>

Six centuries later, Langland's list of charitable purposes holds up well—resembling the reasons outlined today in federal and state laws for granting tax exemptions to nonprofit organizations. In North Carolina, one can find nonprofits like Greensboro's Moses Cone Memorial Hospital and Winston-Salem's Samaritan Clinic providing free health care to sick people; Charlotte's Catholic Social Services ministering to prisoners; Raleigh's Food Bank feeding the poor; Wilmington's Salvation Army providing shelter for the poor; Durham's Duke University educating scholars; the Southern Baptist Convention helping our state's most prominent "religious order"; and the Raleigh-based N.C. Low-Income Housing Coalition working to ease rents and increase access to housing.

The U.S. Internal Revenue Code lists 21 different categories of tax-exempt organizations, or nonprofits. (See Table 1 on pp. 70–71.) In 1990, there

were more than 1 million tax-exempt groups in the United States, according to Independent Sector, a Washington-based group that represents the nonprofit sector nationally.<sup>2</sup> Of those groups, 48 percent qualified—in the language of the tax code—as 501(c)(3) groups, which are the organizations that most people think of when they envision nonprofits. Such 501(c)(3) groups must have religious, educational, charitable, scientific, literary, or cultural purposes. (See Table 2 on p. 72 for a nationwide breakdown of 501(c)(3) groups by type, number, and revenues.)

In North Carolina, 25,064 organizations qualified as tax-exempt groups in 1995. Of those groups, 14,252 organizations (57 percent) were 501(c)(3) nonprofits. That list includes more than 2,000 local arts groups, 1,000 Parent-Teacher Associations (PTAs), and 865 grantmaking foundations such as the Z. Smith Reynolds Foundation



***The Samaritan Medical Clinic in Winston-Salem is a nonprofit providing free health care to the poor.***

Mike McLaughlin

or the Triangle Community Foundation. Likewise, most of the state's churches, synagogues, temples, and mosques are 501(c)(3) nonprofits, as are the 74 United Ways and 80 local hospices for the terminally ill. (See Table 3 on p. 74.)

Most of these 501(c)(3) nonprofits are small organizations. More than 86 percent of them have total budgets under \$100,000 and half have budgets under \$25,000. Only 14 percent have budgets over \$100,000.<sup>3</sup> According to Independent Sector, North Carolina—the 10th most populous state—ranks 12th among the states in the number of 501(c)(3) organizations.<sup>4</sup>

Despite the limited size of most nonprofits, the sector makes a substantial contribution to the nation's economy—although smaller than the business and government sectors. (See Table 4 on p. 77.) Nonprofits generated \$387.4 billion in income in 1994, or about 7 percent of the total income for all three sectors in United States. But nonprofit groups accounted for a higher percentage of the nation's workforce and earnings than did government and business. In 1994, nonprofits employed 16.4 million people (of which more than 6 million were volunteers), or 11.4 percent of the total employment in the nation. The earnings of nonprofit employees totaled \$336.6 billion, or 8.6 percent of the total earnings for all workers.<sup>5</sup>

## **I. Intersections Between Government and the Nonprofit Sector**

**T**his article looks at trends in the nonprofit community and key developments in the relationships between the nonprofit sector, the government sector, and the business sector. These concepts are discussed using two images: highway intersections and the wind. The image of intersections conveys the places where the nonprofit, government, and business sectors meet. The image of wind tries to capture what changes and trends will be affecting these sectors over the coming years.

### **A. The Intersection of Money:**

#### ***A Key Meeting Point for Nonprofits and Government***

One of the first places where nonprofits and government intersect is at the budget level. Historically, government has been a major source of revenue for many nonprofits. Nonprofits earn that public support by delivering services at the grassroots level—often in situations where the government and business sectors are unable or unwilling to help.

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***"Americans of all ages, all conditions and all dispositions, constantly form associations . . . The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; they found in this manner hospitals ... and schools.... I have often admired the extreme skill with which the inhabitants of the United States succeed in proposing a common object to the exertions of a great many men, and in inducing them voluntarily to pursue it.***

***"Nothing in my opinion, is more deserving of our attention than the intellectual and moral associations in America. The political and industrial associations of that country strike us forcibly; but the others elude our observation.... In democratic countries, the science of association is the mother of science; the progress of all the rest depends upon the progress it has made. Amongst the laws which rule human societies there is one which seems to be more precise and clear than all the others. If men are to remain civilized or to become so, the art of associating together must grow and improve in the same ratio in which the equality of condition is increased."***

— ALEXIS DE TOCQUEVILLE,  
*DEMOCRACY IN AMERICA*

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**Nonprofit foundations play a key role in funding and supporting other nonprofits. Shown here (L to R) are Donna Chavis of Native Americans in Philanthropy, Mary Mountcastle of the Z. Smith Reynolds Foundation, and Marilyn Foote-Hudson of the Glaxo Wellcome Foundation, all participating in an October 1995 conference sponsored by the N.C. Center for Nonprofits.**

Independent Sector says that charities nationwide receive about 29 percent of their revenues from government sources, 19 percent from private contributors, and 52 percent from dues, fees, and other charges.<sup>6</sup> In North Carolina, a 1991 survey by the Triangle Community Foundation found that nonprofits in the Raleigh-Durham-Chapel Hill area (excluding hospitals and colleges) depend on government for nearly half (45 percent) of their revenues.<sup>7</sup> This might be expected in nonprofits close to the state capital, but it also may indicate a lack of independence among some groups in the sector. (See the related article, "State Funding for Most Nonprofits Small, Unpredictable," on pp. 86-88.)

This is a large intersection—much like the place where Tryon Street meets Trade Street in Charlotte. What is in the winds at this intersection? Chaos, because somebody stole the stoplight. And, as in the movie "Speed," there are some big buses coming over the hill with their accelerator pedals jammed to the floor. Here are a few trends concerning this financial intersection between government and nonprofits.

### **1. Budget Cuts**

Congressional leaders already have enacted major federal budget reductions and plan even more—with the U.S. House having proposed \$1.3 trillion in cuts and the Senate \$958 million in cuts in 1995. Although Congress and President Bill Clinton have been at a stalemate over the total federal budget, many cuts already have been enacted. For example, Congress cut funding for the National Endowment for the Arts by 39 percent in FY 1996 alone, following five years of steadily dwindling support. In North Carolina, NEA grants dropped from \$2.8 million in 1990 to \$1.3 million in 1995, a decline of 54 percent. Nonprofits such as the N.C. Dance Theater in Charlotte, the Greensboro Symphony Society, Reynolda House in Winston-Salem, and the N.C. Symphony Society in Raleigh had substantial declines in NEA grants during that period.<sup>8</sup> (See the article, "Arts Funding in North Carolina: Trends in Public and Private Support," starting on p. 2 of this issue.)

Federal spending in North Carolina totaled  
—continues on page 72

**Table 1. Categories of Nonprofit Tax-Exempt  
Organizations by Type**

Section of the U.S. Internal Revenue Code	Description	Number of Groups in North Carolina
501(c)(1)	Corporations originated under Act of Congress, including Federal Credit Unions. These are considered instrumentalities of the United States.	0
501(c)(2)	Title-holding corporation for a tax-exempt organization.	40
501(c)(3)	Religious, educational, charitable, scientific, and literary organizations, and those testing for public safety, fostering certain national or international sports competitions, or working to prevent cruelty to children or animals. Includes private foundations.	14,252
501(c)(4)	Civic leagues, social welfare organizations, local associations of employees. These are organizations promoting community welfare, charitable, educational, or recreational activities.	3,430
501(c)(5)	Labor, agricultural, horticultural organizations. These are educational or instructive groups whose purposes include improving conditions of work, products, and efficiency.	919
501(c)(6)	Business leagues, chambers of commerce, real estate boards, etc., formed to improve conditions in one or more lines of business.	1,674
501(c)(7)	Social and recreational clubs which provide pleasure, recreation, and social activities.	1,356
501(c)(8)	Fraternal beneficiary societies and associations, with lodges providing for payment of life, sickness, accident, or other benefits to members.	1,806
501(c)(9)	Voluntary employees' beneficiary associations — including federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10) — providing payment of life, sickness, accident, or other benefits to members.	261
501(c)(10)	Domestic fraternal societies and associations—lodges devoting their net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members.	225



**Table 1, continued**

Section of the U.S. Internal Revenue Code	Description	Number of Groups in North Carolina
501(c)(11)	Teachers' retirement fund associations.	0
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc. These are groups with activities similar to those implied by the descriptions of class of organizations beneficial to members.	85
501(c)(13)	Cemetery companies, providing burial and incidental activities for members.	129
501(c)(14)	State-chartered credit unions, mutual reserve funds, offering loans to members. (Exemption for building and loan associations and cooperative banks repealed by Revenue Act of 1951, affecting all years thereafter.)	143
501(c)(15)	Mutual insurance companies or associations, providing insurance to members substantially at cost (limited to organizations with gross income of \$150,000 or less.)	187
501(c)(16)	Cooperative organizations to finance crop operations, in conjunction with activities of marketing or purchasing associations.	0
501(c)(17)	Supplemental unemployment benefit trusts, providing payments of supplemental unemployment compensation benefits.	3
501(c)(18)	Employee-funded pension trusts, providing benefits under a pension plan funded by employees, created before June 25, 1959.	0
501(c)(19)	Post or organization of war veterans.	554
501(c)(20)	Trusts for prepaid group legal services, as part of a qualified group legal service plan or plans. Applicable to taxable years beginning after December 31, 1977.	0
501(c)(21)	Black lung trusts, satisfying claims for compensation under Black Lung Acts.	0

*Source:* National Center for Charitable Statistics, Washington, D.C., from IRS Exempt Organizations Business Master File, September 1995.

**Table 2. Number of Nonprofits and Sources of Revenue by Type in the United States, circa 1992 (Revenues in Millions of Dollars)**

Type of 501(c)(3) Nonprofit Group	Number of Groups	Percent of Total	Total Revenue	Private Donations	Government Grants	Other Income
Arts, Culture, Humanities	17,047	10.7%	\$10,728.4	\$4,151.6	\$1,123.1	\$5,453.7
Education	23,552	14.8	89,221.0	11,842.3	9,813.1	67,565.6
Environment, Animals	4,393	2.8	4,166.4	1,258.6	268.8	2,639.0
Health	28,290	17.8	294,801.4	9,695.0	6,893.4	278,213.0
Human Services	54,783	34.3	53,813.7	10,286.4	13,148.9	30,378.4
International, Foreign Affairs	1,515	1.0	3,490.5	2,035.1	928.7	526.7
Public, Societal Benefit	10,514	6.6	20,164.4	7,747.3	3,325.6	9,091.5
Religion-Related	6,716	4.2	2,366.9	1,344.5	53.6	968.8
Mutual, Membership	323	0.2	726.7	78.7	2.1	645.9
Unknown or Unclassified	12,178	7.6	4,138.5	1,052.4	861.7	2,224.4
<b>TOTAL</b>	<b>159,311</b>	<b>100.0%</b>	<b>\$483,618.0</b>	<b>\$49,491.9</b>	<b>\$36,419.0</b>	<b>\$397,707.1</b>

*Source:* Virginia Hodgkinson and Murray Weitzman, *Nonprofit Almanac, 1996-97*, Independent Sector, Jossey-Bass Publishers, San Francisco, 1996, Table 5.7, pp. 247-251, and Table 5.11, p. 257. Table includes only 501(c)(3) groups that file 990 tax forms with the Internal Revenue Service. Thus it excludes groups with annual budgets smaller than \$25,000 because they are not required to file. To avoid double-counting, table excludes foundations and other nonprofits that generally fund other groups included in the table. The table also underestimates the religion category because most churches are not required to file 990 forms.

*Notes:* Health includes general health, mental health, disease and disorder-related, and medical research groups. Human Services includes crime and legal-related, job-related, food and agriculture, housing, public safety, recreation and sports, youth development, and multipurpose groups. Public and Societal Benefit includes civil rights, community improvement, philanthropy, science, social science, and public affairs groups.

— continued from page 69

\$28.9 billion in 1994, including \$4.86 billion in federal grants to state and local governments. Federal budget cuts are likely to affect areas such as Medicare, Medicaid, food stamps, and public assistance programs—if the plan to balance the federal budget by the year 2002 continues. According to Dan Gerlach of the N.C. Budget and Tax Center, three groups of nonprofits are most likely to be affected by federal budget cuts: (1) those that are direct recipients of federal funds, such as hospitals and other health care institutions that depend heavily on Medicaid, housing and homeless assistance programs, nutrition programs, and programs dealing with teenage pregnancy; (2) nonprofits whose service levels or client loads are affected by

federal cutbacks, such as substance abuse programs, domestic violence centers, child care agencies, and housing groups such as Habitat for Humanity; and (3) foundations, which will see increased grant applications from nonprofits seeking to offset government cutbacks.<sup>9</sup> Jane Kendall, president of the N.C. Center for Nonprofits, adds that all nonprofits will experience greater competition for resources—even if they don't currently receive government funds.<sup>10</sup>

Yet the size of the philanthropic discretionary grant pool is smaller than the total federal cutbacks projected for North Carolina. The total assets of all foundations in North Carolina were \$18.3 billion in 1992.<sup>11</sup> Those foundations gave away about \$220 million that year. (See Table 5 on p. 78 for a list of

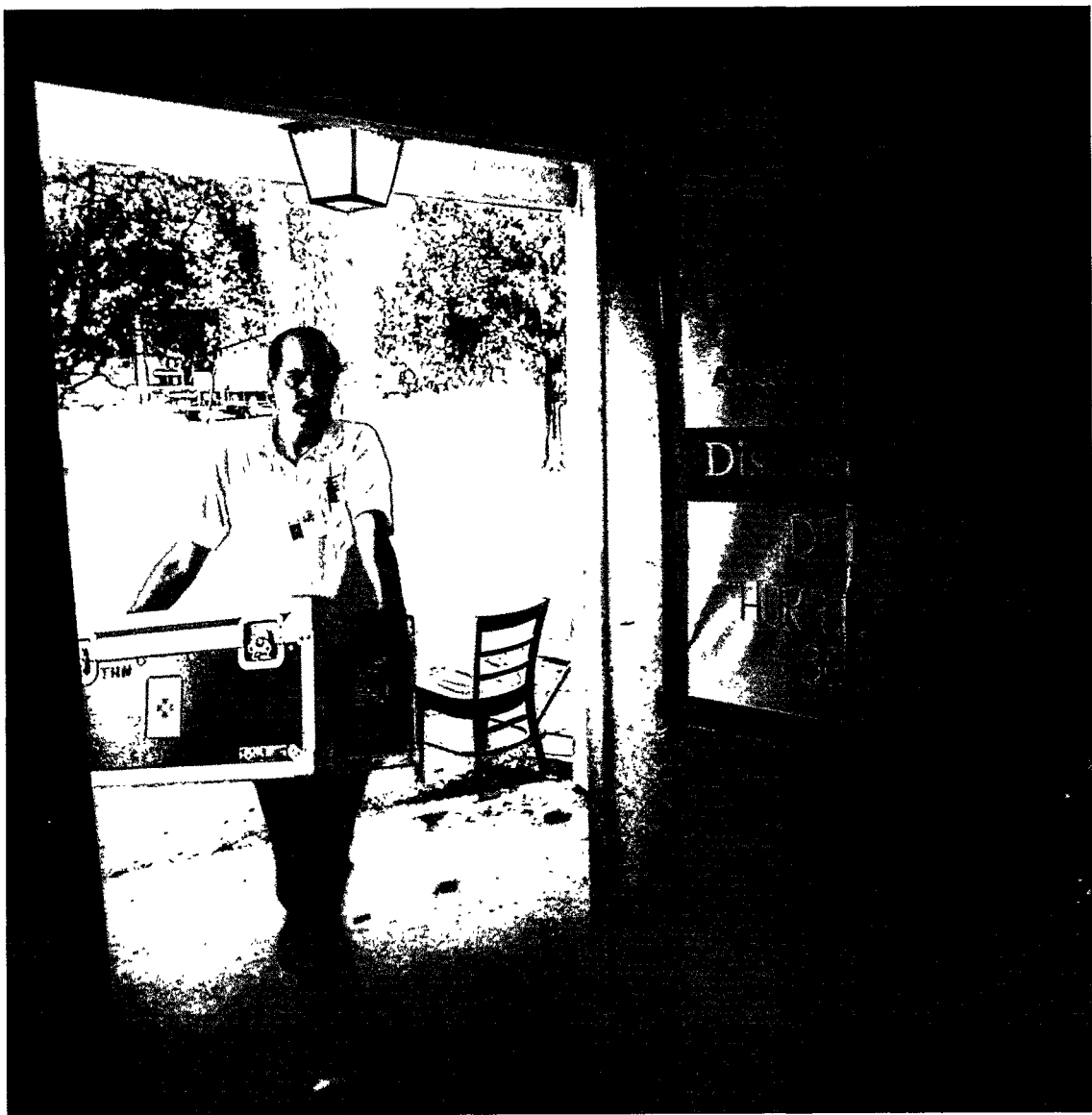
some of North Carolina's largest nonprofits.) Much of that grantmaking is not discretionary, however, because it is earmarked for specific recipients by the foundations' legal charters. For example, The Duke Endowment is the largest foundation in North Carolina, but its grants are earmarked for specific institutions of higher education such as Davidson College and Duke, Furman, and Johnson C. Smith universities or for specific hospitals, churches, or child-care programs.

However, the state will lose about \$297 million per year in Medicaid payments alone by 1999, the Center on Budget and Policy Priorities estimates.<sup>12</sup>

The final impact will depend on Congress. But even if all the foundation grants in North Carolina were discretionary, and they totally shifted to offset federal cuts, they still are likely to be short. Additional cutbacks could come from legislation that would provide federal assistance in the form of block grants, welfare-reform programs, scaled back job-training programs, and increased postal rates for nonprofits.

Federal budget cuts are likely to reduce revenues for some nonprofits while increasing funds for others, according to Steven Rathgeb Smith, a professor in the Graduate School of Public Affairs

***Nonprofits such as the American Red Cross provide aid to victims of natural disasters, such as Hurricanes Bertha and Fran that struck North Carolina in 1996.***



John Rottet, The News & Observer

at the University of Washington in Seattle. "The new welfare reform legislation has the potential to drastically cut revenues for many agencies, especially community organizations serving the poor and large health-care institutions such as hospitals," Smith says. "Many nonprofits could gain sizable new contracts, however. The new block grants will give states hundreds of millions of dollars for services to the poor. Many nonprofits, especially programs emphasizing self-help and work, will be expected or encouraged to provide these services under government contract. Many for-profit social welfare agencies will compete with nonprofits for these contracts." The loss of federal funds also will force many nonprofits to generate more income through service fees, Smith says, and will encourage the development of more partnerships between nonprofits and private businesses.

Legislators at the state level also have engaged in budget-cutting that affects nonprofits. In the 1995-1996 session, the N.C. General Assembly passed budgets that cut funding for nonprofits such

as Legal Services of North Carolina and Project Uplift.<sup>13</sup>

The ripple effect continues at the local level as well. In Mecklenburg County, the board of county commissioners has recommended that it should appropriate no more money to local nonprofit organizations by the turn of the century.<sup>14</sup> In Durham, county commissioner Ed DeVito says nonprofits have no business being funded with taxpayers' money. Fellow commissioner Tommy Hunt also favors eliminating the \$1.34 million that Durham County gives to various nonprofits, such as the Community Shelter for HOPE, the Council for Senior Citizens, and the Durham Day Care Council.<sup>15</sup> Durham County's grants to local nonprofits represent less than 0.5 percent of its budget, which totaled \$300 million in FY 1995-96. Becky Auman, executive director of the Orange/Durham Coalition for Battered Women, has objected to such proposals, saying, "It really doesn't make sense to cut the nonprofit sector, because we know how to do more with less."<sup>16</sup>

**Table 3. Percentage of Nonprofit Tax-Exempt Organizations in North Carolina, by Type**

**57% Charitable:** religious, educational, scientific or literary organizations; foundations

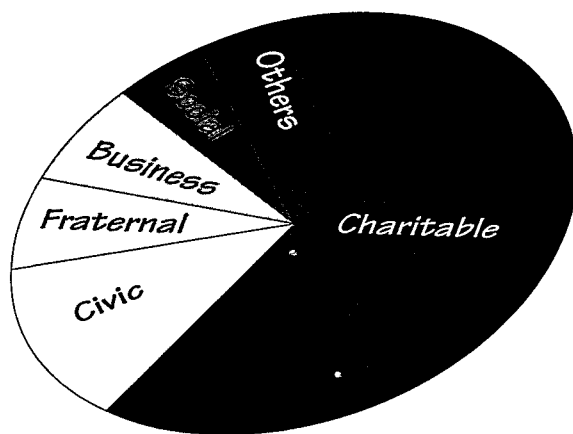
**14% Civic:** civic leagues, social welfare organizations, local associations of employees

**7% Fraternal Beneficiary:** societies and associations paying sickness, accident or other benefits to members

**7% Business:** business leagues, chambers of commerce, real estate boards, etc.

**5% Social/Recreational**

**10% All Others**



Source: Internal Revenue Service Exempt Organizations Business Master File as of Sept. 22, 1995; adapted by Tim Rickard, *News & Record*, Greensboro, N.C.

## **2. Efforts To Tax Nonprofits Gain Steam**

In addition to such budget-cutting efforts, some state and local governments that are strapped for funds are starting to look at nonprofits as potential sources of new revenue. In a November 1996 ballot initiative, Colorado voters will decide if the state should force churches and most nonprofits to pay property taxes. The initiative would raise up to \$100 million. Some legislators in other states also are starting to question whether nonprofits are keeping their side of the bargain on their tax-exempt status. In theory, tax-exempt status is a trade—government gives tax exemptions to nonprofits in exchange for such groups providing some benefit or service to the public. In that sense, government support for nonprofits can be viewed as preventive medicine that helps resolve problems that otherwise might grow into crises that require large commitments of resources from the state.

Nevertheless, at least 13 states have considered changes in the tax-exempt status of nonprofit hospitals because they were not providing significant amounts of free health care to the poor. The N.C. Center for Public Policy Research, in a 1989 study comparing the performance of for-profit and nonprofit hospitals in North Carolina, found that some nonprofit hospitals in Iredell and Wake counties were providing no more free care to indigent patients than for-profit hospitals in the same counties.<sup>17</sup> If the nonprofit sector doesn't keep up its side of the bargain, there probably will be efforts in North Carolina to limit the tax-exempt status of certain nonprofits, with hospitals and well-endowed private colleges and universities facing the first line of questioning.

At the local level, some tax assessors and county attorneys in North Carolina are making a distinction between federal and local tax exemptions. Nonprofits often assume that with a 501(c)(3) letter from the IRS, they're automatically exempt from local property and sales taxes. That's not necessarily true. Some local tax assessors say a nonprofit has to prove that it meets the state's legal criteria for being tax-exempt. Thus assessors in some counties, like Wake County, are trying to collect taxes from nonprofits.

In Pennsylvania, two-thirds of the counties have tried to push nonprofits off the tax-exempt rolls or force them into making payments in lieu of taxes over the past decade. Armed with a state Supreme Court decision, county officials have pressured nonprofits into paying certain taxes. In order to maintain its tax exemption there, a nonprofit

***There are heroes whose names we  
never hear***

***A dedicated army of quiet volunteers***

***Reaching out to feed the hungry***

***Reaching out to save the land***

***Reaching out to help their fellow man.***

***There are dreamers who are making  
dreams come true***

***Taking time to teach the children***

***There's nothing they can't do***

***Giving shelter to the homeless***

***Giving hope to those without***

***Isn't that what this land's all about***

***All it takes is a point of light***

***A ray of hope in the darkest night***

***If you see what's wrong***

***And you try to make it right***

***You will be a point of light***

—"POINT OF LIGHT"

WRITTEN BY DON SCHLITZ

AND THOM SCHUYLER,

SUNG BY RANDY TRAVIS

has to: (1) advance a charitable purpose; (2) give away a substantial portion of its services; (3) benefit people who are legitimate subjects of charity; (4) relieve government of some of its burden; and (5) operate entirely free of profit motives.<sup>18</sup>

The National Council of Nonprofit Associations calls this trend "a shakedown." The revenue that local governments obtain from nonprofits is minimal, according to the council, which says such tin-cup taxation is too small to affect government budgets. "The people running those cities ... view nonprofits as sitting ducks," says Janne Gallagher, an attorney who follows tax issues for the council. But a survey of local officials in Pennsylvania found they believe that "many nonprofits are not serving the poor, are abusing the system or are paying their executives too much money."<sup>19</sup>

Some of the harshest examples of such attitudes can be found in the cities of North Chicago, Ill., and Hartford, Conn. In North Chicago, the city council



**Governor Jim Hunt addresses participants at the first-ever Governor's Nonprofit Summit, held January 14, 1993.**

passed a resolution aimed at keeping groups exempt from property taxes from moving into the city. The IRS said no city has such power.<sup>20</sup> The Hartford city council voted to bar the opening of any new homeless shelters, health clinics, or other social service groups in the city from November 1995 to September 1996. City councilman Art Feldman says Hartford can no longer afford to be a haven for nonprofit groups. "A city that's composed strictly or largely of needy people can't support itself," he says.<sup>21</sup>

Now at this funding intersection, some leaders in Congress, the state legislature, and the county boards of commissioners are giving mixed signals to nonprofits. It's like watching a stop light suddenly turn from green to red while one is driving through an intersection. First, these government officials say, "We've got to balance the budget. So we're cutting back and you've got to take your share of the cuts." Then they say, "Well, government is cutting back, so the business and nonprofit sectors need to do more." Meanwhile, they forget that nearly a third of the nonprofits' revenue comes from

government, so they can't do *more* with *less*. They also fail to consider the relative sizes of the two sectors. Just to offset the loss of proposed cuts at the federal level would require a 247-percent increase in private giving from 1996 to 2002, when the *average* annual increase was only 2.4 percent from 1963 to 1993.<sup>22</sup>

Government officials convey another mixed message when they say, "We want to privatize, we want to shift services from the public to the private sectors, and you nonprofits can just raise your fees to handle this influx of new clients." This attitude fails to recognize who the clients are for many nonprofits. They're the homeless at the Salvation Army, the hurricane victims at the Red Cross, the battered women at the domestic violence center, the youths at the drug-treatment clinic, and the elderly on walkers coming to the door to get their Meal on Wheels. For nonprofits serving these clients, it's a cruel joke to ask them to expand their services and raise their fees for people who can't pay them anything anyway. So, the red light at the intersection flashes "fewer dollars," while the green light flashes

“greater human need.” Like a stalled car, nonprofits find themselves stuck in an intersection of conflicting messages.

The government exhortation to “charge more fees” also is a mixed message. As soon as nonprofits begin charging fees for goods or services, the business sector—especially small businesses—accuses nonprofits of unfair competition. Business critics say nonprofits can charge lower prices because the taxpayers are subsidizing part of their costs. Thus nonprofits are caught between what the government and the for-profit business sectors want them to do.

**B. Legal Intersections Between Government and Nonprofits**

A second intersection where government and nonprofits meet is in the law. Nonprofits are subject to many laws in North Carolina—such as those dealing with taxes, lobbying, nonprofit incorporation, and solicitation licensing. (See Table 6 on pp. 82–83.) What is now blowing in the legal winds is a questioning of what should qualify as a nonprofit. This movement is fed partly by a few scandals in the nonprofit sector and partly by those who believe that nonprofits shouldn’t be allowed to lobby. One might think of this legal intersection as similar to the place where an interstate divides as it enters a city. The road is under construction, so no-

body is certain which way to go, and those in the left lane are being sent on a detour.

**1. Dealing with Nonprofit Bad Apples**

One of the toughest issues ahead for the nonprofit community involves dealing with the few bad apples and imposters who are hurting the sector’s efforts to be accountable to the public. The public’s faith in the nonprofit sector has seldom been more shaken by scandals than it has in recent years.

First, a 1992 scandal at the national United Way eventually resulted in the conviction of its former president, William Aramony, on 25 counts of fraud, tax evasion, conspiracy, and money laundering. Aramony used about \$600,000 in United Way funds—the public’s funds—for a mistress and flights on the Concorde to Europe.<sup>23</sup>

Second, even religious nonprofits have been involved in some well-publicized scandals. Several television evangelists—notably Jim Bakker and his PTL (Praise The Lord) Club here in the Carolinas and Jimmy Swaggart—were caught in fraud schemes and sent to prison. There also were allegations of molestation of young boys at the Covenant House in New York, and the treasurer of the national Episcopal Church was caught embezzling \$2.2 million.<sup>24</sup>

Third, both the board chairman and the direc-

**Table 4. Income, Employment, and Earnings in the Nonprofit, Business, and Government Sectors in the United States, 1994**

Sector	National Income (In Billions)	Percent of Total Income	Estimated Employment (In Thousands)	Percent of Total Employment	Total Worker Earnings (In Billions)	Percent of Total Earnings
Business	\$4,361.7	78.0%	101,290	70.8%	\$2,940.8	74.9%
Government	842.2	15.1	25,443	17.8	646.4	16.5
Nonprofit	387.4	6.9	16,375*	11.4	336.6	8.6
TOTAL	\$5,591.3	100.0%	143,108.0	100.0%	\$3,923.8	100.0%

Source: Virginia Hodgkinson and Murray Weitzman, *Nonprofit Almanac, 1996–1997*, Independent Sector, Jossey-Bass Publishers, San Francisco, Table 1.4 on p. 40, Table 1.6 on p. 44, and Table 1.7 on p. 45.

\* Note: Of the 16.4 million nonprofit employees, 6.0 million are volunteers.

**Table 5. Selected Large  
Tax-Exempt Organizations  
in North Carolina**

**Organization and Location**

Duke University, Durham  
Duke Endowment, Charlotte  
Wake Forest University, Winston-Salem  
Wake County Hospital System, Raleigh  
Forsyth Memorial Hospital, Winston-Salem  
N.C. Baptist Hospital, Winston-Salem  
Presbyterian Hospital, Charlotte  
Smith Richardson Foundation, Greensboro  
Moses H. Cone Memorial Hospital,  
Greensboro  
Carolina Medicorp Inc., Winston-Salem

*Source:* Bill Krueger and Ruth Sheehan, "Non-profit groups proliferate," *The News & Observer*, Raleigh, N.C., January 10, 1996, pp. 1A and 8A.

tor of the national NAACP faced questions over *personal* use of *nonprofit* funds. The group's former executive director, Ben Chavis, agreed to pay more than \$332,000 in NAACP funds to a former employee to settle a personal sexual harassment claim.<sup>25</sup>

Fourth, the Foundation for New Era Philanthropy falsely promised more than 300 museums, universities, and Christian charities across the country that it would double their money in six months with matching donations from anonymous benefactors. That hoax left hundreds of charities with losses totaling more than \$225 million. The foundation agreed to liquidate its assets in May 1995.<sup>26</sup>

North Carolina also has had its share of nonprofit scandals:

- The Albemarle Area United Way's director was charged in 1995 with embezzling \$102,000, writing 118 checks for his personal use, and falsifying audits to state regulators in 1995.<sup>27</sup>
- The N.C. Children's Dreams Come True Foundation raised \$204,731 from 1990 to 1993,

but served only eight children, according to an investigation by *The News & Observer* of Raleigh. The group's founder allegedly pocketed all but \$8,031, and its pending request for tax-exempt status was denied by the IRS.<sup>28</sup>

- The state considered revoking in 1994 the license of Telecom Telemarketing Services, the fundraiser for the N.C. Police Benevolent Association, based on charges that it lied and used strong-arm tactics to raise more than \$3 million in North Carolina, three-fourths of which didn't go to the police charity.<sup>29</sup> Under a court-approved settlement, the firm kept its license but agreed to limit its fundraising activities.<sup>30</sup>

Most professional solicitors and nonprofits that raise more than \$25,000 are required to get licenses from the Solicitation Licensing Branch in the N.C. Department of Human Resources.<sup>31</sup> In 1993, these regulators moved to revoke the licenses of 15 fundraising companies working for nonprofits. The agency's 1994 report shows that of the \$26.4 million collected by professional fundraisers, only 40 percent went to charities while 60 percent went to the fundraisers. Some charities got as little as 4 percent of the proceeds.<sup>32</sup> Those are some of the bad apples in the nonprofit barrel, and the nonprofit sector should work with government to sort them out.

This is particularly true for deceptive or fraudulent telephone solicitors. Based on interviews with state regulators, *The Chronicle of Philanthropy* says two complaints regularly surface: "Sometimes, solicitors hired by legitimate charities mislead or lie to potential donors about how their money will be used. Other times, solicitors use the names of legitimate charities to raise money without their knowledge, or raise money for charities that exist only on paper, or don't exist at all."<sup>33</sup>

## **2. Dealing With Nonprofits That Have Mixed Public and Private Purposes**

In addition to reacting to the bad apples, the public also may be confused about what a nonprofit is. It is doubtful that most people think of the following organizations as nonprofits: the Professional Golfers Association Tour; Major League Baseball Players Association; Mutual of America Life Insurance Co.; the American Bankers Association; the Motion Picture Association of America; or the Newspaper Association of America. Yet all of these groups legally qualify as tax-exempt nonprofits.<sup>34</sup>



Similarly, in North Carolina the roster of nonprofits includes organizations such as the Atlantic Coast Conference, Old Salem, many trade associations, and more than 100 country clubs. These groups all fall under some tax-exempt section of the federal income tax laws, and many of them also are free from state income and franchise taxes (although not necessarily from local property taxes). *The News & Observer* of Raleigh reports that the ACC collected almost \$21 million in television revenue alone in 1992, and that Carmel Country Club in Charlotte had gross income of \$7.3 million in 1994. As reporters Bill Krueger and Ruth Sheehan put it, "Many of those organizations, though, do not fit most people's image of a nonprofit. They are not schools, churches, or hospitals, nor are they charities that use money to help those in need."<sup>35</sup>

Ed Lilly, president of Carolina Country Club in Raleigh, defended the club's tax-exempt status to the newspaper, saying, "It's a group of people who enjoy socializing together, playing tennis, playing golf. We're all getting together to pool our resources to do something we enjoy. That's not a profit-making enterprise." By contrast, Pete Rodda, Forsyth County tax assessor argued, "I don't see the humane or philanthropic purposes of a country club. Coun-

try clubs tend to serve a closed membership, a fairly affluent membership. I don't see what's charitable about it."<sup>36</sup>

Yale Law Professor Henry Hansmann goes so far as to argue that mainline charities should consider advocating changes that remove the tax exemption for what he calls "the commercial independent sector," including most nonprofit hospitals, health maintenance organizations, medical testing labs, nursing homes, health insurance companies, day-care centers, and fitness centers. At a 1988 research forum sponsored by Independent Sector and the United Way Institute, Hansmann argued that it "may be in the interest of the first independent sector—the philanthropic nonprofits—to protect themselves by, as it were, throwing the second independent sector to the wolves.... The traditional philanthropies may wish to lobby for the creation of a clear line between these nonprofits that will continue to benefit from special preferences, such as tax exemption, and those that will not, and to place the [commercial] nonprofit sector on the far side of the line. The alternative could be that ultimately preferences will be lost for all nonprofits, including the philanthropic ones."<sup>37</sup>

That might be going too far. But the public has

***Guests enjoy a Thanksgiving meal provided by the Raleigh Salvation Army, one of the many nonprofits that help the needy.***



*John Rotter, The News & Observer*



**Nonprofits such as the Open Door Clinic in Raleigh provide health and dental care to people who otherwise could not afford such services.**

a legitimate right to question the mix of public purposes vs. the private industry benefit in these groups. These are tough calls, and there's no simple answer. However, nonprofits should earn their tax-exempt status by providing some benefit or service to the public. They also need to be more diligent in explaining nonprofit status when there is a legitimate *public* purpose and tightening up the sector when there's too much *private* purpose.

### ***3. Small Businesses Fear Competition From Nonprofit Sector***

There's another car in this already crowded legal intersection, and this car drives down the middle lane between the nonprofit and business sectors. It's a car full of people who look at nonprofits as unfair competition for small businesses. This issue is another one where nonprofits have both sinned and been sinned against. For years, government and the media have urged nonprofits to charge more for their services and to seek clients who could afford to pay for such services. That's why some nonprofits have created side ventures such as insurance, financial services, car rentals, pharmaceutical products, and

credit cards. But many people feel uncomfortable when they see the Arthritis Foundation selling pain-relief medicine in a prime-time TV ad—while touting its nonprofit status. That may be one reason why Congress has been cracking down on the unrelated business income of nonprofits.

At a 1996 meeting in Research Triangle Park, tax assessors from across North Carolina discussed situations where they perceived nonprofits to be competing with for-profit enterprises: "hospitals buying hotels, universities running conference centers, and hospitals operating day care centers."<sup>38</sup> In Pennsylvania, the state legislature is considering a bill that would forbid nonprofits from offering goods and services or running a commercial business—if the same goods or services were available from for-profit businesses in the area. This ban could include day care, family counseling, and live theater performances, for example. Another provision would forbid nonprofits from offering goods or services unrelated to the groups' missions and in direct competition with an existing small business in the community.<sup>39</sup>

At the federal level, Sen. Alan Simpson (R-Wyo.) is going after the nonprofit American As-

sociation of Retired Persons on similar grounds. Simpson says the AARP is abusing its tax-exempt status by competing unfairly with taxable, for-profit businesses. The AARP received about 38 percent of its \$382 million in revenue in 1994 from business programs like insurance fees.<sup>40</sup> In April 1996, the AARP announced that it will begin licensing its name to health maintenance organizations across the country.<sup>41</sup>

#### **4. Critics Attempt To Curb Advocacy and Lobbying By Nonprofits**

The last car into this now gridlocked legal intersection among nonprofits, government, and business is perhaps most worrisome — the so-called “thought police.” In a democratic society that protects free speech, it’s disturbing to see a Congressional move to curb advocacy and lobbying activities in the nonprofit sector. Yet Congress has enacted or is considering a number of proposals.

- The U.S. House passed a measure in 1995 called the Istook Amendment (named after U.S. Rep. Ernest Istook, R-Okla.) that would bar any nonprofit that receives federal government money from using more than 5 percent of its budget for advocacy work and public interest litigation—even if the lobbying is done with *private* money, not *federal* money. So far, the U.S. Senate has not agreed with this measure. Current law allows lobbying by nonprofits, with some restrictions. For example, groups with budgets of \$500,000 or less can spend up to 20 percent on lobbying, and that percentage gradually decreases for groups with larger budgets.<sup>42</sup>

- On the U.S. Senate side, Senators Pete Domenici (R-N.M.) and Sam Nunn (D-Ga.) introduced legislation that would deny nonprofit status to any organization that devotes a substantial part of its budget and activities to educating Congress or the general public about public policy issues, conducting seminars, and other similar programs.<sup>43</sup> Under current law, nonpartisan studies, analyses, and research to educate Congress or the general public are not considered lobbying.

- In 1995, Congress actually passed a bill sponsored by Sen.

Simpson that prohibits 501(c)(4) groups from receiving *any* federal grants. Nonprofits with 501(c)(4) status—which include civic leagues, social welfare groups, and local employee associations—formerly could do unlimited lobbying in exchange for not being eligible to receive tax-deductible contributions.<sup>44</sup>

- Finally, another U.S. House proposal would bar nonprofit advocacy groups from receiving funds from the Combined Federal Campaign.<sup>45</sup> The campaign is a payroll deduction program, similar to the United Way, for federal workers.

Conservatives in the U.S. House are clear about their intent in all this. They call it defunding the left. But many observers—in both parties—feel the Istook Amendment and similar proposals are unconstitutional infringements of free speech. That is, such proposals ask nonprofits to renounce their First Amendment right to free speech in exchange for receiving federal funds. Another way the Istook Amendment infringes on free speech is by attempting to control how nonprofits can use funds they receive from sources outside of government. The bill also indicates a fundamental misunderstanding of the fact that nonprofits have service, social, representational, and advocacy functions. This latest effort to muzzle nonprofits strikes hardest at the people who nonprofits represent—such as the poor, disabled, and elderly. Nonprofits often are in the position of having to bite a hand that feeds them. They may evaluate and criticize the government’s performance, yet also may seek government financial support to deliver services.<sup>46</sup> The Istook Amendment and similar legislative efforts strike at the heart of the nonprofit

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***'Cause like a winner at the  
startin' gate***

***The music got it and gone.***

***It moved from over the tracks***

***Into the society shacks***

***It was wonderful and deductible***

***From the income tax***

—“AT THE JAZZ BAND BALL,”

WRITTEN BY D.J. LARocca AND LARRY SHIELDS,

SUNG BY LOUIS ARMSTRONG & BING CROSBY

**Table 6. Selected Laws That Govern Nonprofits in North Carolina**

<b>Federal Laws:</b>	<b>Accountable to:</b>	<b>Actions and reports required of nonprofits:</b>
Internal Revenue Code	U.S. Internal Revenue Service Service	<p>Submit application to become a tax-exempt organization. For charitable nonprofits, this means completing and filing the long Form 1023, responding to the IRS investigation, and paying a fee. If initial exemption is granted, the nonprofit must prove after five years that it has attained a defined level of general public support in order to be granted exemption past this five-year "advanced ruling period."</p> <p>File form 990 (or 990PF for private foundations) each year with extensive reporting of all revenue sources and amounts, expenditures, and activities. Must pass "public support test" as part of 990 form.</p> <p>Obtain Federal Employer ID number. File regular Federal Tax Deposits. (Required reporting schedule varies by size of payroll.) Also must file the Employer's Quarterly Federal Tax Return and collect a W-4 Form for each employee.</p> <p>Provide receipts, notices of items of value given to donors, and other required communications to donors.</p>
Social Security Act	U.S. Social Security Administration	Complete W-2 and W-3 Forms for Social Security's annual reconciliation
Immigration Reform and Control Act	U.S. Immigration and Naturalization Service	Complete and maintain an I-9 Form for each employee.
Other employment-related laws/acts: Age Discrimination Act, Americans with Disabilities Act, Fair Labor Standards Act, Family and Medical Leave Act, Pregnancy Discrimination Act, Title VII of Civil Rights Act of 1964	U.S. Department of Labor, Equal Employment Opportunity Commission, and others	Comply with these and other employment-related laws.
N.C. Nonprofit Corporation Act (N.C. General Statutes, Chapter 55A)	N.C. Secretary of State	File articles of incorporation, bylaws, application to be a nonprofit corporation; pay fee; establish registered agent. Comply with laws on articles, bylaws, boards, members, records, directors' and officers' liability.
N.C. Charitable Solicitations Act (NCGS Chapter 131F)	N.C. Department of Human Resources, Solicitation Licensing Branch	File the initial and annual Application for License for Charitable Solicitation, and pay an annual fee. This is required for any nonprofit raising \$25,000 or more, or using the services of a professional solicitor.

**Table 6, continued**

<b>State Laws:</b>	<b>Accountable to:</b>	<b>Actions and reports required of nonprofits:</b>
N.C. Occupational Safety and Health Act (NCGS 95-126, -160.5)	N.C. Department of Labor	Post information in the workplace. Comply with all provisions of the law.
Unemployment Compensation (NCGS Chapter 96)	N.C. Employment Security Commission	Post information in the workplace. A 501(c)(3) nonprofit owes this tax when it has at least 4 full- or part-time employees during 20 weeks in one calendar year. Must apply for Unemployment Tax Number and then file Employer's Quarterly Tax and Wage Report.
Wage Protection Act (NCGS 95-25.13, -25.7, -25.10, -28.8)	N.C. Department of Labor, Wage and Hour Division	Comply with state laws governing pay-days, sick and annual leave, and deductions from wages.
Income Taxes Withheld	N.C. Department of Revenue	Obtain State Withholding Identification number. File monthly State Withholding Report and the Employer's Annual Reconciliation Report.
Sales and Use Tax	N.C. Department of Revenue, Sales and Use Tax Unit	Submit quarterly report of sales taxes collected with payment enclosed. File semi-annual report of all eligible taxes paid, with refund request.
State Franchise and Income Tax (NCGS 105-125, -130-11[3])	N.C. Department of Revenue	Apply for exemption from state income and franchise taxes.
Raffles (NCGS 14-309.15)	N.C. Attorney General's Office	Comply with all provisions of the raffle-related laws for nonprofits.
Worker's Compensation (NCGS Chapter 97)	N.C. Industrial Commission	Provide worker's compensation coverage if have three or more employees.
Accountability for Expenditure of State Funds	N.C. Department of the State Auditor; state agency issuing the grant or contract	Provide full accounting to relevant state agency; arrange for and pay for special additional audit requirements for nonprofits receiving \$100,000 or more in state funds or federal funds passed through the state.

Other state laws with which nonprofit employers must comply: Blacklisting (NCGS 14-355), Communicable Disease Law (130A-143, -148), Drug Testing (95-230 to 232), Handicapped Protection (168A-1 to 12), Medical Examinations (14-357.1), Retaliatory Employment Discrimination (95-240 to 244), Separate Facilities (95-48 to 53), Sick Cell Trait (95-28.1), Use of Lawful Products (95-28.2).

#### **County and Municipal**

<b>Government Laws:</b>	<b>Accountable to:</b>	<b>Actions and reports required of nonprofits:</b>
Local Ordinances	County, City, or Town	Comply with laws.
Property Taxes	County Tax Assessor	File annual business property statement. Can apply for local property tax exemption.

Source: N.C. Center for Nonprofits, Raleigh, N.C., (919) 571-0811

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sector's most important asset—its independence.

Congressional efforts to gag nonprofit advocacy have not gone unnoticed by state lawmakers. The Illinois legislature, for example, in 1996 briefly considered new restrictions on the kinds of lobbying that can be done by charities that receive state aid. The proposal was similar to the Istook Amendment under consideration in Congress.<sup>47</sup>

## II. Opportunities for the Nonprofit Sector in North Carolina

**T**hus, the winds of change are carrying proposals for budget cuts, efforts to tax nonprofits, news of scandals, curbs on advocacy, and mixed messages about whether charging fees for goods and services is a good way to generate revenue or amounts to unfair competition to businesses. These trends are viewed as crises by most nonprofits. But perhaps they should consider the Chinese word for crisis, which conveys the concept of opportunity as well as danger. There are at least

seven opportunities that nonprofits can catch in their sails.

### A. *Nonprofits Must Increase Their Awareness of Being in a Sector*

The first opportunity for nonprofits is exemplified by the presence of more than 600 people at an October 1996 conference of the N.C. Center for Nonprofits, its 30th statewide event since it began providing services in 1992. The center, created with grassroots input from more than 2,000 nonprofit leaders in all of North Carolina's 100 counties, is one of 30 state and regional groups across the country that make up the National Council of Nonprofit Associations.

For the first time, nonprofits are recognizing that they *are a sector* like the government or the business community. Nonprofits no longer think of their peers solely as other day-care centers, hospices, United Ways, and Salvation Armies. Their peers are all other nonprofits. This strength in numbers gives nonprofits a voice in all of the

**Table 7. Top 10 Nonprofit Recipients of State Funds in FY 1994**

Name of Nonprofit	State Funding in FY 1994
1. Microelectronics Center of N.C.	\$21,296,000
2. N.C. Rural Economic Development Center	9,045,000
3. N.C. Biotechnology Center	9,014,396
4. Bowman Gray School of Medicine	7,713,036
5. Duke University	5,582,967
6. Mountain Area Health Education Foundation, Inc.	3,655,169
7. Campbell University	3,389,230
8. College Foundation, Inc.	3,225,394
9. Eastern Area Health Education Center, Inc.	2,856,696
10. United Day Care Services	2,802,871
<b>Total for Top 10 Recipients</b>	<b>\$68,580,759</b>
<b>Total for ALL state money going to nonprofits</b>	<b>\$82,300,000</b>
[Total for top 10 equals 83.3 percent of all state money going to nonprofits.]	

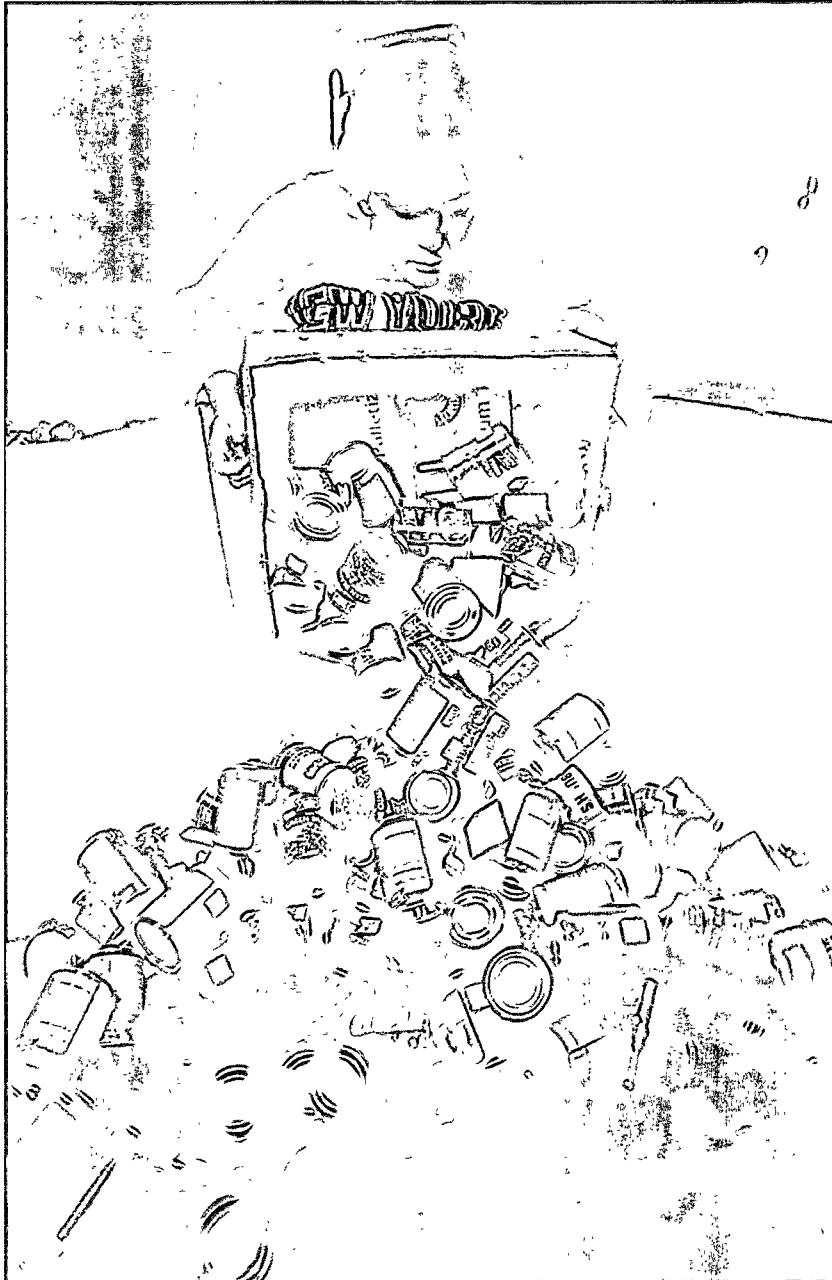
Source: Memorandum from Richard Bostic, a senior fiscal analyst for the General Assembly's Fiscal Research Division, to the N.C. House Select Committee on Nonprofits, March 7, 1996.

state's counties, with every legislator and every county commissioner. It gives them the power to ask for nonprofit representatives on state and local boards and commissions in the same way that the business sector is represented. The nonprofit community owes a great debt to the N.C. Center for Nonprofits for helping build that sector awareness. Other key factors in developing that awareness are the presence of a statewide newspaper about nonprofits, the *Philanthropy Journal of North Carolina*, and efforts to sponsor sector-wide gatherings and seminars by several foundations—notably the

Z. Smith Reynolds, Mary Reynolds Babcock, A. J. Fletcher, and Glaxo Wellcome foundations.

***B. A Governor Who Has Taken the Lead Nationally in Working With Nonprofits***

The second opportunity is in building on the initiatives of Gov. James B. Hunt. Regardless of one's politics, Governor Hunt should be credited for his leadership in recognizing and working with the nonprofit sector. For example, Hunt was the nation's first governor to call a summit with the



***Janice Bowles empties a box of canned food collected by the Food Bank of North Carolina, a Raleigh-based nonprofit that distributes food to the needy.***

## *State Funding for Most Nonprofits Small, Unpredictable*

THE STATE PAID more than \$82 million in grants to nonprofits—known as 501(c)(3) groups in the tax code—in fiscal year 1994, according to data prepared by the State Auditor for the N.C. House Select Committee on Nonprofits in March 1996.<sup>1</sup> That *sounds* like a lot of state money going to nonprofits. But is it?

Upon closer examination, the Auditor's report has several weaknesses. First, the data include *federal* funds that pass through *state* coffers on the way to such nonprofits as private colleges or the fundraising arms of various Area Health Education Centers (AHEC). Second, the Auditor's study is about "private organizations" receiving state funds—thus it lumps nonprofits in with private businesses such as for-profit day-care centers and even some out-of-state companies, such as Oregon's Freightliner Corp. Finally, just 10 groups accounted for more than 83 percent of the total state funding for nonprofits in FY 1994. (See Table 7 on p. 84.) Of these top groups, at least two are state-created nonprofits, the Microelectronics Center of N.C. and the N.C. Biotechnology Center; two are private universities, Duke and Campbell; and another two are the fundraising foundations associated with AHECs.

A distinction also must be made between nonprofits that receive government funding as grants, with few strings attached, and those that receive money for services they provide on a contract basis with the state. For example, the Pub-

lic School Forum of North Carolina received \$420,000 from the state for FY 1997, but all of that money was earmarked for the "Teaching Fellows Commission" that the Raleigh-based group administers for the state. "This is one of the largest teacher scholarship programs in the nation," says the forum's executive director, John Dornan. The forum uses the state money to screen applicants, evaluate campus programs, conduct training and leadership conferences, and administer paperwork for the teaching program.

For most nonprofits, the amount of state funding is small and unpredictable. This is partly because they usually are not automatically included in the Base Budget the way state agencies are. Nonprofits typically receive their funds in the annual budget bill passed by the legislature, so they don't know what to expect in state funding from year to year. Depending on when a nonprofit's fiscal year begins, this can make budget planning a real guessing game. For example, the Center for Community Self-Help in Durham saw its state funding increase from \$2.5 million in FY 1994 to \$5 million in FY 1995, then decrease to \$1 million in FY 1996, and increase again to \$3 million in FY 1997. (See Table 8 on p. 87.)

Changes in the party control and power structure of the N.C. General Assembly that resulted from the 1994 elections have further complicated matters for nonprofits. Thus, com-

*—continues on p. 88*

nonprofit sector, held just six days after his inauguration in January 1993.<sup>48</sup> After that summit with 300 nonprofit leaders, Hunt appointed liaisons with the nonprofit sector in all nine departments under the governor's control and named nonprofit leaders to some state boards and commissions. In addition, Hunt's former legal counsel, Brad Wilson, briefed nonprofits on the governor's legislative package prior to the 1995 session of the General Assembly and asked for their input.

Finally, Hunt has moved to establish significant partnerships between government and nonprofits in at least four areas. These include the child-care initiative called Smart Start, the flagship program of the Hunt administration; Support Our Students, a crime prevention and school safety program; the Rural Initiative, an economic development effort in rural counties; and the state Information Highway, an effort to establish a statewide computer network.



**Table 8. Selected Nonprofits Receiving State Funds,  
FY 1992 to FY 1997 (Thousands of Dollars)**

Name of Nonprofit	Fiscal Year					
	1992	1993	1994	1995	1996	1997
Center for Community Self-Help	0	\$2,000	\$2,500	\$5,000	\$1,000	\$3,000
Legal Services of N.C.	\$1,000	\$1,000	\$1,250	\$1,250	\$1,000	\$1,000
Summit House	\$165	\$250	\$550	\$900	\$903.5	\$1,103.8
Land Loss Prevention Project (2 sources)	\$300	\$300	\$300	\$300	\$275	\$275
N.C. Child Advocacy Institute	0	0	0	0	0	\$250
Autism Society of N.C.	\$745.0	\$745.0	\$745.0	\$1,109.0	\$1,109.0	\$1,269.0
N.C. Assn. of Community Development Corps.		\$150	\$200	\$200	\$150	\$150
N.C. Community Development Initiative	didn't exist	didn't exist	\$2,000	\$2,000	\$1,800	\$1,800
Coalition of Farm & Rural Families	\$250	\$250	\$250	\$250	\$245	\$145
UPLIFT					\$300	\$100
Alzheimers Association				\$100	\$100	\$100
Communities in Schools of N.C.	0	0	\$200	\$200	\$200	\$700
N.C. Legal Education Assistance Foundation	0	0	\$25	\$25	\$50	\$50
N.C. Equity	0	\$65	0		0	0
Albemarle Dispute Settlement Center					0	\$32.0
Cabarrus County Dispute Settlement Center					0	\$25
Polk Dispute Settlement Center					\$3.9	\$23.9

*Sources:* Richard Bostic, N.C. General Assembly, Fiscal Research Division, memorandum to the House Select Committee on Nonprofits, March 7, 1996. Also, Institute of Government, University of North Carolina at Chapel Hill, *Daily Bulletin*, editions from 1992 to 1996; and the author's telephone interviews with selected nonprofits.

*Note:* Table includes *direct* legislative appropriations to nonprofit groups. It does not include state money paid to groups through contracts with state agencies in the *executive* branch.

Many nonprofits say they do not feel like equal partners in these programs. For example, nonprofits in the criminal justice area felt left out of Hunt's initiatives for the special session on crime in February and March of 1994 because the governor ignored alternative punishments in favor of a prison-oriented approach. Still, nonprofits should give the Governor credit where it's due while continuing to push to make their voices heard. But the Governor should involve nonprofit leaders in the same way he does

business leaders in seeking advice and developing programs, and he also should activate, train, and support the nonprofit liaisons in the departments under his control.

Some states now are rivaling North Carolina in their efforts to recognize and work with nonprofits. For example, Gov. George Voinovich of Ohio asked nonprofits for advice on how the state should administer and distribute new federal block grants. Jennifer Baxendell, the governor's special assistant,

### *State Funding, continued from p. 86*

paring the year-to-year funding that nonprofits receive from the state can be like walking through the fun-house at the State Fair—up one minute, down the next, and then sideways to another chamber. The fortunes of some nonprofits rise while others fall.

Some nonprofits gained ground in the most recent state budget bill for FY 1997.<sup>2</sup> For example, Communities in Schools of North Carolina received \$700,000 in the new budget bill, up from \$200,000 in FY 1996. The N.C. Child Advocacy Institute received its first legislative appropriation ever, a one-time grant of \$250,000, in the FY 1997 budget bill—although the group previously has received state money through contracts with state agencies in the executive branch. Governor Jim Hunt's child-care initiative called Smart Start, inaugurated during his third term as governor (1993-97), received an additional \$10 million for the last half of FY 1997—much of which will go to local nonprofit child-care agencies. With these additions, Smart Start's annualized budget will total \$75.1 million and the program will fund agencies in 43 counties.<sup>3</sup> Similarly, the governor's Support Our Students (SOS) after-school program received an additional \$1 million for FY 1997, most of which will go to local nonprofits.

Other nonprofits weren't so fortunate. Some groups took steep dives on the funding roller coaster in the state legislature's new era of split-party control, with Republicans holding a 68-52 majority in the House and Democrats holding a 26-24 majority in the Senate. A non-

profit with one of the largest declines in state funding was Legal Services of North Carolina, which had received funds through an appropriation to the N.C. State Bar. Legal Services got \$1 million from the state in both the 1996 and 1997 fiscal years, after receiving \$1.25 million in FY 1995. That cut was in addition to a \$2.5-million cut in federal funding, after the U.S. Congress reduced its support for the national Legal Services Corporation from \$410 million in 1995 to \$278 million in 1996. Similarly, UPLIFT—the forerunner of Smart Start and formerly directed by Robin Britt, Hunt's Secretary of Human Resources—saw its state support plunge from \$300,000 to \$100,000 over the same period. For nonprofits that seek state funding, it's good to remember Newton's law of physics: "What goes up, must come down."

—Ran Coble

### FOOTNOTES

<sup>1</sup> The Office of the State Auditor released its 141-page "Report on Private Organizations Receiving State Funds," for the Fiscal Years Ended June 10, 1992 through 1994, on September 18, 1995. The legislature's Fiscal Research Division analyzed these raw data for the House Select Committee on Nonprofits in a memorandum from Richard Bostic dated March 7, 1996. Fiscal Research found that 946 organizations with 501(c)(3) nonprofit status received a total of \$82.3 million in state funds in FY 1993-94.

<sup>2</sup> Chapter 18 (House Bill 53) of the 1996 Session Laws (Second Extra Session 1996).

<sup>3</sup> Personal communication with Bobby Woodard of the Governor's Office of State Budget and Management.

met twice monthly with a coalition of charities, including the Ohio Association of Nonprofit Organizations, United Way, Hunger Task Force, and Family Service Council. "They've been a wonderful resource, especially for bringing potential areas of concern to our attention," Baxendell says.<sup>49</sup>

Some cities as well have taken initiatives to help nonprofits, by increasing the number of people served and helping organizations cut their costs. For example, New York City leaders have created a

Citywide Central Insurance Program (CCIP) to address the needs of more than 2,000 nonprofit vendors and their 62,000 employees. CCIP provides insurance coverage for almost 600 day care centers, 600 youth agency programs, and home health agencies that serve more than 32,000 homebound clients. Liability costs have been cut in half, despite an increase in the number of covered employees. A 1993 study by a private consultant concluded that New York City saves \$9.5 million a year by utilizing

CCIP and "frees nonprofit providers to focus on the mission, not the money."<sup>50</sup>

### ***C. Legislature Enacts Measures to Increase Charitable Giving and Cut Red Tape***

A third opportunity for nonprofits arises from the work of a legislative study commission created by the 1995 General Assembly to study "the facilitation of greater cooperation between the public and nonprofit sectors and the fostering of growth of the nonprofit sector, including but not limited to, a review of government funding of nonprofits through State agencies, allowing local governments to take measures to encourage philanthropy within their communities and the feasibility of privatization of services and programs through nonprofit organizations."<sup>51</sup> The House Select Committee on Nonprofits was comprised of six legislators and four public representatives appointed by the Speaker of the House.

Nonprofits initially feared that this panel would become a state-level proponent for an Istook-like Amendment, or a vehicle for cutting off state funds for nonprofits. (See related article, "State Funding for Most Nonprofits Small, Unpredictable," on pp. 86-88.) Instead, the study committee recommended measures that again put North Carolina among the national leaders in relations between nonprofits and state government. In response to proposals by the N.C. Center for Nonprofits and the leadership of Chairman Ed McMahan (R-Mecklenburg), the committee's recommendations<sup>52</sup> were incorporated into three bills enacted by the General Assembly in 1996.

**House Bill 18** hopes to increase charitable giving in North Carolina by creating a 2.75- percent income tax credit for charitable contributions by residents who do not itemize on their federal tax returns.<sup>53</sup> To encourage giving and remain affordable for the state, the bill offers the tax credit only to those who contribute more than 2 percent of their taxable income—the average amount currently contributed by North Carolinians. The legislative staff estimated this would cost the state \$5 million a year in foregone tax revenue. But this represents an investment by the state because it is likely to generate an estimated \$180 million in contributions to nonprofits from non-itemizers, according to the N.C. Center for Nonprofits. The credit, although modest, would give nonprofits a new tool to encourage giving, and it would affect the greatest number of potential donors because most taxpayers (71 percent) are non-itemizers.

**Senate Bill 6** eliminates the sales and use tax for merchandise donated to charitable nonprofits by businesses. This creates an incentive for businesses to donate goods to nonprofits.<sup>54</sup>

**House Bill 1166** cuts government red tape for nonprofits by eliminating the need to submit the same information twice when applying for a license to raise funds under the state's Charitable Solicitations Act.<sup>55</sup> The bill also modifies the reporting requirements for nonprofits receiving state grants. This should reduce paperwork and expenses for nonprofits and state government while maintaining or expanding accountability for nonprofits.<sup>56</sup>

With the passage of these three bills, North Carolina nonprofits have new ways to encourage charitable giving in the state while easing their regulatory burden. "We're trying to encourage greater citizen support for nonprofits by creating incentives for giving of both more money and time," said McMahan, chairman of the study commission on nonprofits and principal sponsor of the bills.<sup>57</sup> The passage of these bills demonstrates the political clout of the state's nonprofit sector.

The legislature also considered, but did not pass, legislation that would have increased the state income-tax deduction for businesses' charitable contributions from 5 percent of their taxable incomes to match the federal limit of 10 percent. It also would have adopted a federal provision allowing businesses to carry forward to future years any contributions that exceed the 10-percent federal limit. This bill not only would have made the state's tax law consistent with federal law, but it would have helped small businesses because they often contribute higher percentages of their incomes than do large companies.<sup>58</sup>

### ***D. New Technology Provides Opportunities for Nonprofits***

A fourth opportunity for nonprofits arises from the potential of new technology. Nonprofits now have unprecedented ways for communicating and obtaining information through electronic mail, fax machines, and computer networks such as the Internet, HandsNet, NCexChange, Nando.net, Charlotte's Web, and the state's Information Highway. It always has been difficult for nonprofits to communicate with each other and gain equal access to information about government. New computer networks give nonprofits a relatively inexpensive way to surmount those barriers.

The Internet began in 1969 as a project to link computers for purposes of federal defense research.

When restrictions on joining the Internet were relaxed in 1990, use of the Internet by the general public mushroomed. Now, more than 20 million computer users are connected in this network of networks. Of particular interest to nonprofits are the following:

- **Commercial Networks:** Commercial networks such as CompuServe and America Online offer electronic mail, access to forums, and software for a fee. HandsNet is a nonprofit network specifically aimed at nonprofit groups. It delivers news, legislative analyses, research summaries, funding notices, and other information to more than 5,000 advocacy and human service organizations in the United States. It also has a free World-Wide Web site with updates on legislative issues and advocacy efforts.
- **Community Networks:** Community networks provide free access to electronic mail and information resources in certain geographic areas. For example, Charlotte's Web connects users through the public library system in Charlotte and Mecklenburg County.
- **Electronic Databases:** Electronic databases offer information for a fee, and users simply download the information. Unlike the networks, there is no communication between users. For example, Lexis/Nexis offers access to a database for statutes, court opinions, and other legal research.

- **Electronic Bulletin Boards:** Just like standard cork bulletin boards in offices and schools, electronic bulletin boards provide news, information, and support, and discussions on an array of topics.<sup>59</sup>

The N.C. Center for Public Policy Research recently set up its own home page within Nando.net. This is a good example of how technology can benefit nonprofits. Citizens who wonder whether the Center has done any research on a particular topic can now find out by accessing the home page. There they can find news summaries of the Center's latest studies—such as its legislative effectiveness rankings, evaluation of state pesticide programs, or study of issues affecting the health of minorities. If they want to order a publication, that's possible too. Plus, soon they will be able to find an index to every article, report, or magazine the Center has ever published. Center staff are using the new technology in other ways as well. They can check the Nando.net's *Insider* to get a daily schedule of actions by the N.C. General Assembly. And, the staff might want to click on to the N.C. Department of Labor and see what its home page is showing. The staff can send and receive messages to and from other citizens or nonprofits. It's faster than the mail and less expensive than a telephone call.

Such developments open up new vistas for nonprofits around the world. The nonprofit sector is service-oriented and labor-intensive. Thus, technology that can save time holds particular promise

***The American Red Cross is one of the many nonprofits that provide health-related services, such as this blood drive in Chapel Hill.***



Jim Bounds, The News & Observer

for the "people sector." Consider these examples:

- At least 86 foundations now have World-Wide Web sites that include information on their grant-making guidelines, annual reports, accomplishments, and their funding interests.<sup>60</sup> The Council on Foundations, an association of more than 1,300 foundations, also has a site. Information on corporate givers is now available as well, including proxy statements and profiles of executives.<sup>61</sup>
- Charity watchdog groups such as the National Charities Information Bureau and the Council of Better Business Bureau's Philanthropic Advisory Service provide information on nonprofits to help donors make informed choices about their gifts.<sup>62</sup>
- Networks are being used to survey computer users about their giving and volunteering, which could lead to new linkages with donors or volunteers. For example, some 1,000 respondents completed an electronic survey on the World-Wide Web in 1995, with more than 75 percent saying they would volunteer more often if they could find information about how to do so online. More than 40 percent said they would attend charity events if they could register and get information about them on line.<sup>63</sup>

### ***E. Research Capacity Rising in the Nonprofit Sector***

A fifth opportunity for nonprofits is the development of research capacity within the sector. In North Carolina alone, at least six colleges and universities—including UNC-Chapel Hill, Duke, UNC-Greensboro, UNC-Charlotte, Meredith College, and Salem College—have established programs on nonprofit management, administration, or leadership. Nationally, there are about 75 graduate-level academic programs that focus on nonprofits and at least 40 undergraduate programs.<sup>64</sup>

It may take a while for universities to conduct research that is useful for nonprofits. But if nonprofits communicate their needs and interests clearly, and if academic institutions listen, it will come. An initial step in that direction has recently been taken by the N.C. Center for Nonprofits and School of Social Work at UNC-Chapel Hill. In 1995, the two groups launched a joint project to identify the information and research needs of nonprofits for their work in advocacy and accountability. The results, expected in early 1997, could cre-

ate the basis for a research agenda for the state's nonprofit sector.

More research clearly is needed on the size and scope of the nonprofit sector in North Carolina and other states. Current information derived from federal tax data often is incomplete or inaccurate. Directors of nonprofits also need state-level research comparing salaries and positions by types of nonprofits—a task that the N.C. Center for Nonprofits is tackling with the first sector-wide study of compensation and benefits among 501(c)(3) groups in the state. (The study is scheduled for completion by the end of 1996.) Nonprofits within a field in the sector—such as all United Ways, hospices, or arts councils—might welcome data comparing their service levels or spending patterns. Or, research on the effectiveness of nonprofit boards of directors might be welcomed.<sup>65</sup>

Such opportunities might be wasted, however, if universities involved in nonprofit management or leadership courses assume they know how nonprofits work—without hiring faculty experienced in the nonprofit world. Many faculty equate the nonprofit sector with the business or government sectors (thus housing their nonprofit programs within business schools or public administration programs) while failing to recognize the differences. Some academics also assume—without thoroughly analyzing the situation—that nonprofits generally are poorly managed, inefficient, or too numerous.

Overall, universities need to think carefully about what they can do well in this field. They are most likely to make a contribution by: (a) conducting research on the nonprofit sector's size, scope, and other issues identified with input from nonprofits; (b) offering free or low-cost technical assistance in continuing-education courses such as evaluation, financial management, strategic planning, legal compliance, or computer literacy; and (c) developing useful courses for students who want to enter the nonprofit field.

Many universities, particularly those that do not use faculty who are experienced in the nonprofit sector, are less qualified to: (a) run nonprofit leadership programs; (b) conduct certification programs in nonprofit management; and (c) advise nonprofits on management issues, such as fundraising or dealing with boards of directors and the media. Faculty without substantial, up-to-date experience in the sector are unlikely to offer much help to nonprofits. Nonprofits also may resent it if universities start competing with them for scarce foundation grants or corporate gifts while saying they're trying to help nonprofits. Nevertheless, there are opportunities for



***Volunteers with Habitat for Humanity, a nonprofit that provides shelter for the needy, help construct a home in Durham.***

research, educational programs, and other types of collaboration that could benefit the nonprofit sector.

#### ***F. New Sources of Money for Nonprofits***

A sixth opportunity for nonprofits is perhaps a surprising one—new sources of money. The first source that's developing is workplace giving, through new programs comparable to United Way campaigns. United Ways have long held a monopoly on workplace giving in North Carolina. But, if they're smart, they will increase donor choices and widen the circle of nonprofits eligible for their funds.<sup>66</sup> Studies at Yale University and elsewhere show that United Way giving doesn't drop with more donor choices; instead, the total pie of donated money gets larger.<sup>67</sup>

If United Way doesn't increase donor choices, there are alternative workplace-giving campaigns that are growing in North Carolina. These alternatives include at least 10 united arts campaigns in places like Charlotte, Raleigh, and Winston-Salem. Other alternatives include the Environmental Federation of North Carolina, representing environmental groups; N.C. Community Shares, representing social-change nonprofits; and the Combined Health

Appeal, representing the March of Dimes and other health nonprofits that are not affiliated with the United Way. In addition, the State Employees Combined Campaign (SECC) is now open to alternative federations.

A second new source of money is alternative public foundations, such as the Atlanta-based Fund for Southern Communities, which supports causes in North Carolina and other southern states. Most alternative foundations have been established by children of wealthy donors. These wealthy young people either resist traditional giving patterns or feel there is too little community involvement in giving decisions. As a result, they usually invite community participation on their governing boards, as well as donor involvement in grantmaking and policy matters. For example, the Haymarket People's Fund finances grassroots and social-change groups in New England. It has given to AIDS projects, environmental causes, civil rights groups, and prison reform efforts—issues that it thought traditional foundations were neglecting.<sup>68</sup> Community foundations, such as the Foundation For The Carolinas in Charlotte and the Community Foundation of Western North Carolina in Asheville, also invite community involvement on their boards.

A third new source of money is just starting to occur—the largest generational transfer of wealth in the nation's history. According to a 1993 study by two economics professors at Cornell University, this unprecedented transfer of wealth began in 1990 and will continue for 50 years. Most of the money will change hands from the years 2000 to 2035.<sup>69</sup> By the year 2040, more than \$10 trillion will have passed from the hands of elderly Americans to their children and grandchildren.

Some of this new wealth will lead to *new* foundations. In North Carolina, the number of foundations grew from 589 in 1983, to 749 in 1991, and 865 in 1994.<sup>70</sup> Some examples of new funds include the Cemala Foundation and the Joseph M. Bryan Foundation, both in Greensboro, and the Harris Foundation in Charlotte. This transfer of wealth also should increase the assets of *existing* foundations. This trend should be magnified by the migration of retirees to the Sunbelt states. North Carolina is now the fifth most popular retirement state in the country, according to Wake Forest University professor Charles Longino. Thus, the state's 19 community foundations should benefit from this new source of wealth moving into many Tar Heel communities—particularly the Sandhills, the mountains, and the coast.

Individual donors also present opportunities for nonprofits. Consider the inspirational story of Osceola McCarty, an 87-year-old Mississippi woman. McCarty donated her entire life savings—\$150,000—that she earned from washing wealthier people's clothes. She gave the money to fund scholarships for African-American students at the University of Southern Mississippi.<sup>71</sup>

Some observers, however, are less optimistic about the nonprofit sector's potential to find new sources of funding. For example, Steven Rathgeb Smith, a professor of public affairs at the University of Washington in Seattle, says that offering more choices in work-place giving programs "often simply redistributes money among local agencies" rather than substantially increasing the total contributions to nonprofits. "Nationwide, charitable giving is rising very slowly despite aggressive fundraising campaigns," Smith says. "In some policy areas such as human services, charitable donations have actually declined in real terms."

### ***G. Nonprofits Have an Opportunity to Build Public Trust in the Sector***

A final opportunity for nonprofits is the challenge to solidify and build the public's trust in the

sector. Despite recent scandals at the United Way, NAACP, the New Era Foundation, and other groups, the public's trust and belief in nonprofits is amazingly high. Compared to the government and business sectors, the nonprofit community has a deep reservoir of trust with the public.

In 1995, some of the first polls ever about public attitudes toward nonprofits in North Carolina were done by two groups: the Carolina Poll at UNC-Chapel Hill's School of Journalism on behalf of the N.C. Center for Nonprofits, and a survey by FGI of Chapel Hill for the *Philanthropy Journal of North Carolina*. These polls show strong public support for nonprofits in the state.

A key indicator of this support is shown by answers to the following question in the Carolina Poll: "On the whole, how confident are you that donations made to most charitable, not-for-profit organizations are put to proper use? Would you say you are very confident, somewhat confident, not particularly confident, or not confident at all?" More than half of the respondents expressed confidence in the nonprofit sector, with 11.3 percent answering "very confident" and 44.6 percent "somewhat confident." It's also worth noting that more than a third had little confidence in nonprofits—28.9 percent answered "not particularly confident" and 9.7 percent "not confident at all"—so nonprofits can't afford to rest on their laurels.<sup>72</sup> Public trust is a fragile flower that nonprofits must water every day by showing the public purpose and benefits from their work.

The poll also asked, "How important a role do you think private, not-for-profit organizations play in making our communities better places to live?" Most respondents answered either "very important" (50.5 percent) or "somewhat important" (36.5 percent).<sup>73</sup> Any governor or corporate executive would love to have approval ratings like that.

In addition to such favorable attitudes, North Carolinians also *give more dollars* and *volunteer more time* than the national average. In the Carolina Poll, 79 percent of the respondents said they had made a voluntary contribution of money, property or other items to a private, not-for-profit organization in the previous 12 months. This is higher than the national giving rate of 73 percent. In addition, 53 percent of the Carolina Poll respondents said they had volunteered in the last 12 months. Nationally, 48 percent had volunteered, according to a Gallup Poll commissioned by Independent Sector in October 1994. Both polls found that those who volunteered also were more likely to give.<sup>74</sup>

These poll responses are backed up by an analy-

sis of federal tax returns from all 50 states by *The Chronicle of Philanthropy*. The *Chronicle's* data show that from 1991 to 1992, North Carolinians increased their: charitable deductions by 7.6 percent (compared to the national average of 5.5 percent); contributions per capita by 6.3 percent (compared to 4.3 percent nationally); contributions per itemized return by 6.7 percent (compared to 5.7 percent nationally); and contributions per charitable return by 6.3 percent (compared to 5.4 percent nationally). Perhaps most importantly, Tar Heels' per capita contribution as a percentage of their 1995 per capita income was the ninth highest among the states.<sup>75</sup>

Prospects for the future, however, are less clear. For example, when the Carolina Poll asked, "Do you plan to give more, less, or about the same to private, not-for-profit organizations in 1995 as you did in 1994?" 69 percent of the respondents said "about the same" and only 18 percent said "more." In response to a similar question in the *Philanthropy Journal of North Carolina* poll, 59.7 percent of those

surveyed said their 1995 giving was likely to "remain the same."<sup>76</sup>

More important for the long term is a downward trend in giving and volunteering nationally. Household giving declined 10 percent in current dollars, from \$978 in 1989 to \$880 in 1993. Volunteering was down from 54 percent in 1989 to 48 percent in 1993.<sup>77</sup> The main reason for that decline appears to be people's increasing concern about the economy. A survey by Independent Sector found that the portion of respondents who said they did not worry about having enough money in the future fell steadily from 40 percent in 1988 to 26 percent in 1994.<sup>78</sup>

On the flip side of those trends, Americans also express confidence in many types of charitable institutions. Various types of nonprofits trail only small businesses and the military in surveys gauging the public's level of confidence in various types of institutions. The public has more confidence in such nonprofits than in the news media, organized

***The N.C. Center for Nonprofits has sponsored a number of seminars, such as this one on Nonprofit Telecommunications at a statewide conference for nonprofits in October 1995. Shown here (L to R) are Steve Snow of Charlotte's Web, Terry Grunwald of NCexChange, and Polly Guthrie of the Triangle Community Foundation.***



Rob Amberg



labor, major corporations, Congress, and local, state, and federal governments.<sup>79</sup>

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In Greek mythology, Aeolus was the god of the Winds. In the *Odyssey*, he aided Odysseus in his homeward voyage by placing unfavorable winds into a leather bag. Aeolus entrusted the bag to Odysseus' keeping, with a warning not to open it. But Odysseus' crew thought he was hiding treasure for himself in the bag. They opened it, and their ship was blown back to its starting point. Like Odysseus, nonprofits are unlikely to sail only under favorable winds. However, if nonprofits take advantage of these opportunities, they are much more likely to retain and build the public's trust, increase charitable giving and volunteering, and fulfill the public purposes of their missions. □◡□

## FOOTNOTES

<sup>1</sup> William Langland, *The Vision of Piers Plowman*, Everyman, J.M. Dent Co., London, 1995, p. 113, translation by Janne G. Gallagher.

<sup>2</sup> Virginia Hodgkinson, et al., *Nonprofit Almanac, 1992-1993*, Independent Sector, Jossey-Bass Publishers, San Francisco, 1992, Table 1.2, p. 24.

<sup>3</sup> Jane Kendall, "An Overview of the Nonprofit Sector in North Carolina," presentation to the N.C. House Select Committee on Nonprofits by the N.C. Center for Nonprofits, Jan. 18, 1996, pp. 2-3.

<sup>4</sup> Virginia A. Hodgkinson and Murray S. Weitzman, *Nonprofit Almanac, 1996-1997*, Independent Sector, Jossey-Bass Publishers, San Francisco, 1996, Table 5.2, pp. 234-235.

<sup>5</sup> *Ibid.*, Table 1.4 on p. 40, Table 1.6 on p. 44, and Table 1.7 on p. 45.

<sup>6</sup> Stephen G. Greene, "Nonprofit Groups' Expanding World," *The Chronicle of Philanthropy*, June 28, 1994, p. 1.

<sup>7</sup> Shannon St. John, "Philanthropy in the Triangle: A Study of Nonprofit Agencies in Wake, Durham, and Orange Counties, North Carolina," Greater Triangle Community Foundation, Research Triangle Park, N.C., October 22, 1991, p. 3.

<sup>8</sup> Tom Mather, "Arts Funding in North Carolina: Trends in Public and Private Support," *North Carolina Insight*, Vol. 16, No. 4 (November 1996), p. 2.

<sup>9</sup> Dan Gerlach, "How Will Federal Budget Changes Affect Nonprofits?," presentation to the N.C. House Select Committee on Nonprofits by the N.C. Budget and Tax Center, Jan. 18, 1996, pp. 3, 4, 9, and 13.

<sup>10</sup> Kendall, note 3 above, p. 5. Kendall is married to Ran Coble, the author of this article.

<sup>11</sup> Susan Gray and Barbara Solow, "State nonprofits struggle with resources, turf," *Philanthropy Journal of North Carolina*, Vol. 2, No. 3 (November 1994), p. 1.

<sup>12</sup> Richard Kogan, "Federal Caps and State Matching Requirements Under the Medicaid Restructuring Act," Center on Budget and Policy Priorities, Washington, D.C., June 20, 1996, 4 pp.

<sup>13</sup> Author's telephone survey of these nonprofits.

<sup>14</sup> Unsigned editorial, "Nonprofits matter," *The Charlotte Observer*, Jan. 1, 1996, p. A12.

<sup>15</sup> Babita Persaud, "Nonprofits to run for their lives," *The News & Observer*, Raleigh, N.C., Jan. 29, 1996, p. 3B.

<sup>16</sup> James Eli Shiffer, "Nonprofit aid agencies face county's budget knife," *The News & Observer*, Raleigh, N.C., March 27, 1996, p. 4B.

<sup>17</sup> Marianne M. Kersey, Lori Ann Harris, and Ran Coble, *Comparing the Performance of For-Profit and Not-For-Profit Hospitals in North Carolina*, N.C. Center for Public Policy Research, 1989, pp. 55-63 and 159.

<sup>18</sup> *PICPA Foundation for Education and Research v. Commonwealth of Pennsylvania, Board of Finance and Revenue*, 634 A.2d 187 (Pa. 1993).

<sup>19</sup> Penelope Lemov, "Tin Cup Taxation," *Governing* magazine, Congressional Quarterly Inc., October 1995, p. 26.

<sup>20</sup> "The City That Wants to Keep Out Nonprofits," *Nonprofit World* magazine, Vol. 13, No. 2 (March-April 1995), pp. 8-9.

<sup>21</sup> Jennifer Moore, "Keeping Charities Out of Town," *The Chronicle of Philanthropy*, May 30, 1996, p. 33.

<sup>22</sup> Alan J. Abramson and Lester M. Salamon, "Congressional FY 1996 Budget Resolution: Implications for the Nonprofit Sector," *Independent Sector*, July 14, 1995, Table 3.

<sup>23</sup> Elizabeth Greene and John Murawski, "The Verdict on Aramony: Guilty on 25 Counts," *The Chronicle of Philanthropy*, April 20, 1995, p. 30.

<sup>24</sup> Jennifer Moore, "Wealthy Donors Worried by Series of Scandals Rocking Non-Profit World," *The Chronicle of Philanthropy*, Feb. 8, 1996, p. 28.

<sup>25</sup> "Ex-Chief of NAACP Must Pay Accuser," *The Chronicle of Philanthropy*, Dec. 14, 1995, p. 39.

<sup>26</sup> Moore, note 24 above.

<sup>27</sup> Barbara Solow, "Albemarle United Way regroups in wake of scandal," *Philanthropy Journal of North Carolina*, July 1995, p. 14.

<sup>28</sup> Todd Richissin, "Charity benefits founder with money for children's dreams," *The News & Observer*, Raleigh, N.C., April 26, 1994, p. 1A.

<sup>29</sup> Todd Richissin, "State acts to revoke license of police group's fund-raiser," *The News & Observer*, Raleigh, N.C., April 8, 1994, p. 1A.

<sup>30</sup> Andrew Wright, "State settles case against fund-raiser," *The News & Observer*, Raleigh, N.C., Aug. 24, 1994, p. 3A.

<sup>31</sup> N.C.G.S. Chapter 131F, especially N.C.G.S. 131F2-3.

<sup>32</sup> Todd Richissin, "Charity solicitors taking bigger cut," *The News & Observer*, Raleigh, N.C., May 21, 1994, p. 1A.

<sup>33</sup> Kristin A. Goss and Grant Williams, "Deceptive Telephone Appeals for Charity Called No. 1 Problem for State Regulators," *The Chronicle of Philanthropy*, Nov. 30, 1993, p. 27.

<sup>34</sup> Edward Pound, Gary Cohen, and Penny Loeb, "Tax Exempt!," *U.S. News & World Report*, Oct. 2, 1995, p. 36.

<sup>35</sup> Bill Krueger and Ruth Sheehan, "Nonprofit groups proliferate," *The News & Observer*, Raleigh, N.C., Jan. 10, 1996, p. 1A.

<sup>36</sup> *Ibid.*

<sup>37</sup> As quoted in David Johnston, "Two Third Sectors," *Foundation News*, May/June 1988, p. 66.

<sup>38</sup> Krueger and Sheehan, note 35 above, pp. 1A and 8A.

<sup>39</sup> National Council of Nonprofit Associations, "Senate Votes to Bar 'Unfair Competition,'" *State Tax Trends for Nonprofits*, Summer 1995, pp. 1 and 8.

<sup>40</sup> Milt Freudenheim, "A.A.R.P. Will License Its Name To Managed Health Care Plans," *The New York Times*, April 29, 1996, p. 1A.

<sup>41</sup> *Ibid.*

<sup>42</sup> Section 4911(c)(2) of the 1986 Tax Code.

<sup>43</sup> Senate Bill 722, Section 253. See also "War on Nonprofits Heats Up," *Nonprofit World*, Vol. 14, No. 1 (January/February 1996), p. 8. It should be noted that the N.C. Center for Public Policy Research is a nonprofit but accepts no government funds.

<sup>44</sup> Public Law 104-65 includes the Simpson amendment to S1060, which strengthened reporting requirements for lobby-

ists. See "Attack on Nonprofits," *The National Voter*, League of Women Voters of the U.S., March/April 1996, p. 3.

<sup>45</sup> *Nonprofit World*, note 43 above.

<sup>46</sup> Benjamin Gidron, Ralph M. Kramer, and Lester M. Salamon, eds., *Government and the Third Sector*, Jossey-Bass Publishers, San Francisco, 1992, p. 11.

<sup>47</sup> Vince Stehle, "Illinois Legislators Mull Limit on Lobbying by Non-Profit Groups," *The Chronicle of Philanthropy*, April 4, 1996, p. 37.

<sup>48</sup> N.C. Center for Nonprofits, *The First Sentence: The 1993 Governor's Nonprofit Summit*, March 1993, 55 pages.

<sup>49</sup> Domenica Marchetti, "Ohio Charities Advise State Officials on Block Grants," *The Chronicle of Philanthropy*, Dec. 14, 1995, p. 36.

<sup>50</sup> Charles Mahtesian, "Nonprofits: Managing Risk," *Governing*, October 1994, p. 40.

<sup>51</sup> Chapter 542 (HB 898) of the 1995 Session Laws, Section 3.2(b).

<sup>52</sup> House Select Committee on Nonprofits, Report to the 1995 General Assembly of North Carolina, 1996 Regular Session, 27 pages plus appendices.

<sup>53</sup> Chapter 13 (House Bill 18) of the 1996 Session Laws (Second Extra Session), Section 7.1.

<sup>54</sup> Chapter 14 (Senate Bill 6) of the 1996 Session Laws (Second Extra Session), Section 15.

<sup>55</sup> Chapter 748 (House Bill 1166) of the 1995 Session Laws (1996 Short Session), Sections 1.1-1.3.

<sup>56</sup> *Ibid.*, Section 2.1.

<sup>57</sup> As quoted in David Rice, "Tax break is urged to help charities," *Winston-Salem Journal*, March 17, 1996, p. B1.

<sup>58</sup> House Bill 1165, 1996 Short Session.

<sup>59</sup> The organization and wording of this section is heavily dependent on David Goldstein, "The Internet: An Introduction for Nonprofits," *The Grantsmanship Center Magazine*, Summer 1995, p. 4.

<sup>60</sup> Paul Demko and Marina Dundjerski, "Foundations Electronic Frontier," *The Chronicle of Philanthropy*, April 18, 1996, p. 33.

<sup>61</sup> Jennifer Moore, "Donor Details on the Net," *The Chronicle of Philanthropy*, Aug. 10, 1995, p. 29. This article includes a very good listing of Web site sources of information on corporate and individual donors and information on how to access the sites.

<sup>62</sup> "Watchdog Groups Help Donors on Line," *The Chronicle of Philanthropy*, Dec. 14, 1995, p. 38.

<sup>63</sup> "Computer Users Hunger for Charity Information," *The Chronicle of Philanthropy*, Dec. 14, 1995, p. 38.

<sup>64</sup> Personal communication with Roseanne Mirabelle of the Center for Public Service at Seton Hall University in South Orange, N.J., who is conducting research on academic training programs in nonprofit management through a grant from The W.K. Kellogg Foundation of Battle Creek, Mich.

<sup>65</sup> Neil Bania, Elizabeth H. Katona, and Jenny Keiser-Ruemmele, "The Development of State-Level Nonprofit Data Bases," *Nonprofit Management and Leadership*, Vol. 5, No. 3 (Spring 1995), pp. 317-323.

<sup>66</sup> According to a Sept. 29, 1992, news release by National United Service Agencies, American adults estimate that 36 percent of America's charities are part of the United Way campaign, when actually only 7 percent of the nation's non-religious charities are associated with United Way.

<sup>67</sup> Deborah Kaplan Polivy, "Increasing Giving Options in Corporate Charitable Payroll Deduction Programs: Who Benefits?," *Institution for Social and Policy Studies*, Yale University, January 1985, summary, which concluded, "Overall campaign giving in the corporations surveyed increased without undermining the United Way 'system of service.' United Way was able to maintain its accustomed yearly increases in dona-

tions except for a slight (1.6 percent) decline at one corporation." A study by the National Committee for Responsive Philanthropy of workplace campaigns (published in May 1988) found that total giving increased annually in 93 percent of the 227 multiple-choice campaigns and that giving to United Ways increased annually in 75 percent of the campaigns, with annual increases exceeding 10 percent in more than half (55 percent) of the campaigns. A third study by the National Alliance for Choice in Giving (released in April 1993), concluded that adding federations increases total giving and United Way giving.

<sup>68</sup> Teresa Odendahl, *Charity Begins at Home*, Basic Books Inc., New York, 1990, pp. 163-186, especially pp. 163-164.

<sup>69</sup> Julie L. Nicklin, "A Historic Transfer of Wealth," *The Chronicle of Higher Education*, Nov. 3, 1995, p. A46.

<sup>70</sup> Anita Gunn Shirley, *Grantseeking in North Carolina*, N.C. Center for Public Policy Research, 1985, p. 2 for 1983 data; Anita Gunn Shirley, *North Carolina Giving*, Capital Consortium, 1993, p. xi for 1991 data; and Anita Gunn Shirley, *North Carolina Giving*, Capital Consortium, 1996, p. xiii for 1994 data.

<sup>71</sup> As recounted in Peter Henle and Mark Drajem, "Where Have You Gone, Andrew Carnegie?," *The Washington Monthly*, May 1996, p. 36.

<sup>72</sup> News release about the poll by the N.C. Center for Nonprofits, March 21, 1995, p. 3. The poll was conducted between February 26 and March 3, 1995, by the University of North Carolina at Chapel Hill School of Journalism and Mass Communication and the Institute for Research in Social Science. The questions about volunteering and giving were sponsored by the N.C. Center for Nonprofits. A random sample of 619 adult North Carolinians was interviewed by telephone. The margin of error for findings based on the entire sample is +/- 4 percent.

<sup>73</sup> *Ibid.*

<sup>74</sup> "North Carolinians Value Nonprofits ... but they're not as confident about us as we'd like," N.C. Center for Nonprofits, *Common Ground*, Vol. IV, No. 3 (May/June 1995), pp. 1 and 7.

<sup>75</sup> Elizabeth Greene, "To Find The State of Philanthropy, Try Utah," *The Chronicle of Philanthropy*, July 26, 1994, pp. 10-11. Note that this analysis is based on data from federal tax returns on which people itemized their deductions. It does not take into account gifts made by taxpayers who do not itemize their deductions—mostly people with relatively lower incomes and those who do not own homes. It is this group of non-itemizers that the North Carolina legislature is trying to target to give incentives for increasing their charitable giving.

<sup>76</sup> Todd Cohen, "North Carolinians say they won't offset cuts," *Philanthropy Journal of North Carolina*, Vol. 2, Issue 10 (June 1995), pp. 1 and 25. The poll was conducted from April 20-23, 1995, by FGI Research in Chapel Hill. The questions about Tar Heel attitudes about charity were commissioned by the *Philanthropy Journal*. A random sample of 608 adult North Carolinians was interviewed by telephone. The margin of error for the total sample was +/- 4 percent.

<sup>77</sup> "Why Are Americans Giving and Volunteering Less?," *Nonprofit World*, Vol. 13, No. 2 (March/April 1995), p. 62.

<sup>78</sup> *Ibid.*

<sup>79</sup> Table on "Levels of Confidence in Institutions," *The Chronicle of Philanthropy*, Oct. 18, 1994, p. 12. Small businesses led the list with 52.9 percent expressing either "a great deal" or "quite a lot" of confidence, followed by religious organizations (which are nonprofits) at 49.6 percent, and the military at 48.6 percent. Other categories that are predominantly nonprofits included private colleges or universities (48.3 percent), federated charitable appeals such as United Way (37.4 percent), and private and community foundations (30.5 percent). Local government evoked the most confidence among levels of government at 23.2 percent, with major corporations at 22.3 percent, and Congress at 15.2 percent.



# FROM THE CENTER OUT

## *The Price of Democracy: Citizen Responsibility*

by Sandra K. Trivett

*A democracy is government by the people. It guarantees, through the Bill of Rights in the United States Constitution and a declaration of rights in the North Carolina Constitution, certain personal freedoms for all citizens. Although these freedoms may vary from one democratic country to another, there is a consensus that Americans enjoy more freedom than other citizens of the world. However, "[j]ust when America's democratic ideals are held in the highest global esteem, growing numbers of Americans fear that democratic government is faltering here at home," writes Professor Robert D. Putnam of Harvard University, a respected scholar on civic engagement.<sup>1</sup> Although democracies are "free" societies, citizens must "pay" to preserve their freedoms. The price? Citizen responsibility. Without vigilant public involvement, democracies are threatened.*

**P**ublic involvement, or civic engagement, can be as simple as staying informed on community issues, voting, paying taxes, serving on a jury, returning your census form, and volunteering, or it can be as demanding as running for elected office. Each creates

an opportunity for individual input on the formulation of public policy through participation in our democratic system. Meet Jane, who wants to be a responsible citizen.

### **An Informed Citizenry**

**A**t the very least, citizens owe it to themselves and their democracy to be knowledgeable about important public policy issues. Although most Americans rely on television for the majority of their news, given the brevity of news reports, television is not an effective medium for citizens who want to learn about the issues and understand the underlying public policy debates. To be "informed," Jane Citizen needs to do more than watch TV news reports and read a daily newspaper; she needs to attend local government meetings and public hearings. However, a survey by the Roper Organization reveals that the number of Americans who in the past year have "attended a public meeting on town or school affairs" decreased from 22 percent in 1973 to 13 percent in 1993.<sup>2</sup> Increasingly, Americans are becoming disengaged.

How does Jane promote civic engagement by attending a town or county meeting? James Fishkin, a professor at the University of Texas, believes that "people make sounder public policy decisions when they deliberate together, for that way they have the benefit of others' points of view."<sup>3</sup> When Jane attends a local government meeting, she learns not only what the issues are,

*Editor's note: This essay is reprinted from North Carolina Focus, the Center's 817-page anthology on state government, politics, and policy for people interested in North Carolina government. The book, edited by Center Policy Analyst Mebane Rash Whitman and Center Executive Director Ran Coble, is available from the Center for \$36.00, including postage, tax, and handling.*

*Sandra K. Trivett has her Masters in Public Affairs. She is a past president of the Asheville-Buncombe County League of Women Voters.*

but she meets her neighbors, hears what they have to say about the different issues, and begins to develop a sense of social trust.

In addition to attending town meetings, citizens can serve on regional study groups, task forces, local boards and commissions, and attend public meetings of organizations that make decisions which affect their lives, such as water authorities, school boards, and other governmental bodies. Even if a person's time is limited to mere observation, various sunshine laws<sup>4</sup> protect a citizen's right to see public documents and attend open meetings. In this way, citizens can perform the "watchdog" role so essential to democracy and open government.

This type of citizen involvement has many positive ramifications. On election day, for instance, Jane can make informed and deliberative choices, rather than uneducated choices. A thriving democracy results: "The correlation between civic engagement and effective government is virtually perfect."<sup>5</sup>

### Political Participation and Voting

**T**hrough her participation in local government meetings, Jane Citizen now is able to identify issues that are important to her, her fam-

ily, and her community. Registering to vote and then actually getting out to the polls on election day are the next steps in the fulfillment of her responsibilities as a citizen.

In a democracy, each citizen has the right to vote—a privilege to elect leaders and thus affect public policy. "Political participation is action directed explicitly towards influencing the distribution of social goods and social values," according to Steve Rosenstone and Mark Hansen in the book *Mobilization, Participation and Democracy in America*.<sup>6</sup> Basically, those who participate in elections are those who care strongly about the outcome, whether it is an issue or a candidate. However, many people who care about the issues never vote because they feel that one vote cannot influence the system. And, it is easier to stay at home and leave political participation to others.

"By almost every measure, Americans' direct engagement in politics and government has fallen steadily over the last generation, despite the fact that average levels of education—the best individual-level predictor of political participation—have risen sharply throughout this period," writes Robert Putnam. "Americans have . . . disengaged psychologically from politics and government over this era."<sup>7</sup>

***Voters in Guilford County pass the time while waiting to vote in a slow-moving polling place.***



*John Page, News & Record, Greensboro, N.C.*

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"AT THE BOTTOM OF ALL TRIBUTES PAID TO DEMOCRACY IS THE LITTLE MAN, WALKING INTO THE LITTLE BOOTH, WITH A LITTLE PENCIL, MAKING A LITTLE CROSS ON A LITTLE BIT OF PAPER. NO AMOUNT OF RHETORIC OR VOLUMINOUS DISCUSSION CAN POSSIBLY DIMINISH THE OVERWHELMING IMPORTANCE OF THE POINT."

—WINSTON CHURCHILL

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Who does participate in politics in America? "The wealthiest Americans are 15.8 percent more likely to vote in presidential elections, 5.7 percent more likely to try to convince others how to vote, 1.8 percent more likely to work for a party or candidate, and 14.8 percent more likely to make a campaign contribution than the poorest Americans," according to Rosenstone and Hansen.<sup>8</sup>

Federal, state, and local governments have tried to empower citizens and encourage civic involvement. For example, many states are trying to make it easier to register to vote. Citizens now are allowed to register at driver's licensing offices and by mail in North Carolina. However, the question is not whether people are registered, but whether they vote. In 1992, 73 percent of North Carolinians were registered to vote, but only 68 percent of those registered voted on election day and only 50 percent of the voting age population voted. (See Table 1 on p. 101.) Voter turnout in non-presidential election years is even lower. Thus, some states are trying to make it even easier to vote. Oregon, for example, is experimenting with voting by mail.

Political candidates, political parties, interest groups, and other organizations also try to foster political participation by involving their constituents and getting them to the polls. There has been a great proliferation in special interest groups. It seems every group has its cause. And, due to mass media and communication techniques, all are able to influence local and national policy debates.

For example, in Asheville, the conservative Christian community formed the Family Coalition of Asheville, a political action committee (PAC), in 1995. Other organizations and religious congregations became concerned over the influence garnered by the Family Coalition, so they formed the Interfaith Alliance for Justice. Sometimes these groups agree on issues; sometimes they disagree. One way for citizens to voice their opinions to government is by aligning themselves with such special interest groups.

Whether citizens choose to voice their opinions collectively or individually, it is more important than ever for Jane Citizen to demand access to decisionmakers. Current efforts at the federal level to move social problem-solving to the state level through block grants is causing considerable public debate. Some believe this is a way of empowering the people; others believe it is merely a way to dismantle social programs. Regardless of one's point of view, if these changes occur, local citizen input will be vital. People in Washington will be making fewer decisions, leaving decision-making up to state and local leaders.

## Running for Elected Office

**M**any public offices in North Carolina counties—county commissioner, sheriff, and register of deeds, for example—regularly come up for election. While political parties work to make sure that there is a candidate for every office, often incumbents are not challenged.

It is not surprising that Jane Citizen is reluctant to enter the political arena as a candidate. "For three reasons, it's almost impossible to get people to run for office anymore," says Andy Penry, chair of the Wake County Democratic Party. Running for office and serving is too time-consuming. The monetary reward is nominal,<sup>9</sup> and the cost of running for office is high.<sup>10</sup> "It now costs upwards of \$50,000 to run for any seat in Wake County," notes Penry. "But people don't like asking their friends for money, especially when it just doesn't seem like it's worth it." And, negative campaigns are becoming the norm. "People are reluctant to be the target of negative publicity. They don't want to be raked through the mud." Penry concludes that an individual who decides to run for office, despite these deterrents, usually has two characteristics. "A serious desire for public service and ego—in equal doses."

## Paying Taxes

**G**overnment can force civic involvement in some ways—for example, local, state, and federal governments tax Jane Citizen to pay for services for the public good. These services include transportation, education, fire protection, safety from crime, the judicial system, assistance to those in need, and the national defense, among others. Most people don't object to paying taxes when they believe the benefits are worth the expense. However, in 1990, for every \$5 in federal taxes owed, \$1 was evaded. The amount of

taxes evaded annually exceeds \$100 billion. The IRS knows of 6.5 million citizens who do not file tax returns.<sup>11</sup>

Tax evasion is illegal, undermining a basic tenet of our democracy: Citizens pay for the services provided by government. Unfortunately, it is common to read in the news that political and religious leaders, celebrities, and many other Americans regularly fail to pay taxes.

## Serving on a Jury

**T**he concept of a citizen jury is integral to our democracy. "Jurors keep law in the U.S. from getting too far from the people, preserving a guarantee of freedom and democracy that many in the world are still struggling to achieve," writes the National Institute for Citizen Education in the Law in a book titled *When Justice Is Up To You*.<sup>12</sup> Jury service is a right of citizenship guaranteed by our state and federal Constitutions.<sup>13</sup> "Based on the democratic belief that a community's collective wisdom is the best judge of the actions of others in the community, juries represent the most open kind of democratic government."<sup>14</sup>

The American Bar Association and the Brookings Institution, a think tank in Washington, D.C., have identified five essential virtues of America's jury system:

- the jury, because of its valuable decisionmaking process, is a fair way to resolve disputes;
- "the jury provides important protections against the abuse of power by legislatures, judges, the government, business, or other powerful entities;"
- juries bring community values to bear on the issues involved in resolving disputes;
- the jury brings common sense and fairness to the system, providing an important check on the bureaucracy and professionalization of the courts; and
- "the jury system provides a means for legitimizing the outcome of dispute resolution and facilitating public understanding and support for and confidence in our legal system."<sup>15</sup>

Serving on a jury can be enormously demanding, as the entire country witnessed in 1995 with the eight month trial of former football star O. J. Simpson. But, it usually just takes a day or less of a citizen's time, and it gives those selected firsthand experience with our judicial system.

Jury service is an easy way for Jane Citizen to perform a civic responsibility. North Carolina General Statute 9-6 states, "The General Assembly hereby declares the public policy of this State to be that jury duty is the solemn obligation of all qualified citizens. . . ."<sup>16</sup> Although failure to participate after being selected for jury service can result in a charge of contempt of court, the Buncombe County Clerk of Superior Court's office says that most people regard jury duty as their "civic responsibility," and there are very few instances of refusal to participate.

## Participation in the Census

**E**very 10 years, the federal government conducts a census to update the number of people living in the United States, determine basic demographic information on which to base economic forecasts, and learn about broad trends in the country in housing, income, and social structure. If the information is incomplete, faulty projections and decisions are made. Because census numbers are used in federal funding formulas, communities eligible for certain programs and funding before the census may suddenly become ineligible. In 1990, 33 million American households did not return their census forms. When Jane Citizen fails to return her census form, the expense of collecting the data is increased and a less accurate picture of our country results.

## Volunteering as Private Citizens

**S**ince Alexis de Tocqueville, a Frenchman, visited the United States in the 1830s and wrote *Democracy in America*, our country has been known for its spirit of volunteerism. Americans "are forever forming associations. There are not only commercial and industrial associations in which all take part, but others of a thousand different types—religious, moral, serious, futile, very general and very limited, immensely large and very minute," wrote de Tocqueville.<sup>17</sup> Volunteerism is a

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"AMERICA IS A LAND WHERE A CITIZEN WILL  
CROSS THE OCEAN TO FIGHT FOR DEMOCRACY  
AND WON'T CROSS THE STREET TO VOTE IN A  
NATIONAL ELECTION."

—BILL VAUGHAN,  
AMERICAN NEWSPAPER COLUMNIST

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**Table 1. Registered Voters and Voter Turnout  
in North Carolina**

Year	1982	1984	1986	1988	1990	1992	1994
% of Population Registered	61	71	63	70	60	73	72
% of Registered Voters Who Voted	49	83	52	62	62	68	41
% of Voting Age Population That Voted in Presidential Elections		47.4		43.7		50.1	

*Shaded areas represent presidential election years.*

*Sources: The Book of the States 1994-95 and 1996-97, The Council of State Governments, Lexington, Ky., Vol. 30, Tables 5.8 and 5.9, pp. 225-26. Also the Committee for the Study of the American Electorate, Washington, D.C., (202) 546-3221.*

way of solving community problems through citizen involvement and private donations rather than through governmental programs and public funds.

"One of the great things about America is that 48 percent of American adults volunteer an average of 4.2 hours a week," says Jane Kendall, executive director of the North Carolina Center for Nonprofits. "And, in North Carolina, 53 percent of our citizens volunteer—more than half of our entire adult population. And they look to nonprofits to provide these volunteer opportunities so they can make a difference in their communities and feel connected to their neighbors." North Carolinians also contribute more money to nonprofits than citizens do nationally.<sup>18</sup> Seventy-nine percent of North Carolinians contribute to nonprofits, compared with 73 percent nationally.

Volunteerism, as a form of civic engagement and social connection, faces challenges for several reasons: 1) the social revolution of women joining the labor force, which has reduced the time and energy they have to volunteer; 2) our society's mobility and residential instability inhibit social connection; 3) demographic changes—more divorces, fewer children, lower real wages—affect civic engagement because those most likely to be involved are married, middle-class parents; and 4) changes in technology—the introduction of televisions, cable television, and videocassette recorders—lead to leisure time alone instead of in groups. These changes make "our communities (or, rather, what we experience as our communities) wider and shallower."<sup>19</sup>

Additionally, a plethora of nonprofit as well as special interest organizations compete for the time and dollars of volunteers. For Jane Citizen the harder decision today is not whether to volunteer, but where and how to volunteer.

### Volunteering as Corporate Citizens

Corporations also have responsibilities as citizens in our democracy. Governments charter corporations with the expectation that they will be good corporate citizens. "In exchange for the charter," write Richard Grossman and Frank Adams in *Taking Care of Business: Citizenship and the Charter of Incorporation*, "a corporation [is] obligated to obey all laws, to serve the common good, and to cause no harm."<sup>20</sup> But how is corporate citizenship valuable to a democracy?

"[C]orporations must be capable of citizenship on a local level," writes Daniel Kemmis in *Community and the Politics of Place*. "This must be more than a public-relations variety of citizenship; it must be the kind of citizenship that is real enough to inspire trust. Above all, such citizenship must demonstrate a genuine and reliable responsiveness to the place, a full-fledged participation in the human project of living well in that place."<sup>21</sup>

As the debate rages over where the responsibility lies to solve community problems—with individuals, families, nonprofits, churches, corporations, or government—there has been a growth in "public-private partnerships." Such cooperative efforts bring together governmental entities with

program experience and technical expertise, the business community with its financial resources and entrepreneurial approaches, and citizens who have an interest in solutions to community problems. The term public-private partnership was popularized by the book, *Reinventing Government*, which also looked at other means of restructuring bureaucracies to make them more innovative and responsive.<sup>22</sup> If Congress succeeds in moving decisionmaking from Washington to the local level, new approaches must be developed, and more citizen involvement will be required.

There has also been a growth in "regionalism" as communities or groups within communities have come together to solve problems. Regionalizing water authorities, landfills, and jails are all examples of how resources can be shared for the benefit of more people at less expense. Through the actions of corporations and these regional groups, citizens

have another opportunity to participate in our democracy.

## Conclusion

Organizations must work to reinvolve individual and corporate citizens in our democracy. A 1995 open letter from Becky Cain, President of the League of Women Voters of the United States, to all members of the League, calls for the organization to take the "lead in renewing American democracy—how it works, how citizens participate, how citizens think about democracy." She states that we must "rediscover what binds us together as a nation if we are to succeed in finding shared solutions to the many complex problems that confront our communities today." To quote one of the League's most familiar slogans: "Democracy is not a spectator sport." Citizens must participate

## *Fancy Clothes and Overalls*

A LITTLE BOY AND HIS FATHER walk into a firehouse. He smiles at people standing outside. Some hand pamphlets to his father. They stand in line. Finally, they go into a small booth, pull the curtain closed, and vote. His father holds the boy up and shows him which levers to move.

"We're ready, Wade, pull the big lever now."

With both hands, the boy pulls the lever. There it is: the sound of voting. The curtain opens. The boy smiles at an old woman leaving another booth and at a mother and daughter getting into line. He is not certain exactly what they have done. He only knows that he and his father have done something important. They have voted.

This scene takes place all over the country.

"Pull the lever, Yolanda."

"Drop the ballot in the box for me, Pedro."

Wades, Yolandas, Pedros, Nikitas, and Chuis all over the United States are learning the same lesson: the satisfaction, pride, importance, and habit of voting. I have always gone with my parents to vote. Sometimes the lines are long. There are faces of old people and young people, voices of native North Carolinians in southern drawls and voices of naturalized citizens with their foreign accents. There are people in fancy clothes and others dressed in overalls. Each has exactly the same one vote. Each has exactly the same say in the election. There is no place in America where equality means as much as in the voting booth.

My father took me that day to the firehouse. Soon I will be voting. It is a responsibility and a right. It is also an exciting national experience. Voters have different backgrounds, dreams, and experience, but that is the whole point of voting. Different voices will be heard.

As I get close to the time I can register and vote, it is exciting. I become one of the voices. I know I will vote in every election. I know that someday I will bring my son with me and introduce him to one of the great American experiences: voting.


—Wade Edwards

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*Wade Edwards, who was an honor student at Broughton High School, won the National Endowment for the Humanities and Voice of America national essay contest for this essay.*



more, setting examples not only for one another but for future generations, if we are to preserve our democratic system and make it truly representative.

Individuals and corporations in North Carolina should work to become active and responsible citizens. To paraphrase Margaret Meade, an American anthropologist: Small groups of thoughtful committed Jane Citizens are the only thing that has ever changed the world. 

## FOOTNOTES

<sup>1</sup> Robert D. Putnam, "What Makes Democracy Work?" *National Civic Review*, Spring 1993, pp. 101-07.

<sup>2</sup> Robert D. Putnam, "Bowling Alone: America's Declining Social Capital," *Journal of Democracy*, Vol. 6, No. 1, Jan. 1995, p. 68.

<sup>3</sup> Noelle McAfee, "A Deliberate Nation," *Kettering Review*, Summer 1994, pp. 8-16.

<sup>4</sup> Sunshine laws protect the rights of citizens to observe government meetings and decision making. "The concept of 'open meetings' is historically fundamental, arising out of the colonial town meeting approach to determining laws and policies. It is also politically essential, crucial to the satisfaction of every person's 'right to be able to know' not just what government has done, but also what government is doing." Fred Harwell, *The Right to Be Able to Know: Public Access to Public Information*, N.C. Center for Public Policy Research, Raleigh, N.C., 1978, p. 37.

<sup>5</sup> Putnam, note 1 above, p. 103.

<sup>6</sup> Steven J. Rosenstone and John Mark Hansen, *Mobilization, Participation and Democracy in America*, MacMillan Publishing Co., New York, N.Y., 1993, p. 4.

<sup>7</sup> Putnam, note 2 above, p. 68.

<sup>8</sup> Rosenstone and Hansen, see note 6 above, p. 135.

<sup>9</sup> According to the North Carolina Association of County Commissioners, commissioners in Mecklenburg County are paid the most (\$13,050 salary and \$5,080 for travel) and commissioners in Washington County are paid the least (\$30 per meeting and 29 cents a mile).

<sup>10</sup> In 1992, candidates for seats in the state House of Representatives and Senate spent on average \$14,244 and \$21,127, respectively. Kim Keschull Otten and Tom Mather, *The Cost of Running for the North Carolina Legislature*, The N.C. Center for Public Policy Research, Raleigh, N.C., Sept. 1993, pp. 8-9. In 1994, it cost Worth Hill \$16,965.24 to win the race for sheriff in Durham County. Julia White, "Election winner outspends incumbents," *Herald Sun*, Durham, N.C., Feb. 2, 1995, p. C1. The same year, Tom Bowman spent a record \$43,000 to win a seat on the Wilkes County Board of Commissioners. Staff Report, "Spending record set in Wilkes race," *Winston-Salem Journal*, Winston-Salem, N.C., Jan. 31, 1995, p. B1.

<sup>11</sup> Ralph Vartabedian, "Nonfilers soaring, to IRS' dismay," *News & Observer*, Raleigh, N.C., April 14, 1996, p. 5A.

<sup>12</sup> National Institute for Citizen Education in the Law, *When Justice Is Up To You*, Association of Trial Lawyers of America, Washington D.C., 1992, p. 5.

<sup>13</sup> N.C. Constitution, Article I, Section 26. "Jury Service. No person shall be excluded from jury service on account of sex, race, color, religion, or national origin." U.S. Constitution, Amendment VI guarantees a defendant the right to jury trial in criminal cases and Amendment VII preserves the right to trial by jury in civil cases.

<sup>14</sup> National Institute for Citizen Education in the Law, note 12 above, p. 17.

<sup>15</sup> *Charting a Future for the Civil Jury System*, Report from the American Bar Association and the Brookings Institution, Washington, D.C., 1992, pp. 8-11.

<sup>16</sup> See N.C.G.S. §9-3 for qualifications of prospective jurors.

<sup>17</sup> Alexis de Tocqueville, *Democracy in America*, Anchor Books, Garden City, N.J., 1969, p. 513.

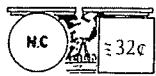
<sup>18</sup> "In North Carolina, 79 percent [of respondents to a poll] said they had made a voluntary contribution of money, property or other items to a private, not-for-profit organization in the past 12 months. Nationally, 73 percent reported donating [in a Gallup poll commissioned by the Independent Sector in October 1994]." "North Carolinians Value Nonprofits," *Common Ground*, N.C. Center for Nonprofits, 4601 Six Forks Road, Suite 506, Raleigh, N.C., 27609-5210, Vol. IV, No. 3, May-June 1995, pp. 1 and 7. The North Carolina poll was conducted by FGI, a marketing and research firm in Chapel Hill, N.C. Between April 20-23, 608 North Carolina adults were interviewed by telephone. The margin of error was plus or minus 4 percentage points.

<sup>19</sup> Putnam, note 2 above, p. 74-75.

<sup>20</sup> Richard L. Grossman and Frank T. Adams, *Taking Care of Business: Citizenship and the Charter of Incorporation*, Charter, Ink., Cambridge, Mass., 1993, p. 1.

<sup>21</sup> Daniel Kemmis, *Community and the Politics of Place*, University of Oklahoma Press, 1990, p. 133.

<sup>22</sup> David Osborne and Ted Gaebler, *Reinventing Government*, Addison-Wesley Publishing Co., Boston, Mass., 1992.



## IN THE MAIL

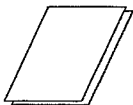
### Vol. 16, No.3

#### State and Local Government Relations in North Carolina

Thanks for the fine series of articles. These issues are very hard to grasp for most people, and your treatment was very enlightening. I have one bone to pick on the historical perspective of state-local finance: the article on mandates characterizes the \$1.8 billion from the state in FY 1995-96 as "tax aid," or revenue sharing from the state. This way of looking at it ignores the historical reality. Over the years, the state took for itself (to the exclusion of local government) previously available local government revenue sources (ABC taxes, utility franchise taxes); or directly repealed out from under local government other existing revenue sources (intangibles tax, inventory tax, property tax on household furnishings, homestead exemption). The "Powell Bill" money simply reflects the cities' long-standing responsibility to maintain their part of the road system. And, of course, local sales tax revenues are locally levied and are merely collected by the state for efficiency.

The "tax aid" from the state merely represents a partial reimbursement (hard fought for and undependable) to local government for the involuntary dismantling of its former tax bases.

— Fred Baggett  
City Attorney, High Point, N.C.  
Former General Counsel,  
N.C. League of Municipalities



# MEMORABLE MEMO

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## MEDIA ALERT

### Natural Law Party Candidates Host Yogic Flying Demonstrations NEWS CONFERENCE AND STUDENT RALLY TO BE HELD ON MONDAY, SEPTEMBER 30

★ ★ ★ ★

NEWS CONFERENCE: 11:00 AM  
Raleigh Office Building, 10th Floor Conference Room, 5 W. Hargett St., Raleigh  
STUDENT RALLY: 2:00 PM  
UNCCH School of Public Health, Murphy Hall, Room 111



Demonstration of the first stage  
of Yogic Flying to create  
coherence and reduce stress in  
national consciousness

**WHAT DO CRIME PREVENTION, natural medicine, sustainable agriculture, renewable energy techniques like Yogic Flying have to do with government?**

"They have everything to do with government. They are all scientifically proven programs that are shown to reduce stress and violence and health and prosperity of the individual and the nation as a whole," says Victor Pardo, U.S. Senator in North Carolina with the Natural Law Party.

The Natural Law Party is America's fastest growing grassroots party, with candidates on the ballot in 48 states.

Pardo will join NLP Governor Van Witt, 4th District, Russell Wollman, and others at the Triangle at a news conference to present an overview of the demonstration of Yogic Flying.

Yogic Flying is one of the programs supported by the Party that have been shown by extensive research to reduce stress and promote the health of individuals and society.

#### Page 2, Yogic Flying demonstrations to be held in the Triangle

- The Natural Law Party's platform includes:
- Natural health care programs to prevent disease, promote health, and significantly cut costs;
  - Natural, sustainable agriculture practices to increase crop yields and profitability without hazardous chemical fertilizers and pesticides;
  - Effective, field-tested community development and crime prevention programs;
  - Renewable energy production and energy conservation;
  - Lowering taxes responsibly through cost-effective solutions to problems, rather than by cutting essential services;
  - Developing the inner creative genius of the student and reducing students' desires for drugs;
  - Reducing government waste and special-interest control of our politics.

*Al Gore did the Macarena at the National Democratic Convention. Maybe Jim Hunt could try a little yogic flying at the inaugural ball. It's guaranteed to reduce stress, and, well, Jim may need a little lift after a grueling campaign. Who knows, with the governor behind it, this yogic flying might just take off. The Natural Law Party could accomplish through administrative action what it failed to do at the ballot box. We can see it now — a crime free society, SAT scores higher than Iowa's, state employees levitating over to our offices with memorable memos that were actually funny. Yes, the world would be an almost perfect place.*

*If you have an interesting candidate for Memorable Memo, fly it on over to North Carolina Insight, P.O. Box 430, Raleigh, N.C. 27602.*

*Anonymity guaranteed.*

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