

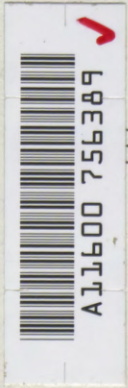
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FUNDING FOR THE JOHN F. KENNEDY CENTER

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HEARING BEFORE THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE NINETY-SIXTH CONGRESS FIRST SESSION ON S. 1532

A BILL TO AMEND THE JOHN F. KENNEDY CENTER ACT

JULY 20, 1979

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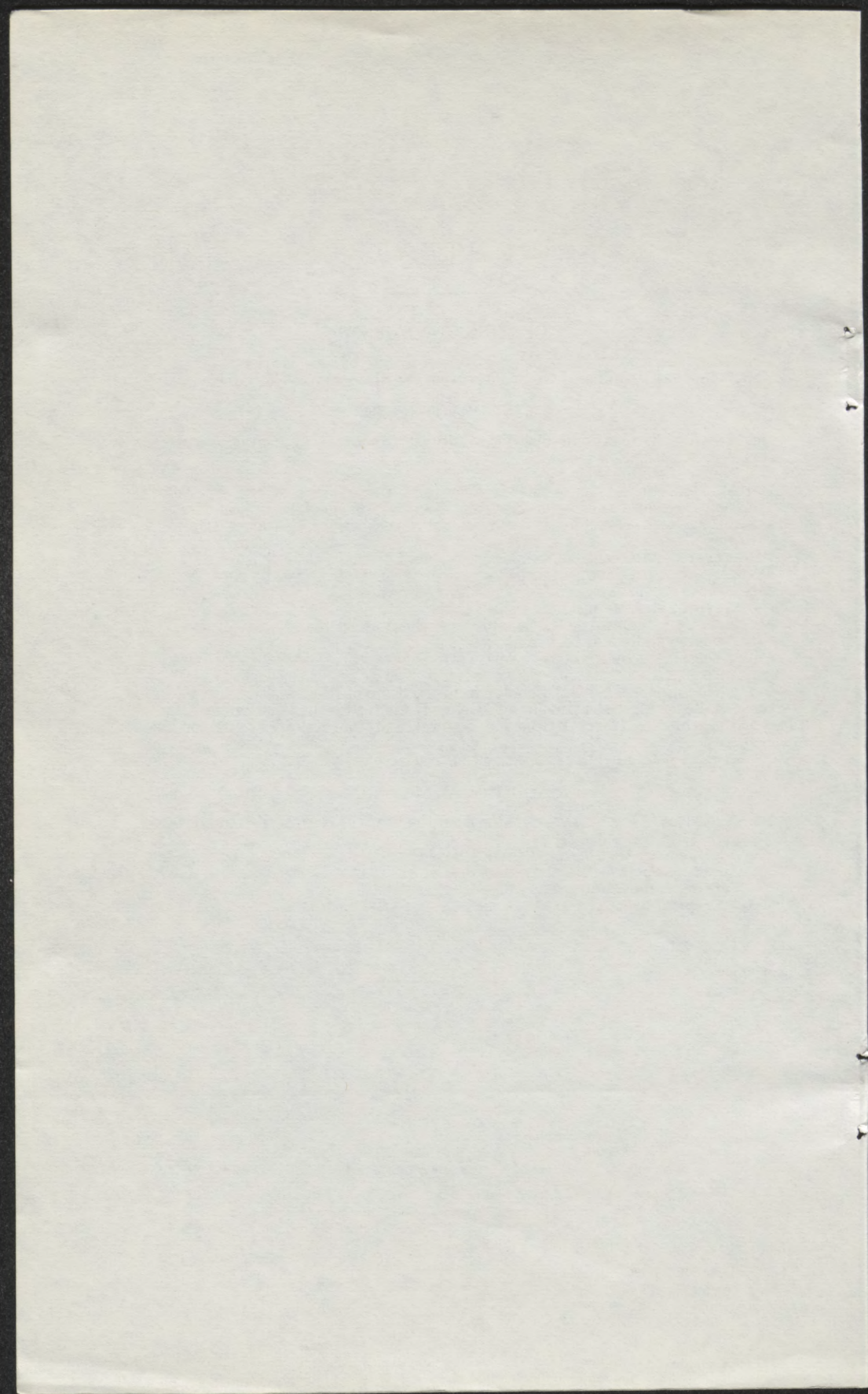
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FUNDING FOR THE JOHN F. KENNEDY CENTER

FRIDAY, JULY 20, 1979

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met, pursuant to call, at 2 p.m., in room 4200, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan presiding.

Present: Senators Moynihan, Chafee, and Domenici.

Senator MOYNIHAN. A very pleasant good afternoon to our guests.

I hope that word reached you that I was required to be on the floor in a not altogether happy coincidence of events. I have just been on the floor of the U.S. Senate arguing that we should not delete \$500 million for "waste, fraud, and abuse" from the HEW appropriation. That is a happy opportunity in this business, but I had to be there.

We are late. I do apologize.

Other commitments have prevented our distinguished chairman, Senator Randolph, from attending the hearing today. He has a statement which will be included in the record at this point. I am also advised that Senator Domenici is delayed but plans to be here. We will include his statement too.

[The statements follow:]

STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. The John F. Kennedy Center for the Performing Arts is a magnificent facility. It is one of the most respected theaters in the country, highly instrumental in the advancement of Washington's reputation as a cultural center. I am pleased that we have before us today Roger Stevens, Chairman of the Board of Trustees for the Kennedy Center. Mr. Stevens should be proud of his role in developing the Kennedy Center.

But I am disturbed about the financial difficulties with which the Kennedy Center is confronted. Such projects detract from an otherwise admirable record. I hope that we can solve these complications. Kennedy Center problems have already cost us too much time and money. A permanent solution to the Center's financial maladies is long past due.

Senator Moynihan has recently introduced legislation which addresses the Kennedy Center's sizable and growing debt to the Treasury Department. I am cosponsor of that measure which I believe gives us the basis for developing a reasonable and workable solution. I am anxious to hear our witnesses' opinions on the

proposal. It addresses a complex, involved financial problem and provides a decisive, precise proposal.

**OPENING STATEMENT OF HON. PETE V. DOMENICI, U.S.
SENATOR FROM THE STATE OF NEW MEXICO**

Senator DOMENICI. Mr. Chairman, I am pleased to join you in opening these hearings, which will examine questions on the finances of the John F. Kennedy Center for the Performing Arts.

As my colleagues and the witnesses know, I have expressed great concern over the apparent inability or unwillingness of the Center to confront its financial responsibilities. The Center has not shown a sense of financial responsibility to the taxpayers. I do not intend to reward irresponsibility by forgetting it.

The Center's failure to in any way confront its debts on the parking garage disturbs me greatly. The Center's use of its parking revenues to date solely for the performing arts appears to me to show the Center's unwillingness to act responsibly, as a taxpayer-financed institution.

While disregarding its financial obligations, the Center simultaneously gives away \$200,000 yearly in the best seats in the house to people who can well afford those seats—Members of Congress, Mr. Stevens, and the White House and congressional staffs. I don't think that is the way the American people want government to run—to have free tickets going to those who can pay, then socking the taxpayers for the debts of the Center.

In an effort to assist the Center in extracting itself from this financial quagmire, I have sponsored S. 558 and cosponsored S. 1532.

S. 558 would clarify the Center's ability to give away low-cost or free tickets, limiting free or low-cost tickets to those who truly need them.

S. 1532, sponsored by the distinguished Senator from New York, would encourage the Center to create new programs of cultural outreach, providing in return a bookkeeping credit against some of the Center's debts. The Center has asked that its debts be ignored, without imposing any new obligation on the Center. I cannot support such an approach.

Thank you.

Senator MOYNIHAN. I see three old and good friends at the table. I don't know whom I should welcome first. But protocol, of course, suggests that my revered colleague from Illinois, Senator Percy, be here, and we have the former counselor to the President—former just about everything—Henry McPherson, who is the counsel, I believe, to the Kennedy Center, and, of course, the incomparable Roger Stevens.

We welcome you all, gentlemen.

Senator Percy?

**STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM
THE STATE OF ILLINOIS**

Senator PERCY. Mr. Chairman, I am very pleased to be here with our mutual friends, Mr. Stevens, Mr. McPherson, and other members of the Kennedy Center.

I have served for 13 years as Vice Chairman of the Kennedy Center Board of Trustees, and this is the first time I have ever testified before a committee about the Center. I did serve as ranking Republican on the Interior Appropriations Subcommittee, where I felt I had a conflict of interest with my work on the Kennedy Center Board.

But I declared the conflict of interest and then we went ahead and appropriated the moneys at that time. But very little went to the Kennedy Center, of course. Most of the funds went into the arts.

I went on the Board at the suggestion of Everett Dirksen, who, in his incomparable style, said to me: "Chuck, you have worked with the Lyric Opera in Chicago. And your mother is a concert violinist. You have played in symphonies for years. You know the ballet."

He gave me the impression that if I went on the Kennedy Board, I was dealing with the choreography and he was being asked for my artistic tastes. I have never been asked a question in 13 years about that. From the time I attended my first Board meeting until the last Board meeting this week, I have been buried in balance sheets.

It is like running a business. That is about the size of the artistic contribution I have made.

But I think it has been the most thrilling part of my assignment in the Senate. Ted Kennedy, and I, and Pete Williams look upon this as one of our greatest responsibilities but also one of the greatest pleasures we have.

There is nothing that we do that even compares, I think with the sense of satisfaction that we have turned the whole atmosphere in Washington around. When I came in, there was a cultural void. Today Washington is one of the leading culture areas in the world.

Every nation here participates, as you well know. We are very grateful, indeed, for your own not only deep background in the field of the arts and culture but the fact that you have addressed yourselves in a bill to the most perplexing problem the Center has had.

We have had this thing hanging over our heads for years, worrying about it. The Board is tired of my constantly raising the issue. But we have to resolve it. And, at last, I think that, with the initiative you have taken to put it on the agenda and have these hearings, we are going to be able to resolve it—by working together to accomplish this goal.

We all know that cultural activities are not pay-as-you-go things. They will not stand on their own feet.

It is possible for the Kennedy Center to occasionally have a real break-through and be a part producer of "Annie," which brings in hundreds of thousands of dollars in royalties. But you just can't keep playing "Annie" night after night. You have to intersperse it with ballet, opera, and all the other performing arts.

We started with a mandate from Congress and the Board of Directors is responsible for carrying out that mandate. As a matter of fact, I served on the Board for 4 years before I saw the first performance. In January 1967, at the first Board meeting I attended, there was a suggestion that we only open the Opera House and

not complete the rest of the theaters because we had run out of money.

To me it seemed impracticable for the Board to take such an action. I simply figured out in a few minutes what the added costs would be once we canceled the contract, inflation had set in, and projected how many more millions of dollars it would cost.

We then devised an ingenious way of helping to finance it. We went ahead and as we have seen this structure going up and what it has cost per foot, think of the investment we have in the Kennedy Center. And we got it at bargain-basement prices, in a sense, outside of the roof, which we have had to take care of in another way.

But it is and has served as a memorial to the late President Kennedy. It also has been a national Center for the Performing Arts, reaching out to all of our citizens, which we can all be proud of.

The figures are astounding. Thirty million people visited the Center since it opened in 1971. The Center has presented over 7,000 performances to a total of 11 million people. The theaters have a 80-percent occupancy rate. No matter how this has happened—taking the good and the bad, it is unbelievable. It is only possible because we have, as you say, the incomparable Roger Stevens. I have worked with Roger Stevens for 13 years. And this Center simply could not have operated without him.

It took us years to get a dollar-a-year man who doesn't accept the dollar or even submit an expense account. This is an indication of the devotion and dedication that Roger Stevens has had for the Center. And without him, it simply could not have been what it is today.

It is an absolute miracle.

I speak as a businessman, having been deeply involved in the arts in Chicago through the years, to see what has happened, to see that we don't come to Congress for operating expenses. As Margaret Chase Smith said: "You are going to be coming for operating money year after year." She said: "I know this year you are going to ask for operating money." She couldn't really believe that we never came for an operating budget. We never asked for a deficit.

You can compare that with Switzerland, in one Swiss city alone a state subsidy of \$10 million is provided for the arts. Take the Germans, half of my heritage, in Stuttgart, where my grandmother was born, a \$20 million subsidy every year is provided for the productions, such as the opera, for opera houses across Germany, the cities and the state provide \$800 million a year for opera alone.

We are here today to work out a relatively minor problem that was imposed upon us, and which we should never have accepted. The idea of the Center paying interest on bonds to the U.S. Government is really ludicrous, when we can write off all the interest costs of the Alaska Railroad—and that seemed to be the way to run a railroad in those days. As trustees, we face a \$35 million debt including accrued back interest. It is just totally unrealistic.

We can just thank heaven that the Board and the operating staff of the Kennedy Center have been able to run it as a break-even operation—a slight surplus on some occasions—and never operating under what we have had available.

Later you will have testimony presented by the Interior Department on this issue. I think it is a great tribute to the Interior Department, to Treasury, to OMB, and to the Board of the Kennedy Center that all four have come to you united on a proposal. Usually they come in eight different directions.

We have worked mightily to come together with a proposal which the administration is willing to back—lock, stock, and barrel. The Kennedy Center's Board has said that we feel this is a fair, and equitable, and reasonable proposal.

Mentioning what has been proposed, I think we have to take into account that in meeting after meeting, Mr. Chairman, we have sat there considering alternatives. Let's say we stopped the idea of subsidized tickets.

After all, every time you see a physically handicapped person, a low-income child, a GI, a low-income person over 65 coming in—that is a half-price ticket. It cost the Center \$770,000 last year.

We have considered abandoning this practice since no other theater in the world handles it in this manner. Why should the Kennedy Center have to do that?

We think this policy is an integral part of the Center. Culture should be available to all persons regardless of their income—we ought to open those doors and really reach out and make it possible.

It is hard for our Board to keep doing this, particularly for the popular productions. You could always have come into the ones that don't do well. But that is not the policy. They should have the right to see the very best and also share, of course, in a few of the flops that we have had.

But we have just simply said we can't do it. We could have given up many of the educational things we undertake. We could have gone for more sure box-office things, like musicals. But our artistic directors are directed to bring the very finest to the Kennedy Center, regardless of whether we think it is going to pay or not. It is our job to try to balance it out.

We should consider what other countries have done and how little the United States, on a per capita basis, has supported the arts.

I will briefly summarize the Interior Department's proposal, as I understand it, the agreement that has been reached by the administration: conversion of bonds into interest-free notes, and forgiveness of all past due and future interest. This proposal will allow us to get over the charade that on cultural activities, we should be making money and paying it into the Federal Government as a return on their investment.

But the Board says, if we forget that interest—and it never should have been charged in the first place—the bonded indebtedness, we would seek to pay off the principal. The Treasury Department is to pay off the \$1.5 million in parking garage debt. The Center will arrange a schedule to repay the principal—all of the principal—to the Treasury. And the Center and Interior will share maintenance costs—30 percent for the Center, 70 percent for the Interior.

If anyone ever questions that ratio—just come any day of the week, 7 days a week to the Center and see the maintenance and

the security problems we have, due to all of the millions of people who plow through the Kennedy Center. You can share in the same kind of a thrill that we wanted the American public and the people of the world to get as they go through.

We would cordially invite, as Board members, representatives of the Interior Department and the Treasury Department, providing they are the Secretaries to be on the Board. I think the Secretaries themselves ought to have the thrill of participating in that activity. We would very much like them to participate.

With that, Mr. Chairman, I will probably end, I hope, my last testimony on this issue for the next 12 years, maybe. But I did want to just personally come to thank you for your devotion, for your interest, for your concern, and for the way I know that this committee is working together with their partners in this Government—U.S. Government—and a government facility.

That is what we should keep reminding ourselves. It is part and parcel of the U.S. Government. It is a living memorial to a beloved past President.

I feel that after 12 years, in their wildest dreams, the creators of this concept of a living memorial could not have felt that it could have been carried out in a better way.

Now let's just get this one item behind us, which consumes so much of our time in Board meetings.

I can just categorically say, unless we slash the services and create a different kind of a center, there is no way we are ever going to make those back-interest payments. There is no way we can probably absorb any more than 30 percent of the maintenance cost of running the Center. We are now paying 23.7 percent of the operating expense—and under the administration's proposal we will pay 30 percent of the operating costs. Sure, we will absorb that. Trying to go up to 50 percent again is just a charade. We are kidding ourselves. There is no way to wring that much out of a cultural center and still have it fulfill its congressional mandate.

Change the mandate? We can change the operation. But think you and I will fight against changing the mandate of the Kennedy Center.

It was brilliantly conceived. It is being brilliantly executed. And I feel very privileged to serve the Center on that Board.

Senator MOYNIHAN. Sir, I need not say the Senate is honored by the way you have served; indeed, as the people in this room, after hearing your presentation, will not be surprised that Bell & Howell made money—even if the opera companies lose it.

We are much in your debt. The gratitude is never expressed very well for the public. But you know that this subcommittee can do so. So be it.

Thank you very much.

I think Senator Percy introduced Roger Stevens. And I would like to express my dereliction in not having acknowledged and welcomed Mr. Kendrick.

Let me make just a very brief set of remarks here.

First is to say that Senator Percy spoke of the Center having a bargain-basement design. And, as is frequently the case, he spoke more truly than he intended.

One of the problems of the Center has been the whole notion of something quite so large and all-encompassing.

My colleague, Senator Chafee, has just arrived.

We just have heard Senator Percy. I am making brief remarks.

And, Senator, we want to hear from you.

The original concept—well, I won't go into the history of this matter.

But I will remark that the character in one of the Disraeli novels, who is described as "a man distinguished for ignorance, as he had but one idea, and that was wrong," and such seems to have encapsulated the architecture career of Edward Durell Stone.

He started out at the Stanford Medical Center, where he was wrong. He made his way by stages to the Embassy in New Delhi, where he was wrong. And he finally designed the Kennedy Center, where he was wrong.

But that is behind us. All that is history.

What is our concern is the future. And, indeed, the time has come to treat it.

Senator Domenici and I have introduced legislation, which the chairman of our committee has cosponsored.

We are going to hear today, much to our pleasure, of a legislative proposal which the administration is coming forward with. And that is the purpose of these hearings.

Senator Chafee, I welcome you.

Senator CHAFEE. Yes.

Were you talking about Edward Durell Stone before? I am sorry. I missed it.

He was, of course, featured in Time magazine. And, so, when I was Governor of the State, we hired him to design a building for us.

It has really worked out quite well, contrary to what your experience has been. At least, since I've left, I haven't heard about it.

Senator MOYNIHAN. Have you been in it when it rains?

Senator CHAFEE. Pigeons always represent a problem.

But let's get on.

Senator MOYNIHAN. We are having a general hearing first. We are doing it in the context of a bill which Senator Domenici and I introduced. And we are going to hear about a bill which the administration proposes and which we want to know about.

Our first order of business is to hear Mr. Stevens, who has been introduced by Senator Percy.

Senator CHAFEE. Are you quibbling over the free ticket?

Senator MOYNIHAN. I will, if you like.

Senator CHAFEE. I just want to say I am one of the beneficiaries of those tickets and have enjoyed them and would just as soon enjoy some in the future. So, I have a conflict of interest here.

But, nevertheless, I will try to be—

Senator MOYNIHAN. This hearing is getting out of hand.

They are the ones who are supposed to make painful admissions and have a contrite manner appropriate to the conditions.

Senator CHAFEE. Let me say I will start off on their side, but I will try to be impartial.

Go ahead.

Senator MOYNIHAN. Mr. Stevens?

STATEMENT OF ROGER L. STEVENS, CHAIRMAN, JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS, ACCOMPANIED BY HARRY McPHERSON, COUNSEL, AND TOM KENDRICK, DIRECTOR OF OPERATIONS

Mr. STEVENS. Mr. Chairman, members of the Committee on Environment and Public Works: We often say in the theater: It is not a good thing to follow a fine performance.

But Senator Percy put so much energy and thought and effort in his presentation, I feel like I am pretty stale beer coming along after him.

But I do think some of these points should be made.

The testimony has been made a part of the record. It is rather long. There is a summary of some of the main points.

Senator MOYNIHAN. We will make your testimony a part of the record, of course. (See p. 99.)

Mr. STEVENS. So, if it is all right, I will just summarize. There are points that need to be made.

I would like to suggest a series of measures that Congress could take to resolve the issues raised by the Government and General Accounting Office in its most recent report on the Center.

These issues have to do with reconciling the Center's obligation to pay compound interest and principal on construction loans provided by the Government, its contribution to the maintenance of the Kennedy Center building, and its statutory responsibility to provide a full range of performing arts and public service programming in keeping with its status as a living presidential memorial.

Essentially, the measures call for:

One, crediting private funds the Center has raised for performing arts and public service programs mandated by its congressional charter against the more than \$15 million in compound Federal interest that has accrued, thereby wiping out that intragovernmental debt.

Two, crediting private funds raised after October 1 toward future interest payments and the principal of \$20.4 million in Treasury bonds, not due until 2017, thereby placing the Center in a position to meet that long-term obligation.

Three, setting a fixed annual payment to the National Park Service as the Center's share of maintenance and utility expenses for areas of the building open to the public.

These suggestions have been developed in response to a December 1977 GAO report that found the Center had been unable to make provision to pay the Federal interest, now accumulating at more than \$2 million a year.

The GAO said—and I quote—that: “* * * only Congress could resolve the problem”—inasmuch as any reallocation of revenues to pay such interest or an increased share of maintenance expenses could adversely affect the Center's ability to carry out mandated, but not publicly funded, programming and public service activities.

I wish to emphasize here that the Kennedy Center is a unique institution, which has been designated by Congress as being both a national cultural center and a “living memorial” to a slain President and which has been visited by more than 4 million persons annually.

The Center, after all, is owned by the Federal Government. And I know of no similar institution encumbered by such an intra-governmental debt.

I want to emphasize that the Center has raised nearly \$44 million in private funds—more than \$34 million for construction and more than \$9 million additional to fund performing arts, education, and public service activities called for by section 4 of the Center's authorizing statute.

The Center, thus, has more than matched congressional construction appropriations of \$23 million. And it seems fair that the excess of private funds raised for this purpose plus those raised for programming mandated—but not funded—by Congress should be credited against the compound interest that has accumulated. This would more than wipe out that debt.

And it is the suggestion of the Center's trustees that, beginning October 1, the funds raised from private sources be credited against future simple interest of about \$1.2 million annually and the principal of \$20.4 million in Treasury revenue bonds. While the bonds are not due until 40 years from now, this would insure that, at present private fundraising levels, the obligation to pay them would be satisfied.

Currently, I might point out, the Center is not in default on any interest-debt obligation, since Treasury has moved to defer all interest payments until December 31, 1980.

It is important to note that GAO found the Center's Board was operating efficiently in carrying out its mandate by filling its halls to "near optimum expectations," raising substantial private funds and carrying out a broad range of public service responsibilities called for by its charter. And it is doing this with a very lean administrative staff and a minimum of overhead.

The GAO report itself concludes that any conversion of present revenues by the Center to pay a higher percentage of the costs of maintenance or meet its debt obligations could jeopardize the Center's public service and educational programing. And that is why it declared—and again I quote—that: "* * * only Congress can make the value judgments and the tradeoffs required to resolve this situation."

Actually, the dilemma is even more complex than GAO found, since some tradeoffs simply aren't possible. While private funds can and are being raised for public service activities, it is obvious that corporate and private donors cannot be expected to give money to repay compound interest on a government debt for a building owned by the Federal Government.

I would like to stress another point.

Unlike virtually all similar cultural institutions, the Kennedy Center receives no State or municipal subsidy. It has operated in the black in presenting performing arts programing and public service programs, with virtually no Government assistance.

Section 4 of the Federal statute that created the Center instructs the trustees to offer a wide range of activities—including classical and contemporary music, opera, drama, dance, and poetry—from this and other countries—lectures, and educational and recreational programs for children, the elderly, and other groups.

While these wide-ranging responsibilities are imposed and set forth by Congress in our charter, they are not funded. As everyone knows, many of these presentations do not pay their own way and, therefore, must be privately subsidized.

Under section 4 of its authorizing statute, the Center is charged, as "a living memorial," with responsibilities both for performing arts and public service programing. In seeking to meet these responsibilities, the Center has built a reputation as an important showcase for the performing arts in America and has added much to the cultural life of this Nation's Capital.

The Center is now carrying out a broad range of education and public service programs, which have been sharply expanded over the past 3 years through increased private donations, principally through our Corporate Fund, whose goal this year is \$1.5 million.

It is important that Congress be aware of these efforts to carry out its mandate. And I would like to give you some examples.

One, since it opened in 1971, the Center has maintained a specially priced ticket program, through which up to 15 percent of the tickets to regular performances are made available at half price to students, the handicapped, persons over 65, low-income groups, and enlisted military personnel. In fiscal 1978, about 130,000 tickets were sold through this program, resulting in a total price reduction of \$770,000.

Two, in 1977, more than 400,000 people attended nearly 600 free events at the Center, including special performances symposia, lectures, and exhibitions. These numbers have been reduced somewhat because of disruption caused by the current water-leak repair project, but are expected to increase again next year as construction work is completed and the building returns to normal.

Three, the Center and Office of Education cooperate in sponsoring a State network—the Alliance for Arts Education—which supports exemplary arts-education projects across the country and in producing a model children's program at the Center. In fiscal 1978, 105,603 children attended free performances of music, theater, dance, poetry, and puppetry presented by groups from around the country. This year's budget has financed a fall and spring series of performances for young people, an annual National Children's Arts Festival, and stimulated similar outreach festivals in Chicago and Seattle that drew more than 60,000 children and their parents at free events in those cities. Financing totaled more than \$400,000, of which \$200,000 came from the Kennedy Center Corporate Fund and \$87,750 from private foundations and corporations.

Four, the Center and OE jointly underwrite an annual American College Theater Festival. This year, more than 400 colleges and universities took part in 13 regional festivals. The budget totaled \$433,750, of which \$247,750 was raised from corporations and other private sources.

Five, the Friends of the Kennedy Center, with 8,500 members, present free weekly symposia at the Center. Artists like Marcel Marceau, Isaac Stern, Mary Martin, and Marcia Haydee have taken part. Nearly 300 active volunteer friends serve as the Center's free tour guides and run an information center. Their contributions to the Center totaled more than 64,000 hours last year.

alone. Proceeds from their membership dues and sale of souvenirs go to finance more public service and educational programs.

Six, a National Advisory Commission has been working to expand black and other minority participation in the performing arts at the Center and across the country, both in terms of artists and audiences. More than \$500,000 in private funds has been expended or committed for a score of projects recommended by the Commission in the 3 years since its inception.

Seven, the Center recently opened a new 500-seat Terrace Theater, the \$3-million gift of the people of Japan. Along with a new Performing Arts Library, also built and furnished with private funds, this multipurpose theater is expected to greatly facilitate the Center's efforts in public service, education, and development of new talent and works.

The Center now maintains all theaters in the building as well as extensive and complex backstage facilities. Beyond this, it pays 23.8 percent of all utility and housekeeping costs and 23.8 percent of maintenance of the public areas and exterior of the building under a pro rata sharing formula with the National Park Service, the agency charged with maintaining the building as a Presidential memorial.

While the GAO did conclude that the formula actually should be revised to reflect the fact that there is now more intensive performing arts use of the building than when the formula was originally devised, it would be illogical as well as unfair to now increase the Center's share.

It is precisely the Center's success in mounting varied programming, including the wide range of public service activities mandated—but not funded—by Congress that is responsible for the building's more intensive use by performing arts operations than when the formula was originally drawn. And it is precisely our ability to raise private funds for such programming that has led to more intensive use of the building for the purposes Congress mandated.

The Center's payments to the Park Service for maintenance and utility costs have escalated rapidly—about 30 percent—in the past 2 years. A budget ceiling for a Kennedy Center share of more than \$750,000 has been submitted to Congress by the National Park Service for fiscal 1980. Such increases, if continued, can only result in restrictions on the breadth and quality of programs we now present.

To prevent this, the trustees hope that Congress will find it reasonable to set a fixed annual fee or percentage for the Center's share of maintenance and utility costs and extend the Park Service's responsibility for maintenance within the theaters up to the curtain line. The Center, of course, would remain wholly responsible for the technically complex backstage areas of the Center devoted directly to performing arts production.

Mr. Chairman, the Center's trustees have suggested a series of measures to achieve this goal, which are outlined in my prepared testimony and which have already been submitted to the House. But in the past 48 hours, the Center has been informed of two other measures, one being a bill developed by your staff and introduced jointly by you and Senator Domenici. The other is an admin-

istration proposal developed by Treasury, OMB, and Interior—which, I understand, will be outlined here later this afternoon.

The Center is deeply appreciative of both of these efforts and believes they both deal constructively with the major elements of the fiscal dilemma that I have outlined.

While the Center, of course, has had only limited time to review the full financial implications of these measures, we certainly feel that both of them reflect a clear understanding of the complexities involved in enabling the Center to continue to carry out its mandated task under section 4 and would resolve, once and for all, the issue of its construction debt and the Federal compound interest that has accumulated on it.

I would be pleased to comment more specifically on each one of the measures, if you desire, once you have heard from the other witnesses.

Thank you very much, Mr. Chairman.

Senator MOYNIHAN. We thank you.

Senator Chafee?

Senator CHAFEE. No questions.

I would just as soon wait until we hear the other witnesses.

Senator MOYNIHAN. I think that might be the most useful course. We have Assistant Secretary Herbst here today, who will speak.

STATEMENT OF HON. ROBERT L. HERBST, ASSISTANT SECRETARY, DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY PAUL TAYLOR, ASSISTANT SECRETARY OF THE TREASURY, AND JACK FISH, REGIONAL DIRECTOR OF THE NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION

Mr. HERBST. I would speak for the administration.

I would ask Paul Taylor, Assistant Secretary of the Treasury, and Mr. Jack Fish, Regional Director of the Park Service, Capital Region, to join me at the table.

Senator MOYNIHAN. You certainly can.

Mr. Fish, I think you must be the man from the Treasury, he always has the most notebooks.

We welcome both of you gentlemen.

Mr. Secretary, we welcome you.

Mr. HERBST. Thank you, Mr. Chairman and Senator Chafee.

It is a pleasure to appear before this committee and discuss an outstanding national facility.

Senator MOYNIHAN. Let me just say, it is a pleasure to know there is still somebody in the administration to appear before us.

Senator CHAFEE. He hasn't been back to the office.

Mr. HERBST. I am operating as "business as usual," Mr. Chairman.

We want to discuss with you the concepts of both Senate 1532 and the elements of Senate 558.

Mr. Chairman, the administration does not support the enactment of either one of the bills before you. We do applaud, however, and we compliment you, Mr. Chairman, and the committee for your determination to come to grips with the complex financial situation at the Kennedy Center.

However, we do feel that the concepts that are embraced in Senate 1532 are more complex than the existing arrangement. And

we believe that they will create many problems in programing for future budgets.

Further, the bill as presently drafted leaves open to conjecture its specific intent, as it mixes art/policy issues with the specific problems of financing the Center's revenue bonds and maintenance of the Center.

We have reached, Mr. Chairman, an agreement with representatives of the Center, which I believe is fair, equitable, businesslike, and very clear. It consists of five parts, as follows:

One, conversion of outstanding Treasury bonds to interest-free notes and the forgiveness of accrued interest to date.

Two, Treasury will assume the outstanding loan from the concessionaire on the parking garage. Treasury proposes to capitalize it as a part of the total cost of the construction of the Kennedy Center. The total outstanding principal of all construction-related debts will be paid back to the Treasury based on a firm repayment plan.

These first two items are not within the purview of the Department of the Interior but are within that of Treasury.

Three, we will accept a fixed 30-percent cost-sharing agreement between the National Park Service and the Kennedy Center to be the Center's annual contribution toward the joint costs of operation and maintenance of the Kennedy Center.

Four, we will assume the responsibility for all structural repairs to the building.

And, five, we would like to recommend that the Kennedy Center Board be expanded to include the Secretary of the Interior and the Secretary of the Treasury.

The administration will be working with the congressional committees to develop legislation which incorporates this agreement. We believe that, although the immediate effect of these amendments will be to increase the amount of funds the Center must pay annually to the Treasury over its current level, it will put the Center on a sound financial base.

I also commend Senator Percy for his positive testimony in support of our position.

In closing, Mr. Chairman, I would like to express one concern of the administration about one specific provision in S. 558; that is, the provision which deals with the use of the Presidential box at the Kennedy Center.

As we all know, the President's schedule is a very difficult thing to keep static. And the key element, therefore is maximum flexibility for the President.

That concludes my prepared statement, Mr. Chairman.

My colleagues and I are available to respond to any questions you or other committee members may have.

Before we open it to questions, I would like to call on Paul Taylor, the Assistant Secretary for Treasury, to comment further on those provisions which relate to his Department.

Senator MOYNIHAN. Thank you, Mr. Secretary.

Mr. Taylor?

Mr. TAYLOR. I can do that in two ways. I have a very short statement, which I can read. Or—this goes into the background,

basically, of the indebtedness. Or I can just respond to questions and have this—

Senator MOYNIHAN. Why don't we put your statement in the record? I think we should do that. (See p. 125.)

Mr. TAYLOR. I will just respond to any questions.

Senator MOYNIHAN. You, sir?

Mr. FISH. No, sir, Mr. Chairman. I don't have a statement.

Thank you.

Senator MOYNIHAN. I am happy to see that you have reached an agreement. I am happy to see two pages later, we find the congressional committees would be allowed in on the agreement, too.

There is a statutory intent that has to be met. I would like to ask—I think Mr. McPherson is here—if he wouldn't mind volunteering. He may be the one most knowledgeable.

The proposal—or the agreement—requires legislation to the extent that the appropriation—that appropriated amounts be changed.

Mr. MCPHERSON. Mr. Chairman, I am not sure what legislation would be required.

Senator MOYNIHAN. Would the interest change have to be—

Mr. MCPHERSON. The interest change would have to be changed by legislation.

Conceivably, the conversion of the parking loan and adding that on to the 20.4—

Senator MOYNIHAN. That is fine.

I wanted to find out if there was any role left for the Congress in the matter.

Mr. MCPHERSON. Oh, yes.

Senator MOYNIHAN. There is?

Well, otherwise, I was going to adjourn and get lunch.

Mr. MCPHERSON. And expanding the Board to include two other members of the executive branch.

Senator MOYNIHAN. That, of course, is the most important provision here. That means free tickets to the Secretary of the Interior and the Secretary of the Treasury.

Senator MOYNIHAN. Senator Chafee?

Senator CHAFEE. Mr. Chairman, I think we all recognize, having had—each of us, I guess—some experience with these types of buildings, that they are not moneymakers. And to expect the debt to be paid back, regardless of whether it is compounded interest or not, seems to me—I think we are kidding ourselves.

The only variable here, it seems to me, is how much of a service the Center is going to provide for the citizens of the Nation.

If it is determined that there is not going to be—that the aged and servicemen—everybody—are going to have to pay the full fare—if we are going to not have any cultural efforts that lose money and if it is going to be run like Loew's State Theater, then maybe the thing can operate on an even keel. But even then, I doubt if it could ever repay the debt.

I just can't understand the Interior's viewpoint here, that somehow you are going to handle this money out of the Kennedy Theater, as I understand your suggestion. To me, we ought to face up to it, that the debt isn't going to be paid back; there is not

enough money. We are lucky if the thing can carry its own operating expenses and proceed in that manner.

As far as the free tickets are concerned, I think that is all such petty stuff.

The President can't have somebody free in his box after giving up the *Sequoia*. That is pretty tough.

Explain how are you going to get the money? How are they going to pay it back?

Mr. TAYLOR. Basically, it would be by paying—we would advance the funds necessary to pay off the private parking concessionaire. The remainder of that loan, which I believe is about \$1.5 million—we would advance them an additional \$1.5 million, which, of course, would require congressional authority. And then, with that parking lot loan paid off, the fees go up, as I understand it.

The Kennedy Center's proportion of the net revenue of the parking lot goes up to 70 percent. I believe it is now 50. This 70 percent then would be used—or it would go toward paying off the bonded indebtedness over a period of, say, 35-37 years.

I think the Kennedy Center would prefer that it be a little less in the front end and a little more toward the back end, because after 10 years, I understand, they can renegotiate this and even operate the lot themselves if they so desire.

So, this seems, again, like a reasonable approach, without putting the Kennedy Center in too much—or give them a good chance of paying off this indebtedness. Therefore, it sounds like a reasonable proposal to us.

I understand the Kennedy Center has felt it is a reasonable proposal, also.

I might say that the original bonds were set up with the parking-lot fees as a way to liquidate them. So, this is within the context of the way the bonds were originally drawn up.

Senator CHAFEE. If this is agreeable to the Kennedy Center people, that is nice.

My own experience with these things in cultural centers at home—or civil centers—whatever they might be—we—the State or the city—went into it, paid for the construction and turned it over, just hoping the thing would carry its own operating expenses.

This is very confused bookkeeping, with Interior covering part of the expenses—the maintenance, the security, and—70 percent of that—because that is the cultural center that—that is the memorial part on all of that.

I personally would see it as a happier situation if we could just say, forget the construction costs, for us to appropriate—have the Federal Government appropriate enough money to pay back the debt—start clean—and see if the Center could then—the trustees could then carry their own operating expenses without any subsidies and set aside something for maintenance for unusual things that they would have to be responsible for—something for the maintenance and for unusual repairs, such as the roof or whatever it might be.

Maybe that is too much of a burden.

In other words, have them responsible for the operating and the construction debt off their backs, with the income from the garage and what other income they might have.

I must say, there is very little incentive, it seems to me, for Mr. Stevens or whoever it might be to go out and solicit money in order to pay back the Federal Government.

Mr. TAYLOR. I think that is the point. This is what sounded appealing to us—is that it would depend on, actually, the commercial operation—like the parking-lot fees that the people would pay to park at the Kennedy Center—not depend directly on the contributions.

In other words, it is directly connected with and, also, directly connected with the wherewithal of the bonds that originally issued. At least, that is why it sounds particularly appealing to me.

Senator MOYNIHAN. I want to go along with your line of questioning, Senator Chafee.

If I read this correctly, actually, this increases the share that the Kennedy Center itself puts up in the cost-sharing arrangement with the Park Service.

Mr. HERBST. Yes, it does, Mr. Chairman.

Senator MOYNIHAN. About 26 percent?

Mr. HERBST. It is 23.8 percent now that the Center pays but the GAO audit report of 1977 recommended a rate of 36 percent.

As you know, that report is being updated. It ought to be out later this summer.

The 30-percent figure, frankly, is a compromise between the two. And it is somewhat based on deducting the base of the free performances.

Senator MOYNIHAN. I want Senator Chafee, if he would—did you hear this, that this agreement actually increases the responsibility of the Kennedy Center for—increases the financial responsibility?

They now raise 23.8 percent.

Senator CHAFEE. My position was that all construction costs should be taken off and debt should be taken off the backs of the trustees, that that is done with—that whatever took place in the past, this is over with, and the Federal Government should pay that up instead of putting it in some bonds to be paid back in the year 2017. Start with a clean slate and expect, hopefully, that the Center can carry its operating costs.

Senator MOYNIHAN. Can we ask this question? And then—Senator Domenici has arrived. And we want to hear from him. But let's ask this question:

What if we followed this scenario? Does the Center have enough income to make the payments?

Senator CHAFEE. Operating costs? That would be 100 percent of that amount that the Interior Department is currently paying for security and so forth, because, obviously, part of it is a memorial. And, thus, whatever the formula is, obviously, there will be a dispute between Mr. Stevens and Interior on that.

But, in any event, even carrying the operating expenses, I suppose, is extremely difficult, isn't it, Mr. Stevens?

Mr. STEVENS. It is.

We are the only group in the country that is able to carry its operating expenses without needing extra help. We have been able to do that.

There have been, following your suggestion—there are a number of people on the Board who felt that the debt should be canceled.

After all, we do have an Arts Council, which is giving \$150 million a year to the arts. And it seems sort of strange that an institution such as ours is paying out both on the interest and the debt.

But that, of course, is up to, as GAO said, a determination of the Congress. We would be all right under this suggestion because of the fact there would be revenue available from the parking to pay the bond issue. But we obviously would be very glad to use the revenue for other purposes, too.

Senator MOYNIHAN. Senator Domenici?

Senator DOMENICI. Thank you, Mr. Chairman.

I just wanted to say to Mr. Stevens, I guess you thought I was not going to make it here. I am very sorry that I am late.

I have a prepared statement. And I am not going to read it. I will just ask the chairman to put it in the record.

Senator MOYNIHAN. I have already done that in anticipation of your arrival.

Senator DOMENICI. I am concerned—I will tell you this—because I am going to support Senator Moynihan in an effort to get things straightened away, where, once and for all, you can run this place and make ends meet.

I am one who believes, contrary to what you might think that we ought to have this Center and we ought to have the finest performances. But I believe, if we cannot run it right in Washington, D.C., with the kind of resources around and the kind of people that will use the facility and pay for it, then there isn't any place in the United States that can do it.

So, I want you to know, as one member of the committee, I want to get the record clean here pretty soon. And then you or somebody, from my standpoint—just one Center—you are going to run it and follow some good financial schedule, as far as my votes are concerned.

I don't want you coming back bailing out with bonds, not paying interest. And I think we've got to stop it and start over and get on with it.

I wrote you several months ago to ask you to bring a list of those persons who have used the free box at the Center's three houses.

Could you provide that information?

Mr. STEVENS. No, sir.

The so-called Presidential box is under the jurisdiction of the White House. And we don't keep any records or have any indication of who occupied it.

Senator DOMENICI. How about yours?

Mr. STEVENS. The trustees' boxes are used for the members of the staff and trustees, who obviously—in our opinion, anyway—it is called a trustee's box. It is actually a management's box. There is one in every institution of the kind in the country, because it would be rather remiss if we did not see what was going on in the houses. It is just customary to have one.

And, also, when visiting dignitaries come, we naturally want to show them.

Senator DOMENICI. I understand that.

I take it, you are saying that you cannot furnish us with a list?

Mr. STEVENS. No, sir.

There has never been any attempt to make one up.

Senator DOMENICI. I want to say to my fellow Senators, even on this score, the gratis use of his box and the Presidential seats—I am not one who objects to that. I just don't like giving away what I think is about \$200,000 a year worth of gratis ticketing and then continual appearances asking that we bail out their inability to pay their bills and meet their obligations.

If we can ever get this under where they agree to a schedule, I am not one that necessarily thinks this is all so bad. I just think that at this point in time, they ought to know we don't want that kind of activity, with them losing money. At least, I don't.

That is why I raise the point.

Senator CHAFEE. I am not sure I completely understand you on that.

Is it the suggestion—I may have misunderstood this—that the President, if he has Deng Xiaoping to a performance, he is going to charge him?

Senator DOMENICI. Absolutely not. You are right.

You misunderstood me, Senator Chafee.

It says specifically—my proposal says that the President and anyone in his kind of official party shall have free access.

Senator CHAFEE. Suppose he gives access to the Secretary of Defense, Harold Brown?

Senator DOMENICI. Mine says, without compensation to the President of the United States and his party when the President attends a particular performance at the Center.

Senator MOYNIHAN. Mr. Stevens, would you like to respond further?

Mr. STEVENS. Yes, Mr. Chairman.

Senator, there are several facts involved in this that have to be brought to your attention, I think.

One, if we have sold the tickets to the box, how do we get them back?

Obviously, the President's time being what it is, he isn't going to know way in advance when he is going. And if we are going to save some money, we would have to sell the tickets.

But the most important thing is the fact that many performers come here because of the fact there is a chance that the President or Members of the Cabinet or other prominent persons are in Washington and will attend.

It isn't \$200,000 of savings, because many times it is running on a flat basis and the presenters would get a great part of that revenue. I would doubt that if we—I will be glad to give you the actual figures on that, sir. But I think you would find that \$50,000 would be, by far, the most that you could save on the Presidential box if we changed the operation, to say nothing of the problems of getting tickets back if a Presidential party wanted it.

I think it does a great deal for culture in general to have as many government officials be in that box, so they can see what is going on.

[Mr. Stevens supplied the following additional information:]

SUPPLEMENTAL INFORMATION BY ROGER L. STEVENS REGARDING TRUSTEE/
MANAGEMENT BOXES

Trustee/Management boxes are located in three of the Kennedy Center's theatres: the Eisenhower, Opera House, and Concert Hall. In the tradition of the performing arts centers in the United States, the seats in these boxes serve a variety of purposes necessary to the administration of the performing arts. These purposes include allowing the Center's management and trustees to observe the development of productions and presentations offered at the Center, as well as occasionally providing seats for the use of substantial donors and visiting foreign dignitaries.

The total annual loss of revenue which the use of these three Presidential boxes represents to the Center appears to be about \$23,000 for 1978, based on actual box office records. It should be emphasized that much of the so-called "lost revenue" is a cost absorbed by independent producers booking the Center's houses, rather than by the Center itself.

Senator DOMENICI. Let me say to my good friend, Senator Chafee, I just believe that we ought to—if we want to continue this—and maybe we do—that we ought to call it what it is.

It is not for the President. You couldn't work out a situation where the President almost anytime he and his family would want it would have it and yet not hold those seats available for the White House to give out to whomever they want in every performance, every time in all of the houses. It is just not true.

That is what you are doing. That is not for the President.

I mean, I don't mind if Congress can get them, that staffers up here on the Hill get them. But they use them a lot more than the President and his party or even immediate designees of the President.

You know that.

Mr. STEVENS. Of course, you are right about that.

I am just saying if you sell tickets, how do you get them back when they are wanted by the White House?

I think, under today's circumstances, it would be—

Senator DOMENICI. Does the President show up at some other events in this town at the last minute for a performance and the tickets have been sold? Hasn't that happened frequently in the establishments you have run?

Mr. STEVENS. You bring in another table if the President comes for dinner.

I would be glad to give you any information you want, except I do not have the records, because the Presidential box, ever since we opened, has been under the supervision of the White House. We have always looked at it as White House territory.

Senator DOMENICI. My question was—not to give me a list of the Presidents who used it—the box that you control for people whom you and the trustees ask to go there—in my written question, not the President.

I know that the President and his White House staff give it out to different people all the time. It would be impossible to tell who is there.

Senator MOYNIHAN. If I may say, I wonder if the Senator would agree that this committee is not concerned with the use of the Presidential box. That is a Presidential prerogative, which is there by usage. And we would not presume to invade, much less even to inquire about it, much less convey—

But you have heard Senator Domenici. And you are well advised to listen well here.

On the bill that Senator Domenici and I introduced, have you had a chance to consider what might have been your experience last year, or the last unit of the calendar that you are familiar with, with the proposal that we had made was in effect? That is to say: 50 percent of the costs of operation, plus a third matching for the contributions that are proposed to make more general the availability of the Center.

I mean, we are just trying to work it out.

I should say, there is one thing that perhaps Senator Domenici would agree with, that if we had an idea in our bill that is something a little new, it is that we would like to see the Center move around a bit and be a little more in evidence in the Nation—like on public radio and things like that.

Mr. STEVENS. As I said in my statement, we do have a number of programs that are dealing with the Nation as a whole.

Senator MOYNIHAN. Sure you do.

Mr. STEVENS. As to your question, the cost impact, as the bill is written, it would increase the Kennedy Center's Federal payments by roughly, \$1.4 million in the 1980 budget, partially offset savings and credits of roughly \$1 million for a net increase of approximately \$400,000.

Senator MOYNIHAN. It would have had that large an increase in what you had to raise? What you had to earn and raise?

Mr. STEVENS. This year we actually have in our budget, which was just approved, approximately \$3 million of fundraising. A lot of it would not qualify in terms of the bill.

Senator MOYNIHAN. You wouldn't get credit under this bill.

Mr. STEVENS. That is right.

Senator MOYNIHAN. Would you have the goodness to give us those figures, so we could look at our bill as though it were in place, and give us the figures of the agreement, so we can look at it and see the two balance sheets?

Mr. STEVENS. Yes.

[The information requested follows:]

SUPPLEMENTAL INFORMATION REGARDING COST IMPACT OF SENATE BILL 1532

Under present law, the Kennedy Center's potential payments to the Federal Government for fiscal year 1980 would total approximately \$3.5 million (\$2.7 million compound interest due on the Treasury Bonds and previously unpaid interest and \$780,000 due the Park Service under the present 23.84 percent cost sharing formula). Of that sum, the payment of \$2.7 million has been deferred, as in previous fiscal years, by the Secretary of the Treasury.

If S. 1532 were enacted in its present form, the Center's fiscal year 1980 potential payments to the federal government would increase by approximately \$1,450,000. This increase would be due to two factors: (1) an \$850,000 increase in the required Park Service payment and (2) the \$600,000 prepayment required on the principal sum due on the Treasury Bonds (\$600,000) is the projected fiscal year 1980 garage revenue to be earned by the Center, assuming repayment of the existing APCOA advance).

In arriving at the overall financial impact of S. 1532 on the Center, three items need to be off-set against the \$1,450,000 increase in potential Federal payments: (1) the savings to be realized by the Center due to increased Park Service maintenance jurisdiction, \$250,000; (2) the increase in garage revenues due solely to the repayment of the APCOA advance \$370,000, and (3) the portion of the Center's \$2.3 million in anticipated private fundraising (\$1.3 million) which would qualify for a 33 percent credit against the Center's Park Service payments. When these offsets are taken into account, the increase in potential Federal payments by the Center for fiscal year 1980 due to the adoption of S. 1532 would be approximately \$400,000.

The projected increase in Federal payments by the Center pursuant to the alternative proposal outlined by Secretary Herbst would appear to be approximately \$230,000. In addition, that proposal contemplates forgiveness of approximately \$16 million in compound interest accrued to date on the Center's Treasury Bonds and total elimination of future interest on the Bonds. For fiscal year 1980 (if not already deferred) that interest would have amounted to \$1.2 million.

Under S. 1532, forgiveness of interest is not contemplated. Instead, the Center would receive a \$1.3 million credit for fiscal year 1980 against the \$2.7 million in compound interest which would accrue during that fiscal year. The resulting deficit of \$1.4 million would be subject to deferral by the Secretary of the Treasury.

Senator MOYNIHAN. On fundraising, one of the provisions of the law, to provide 30 trustees—I don't want to say what the expectation was. But I would assume that the trustees do a lot of your fundraising for you.

What is your experience there? Do they or don't they? Has it worked right? Has the President been appointing the people you would have wished?

Mr. STEVENS. The trustees have been helpful at times and, also, furnish introductions to people that we want to meet.

But, unfortunately, the fundraising itself is handled mostly by me and Mrs. Poole, who is Director of Development. She devotes all her time to it.

Senator MOYNIHAN. Would I be wrong in thinking this is not exactly the way—

Well, I can assert with some confidence that this is not the way I thought it worked. It may be the way that other people assumed it works.

Mr. STEVENS. It isn't that I haven't asked for trustees to help on the fundraising.

Senator MOYNIHAN. It hasn't worked out?

Mr. STEVENS. It hasn't, because—maybe it is because we have met our financial obligations except for the interest every year for the last 8 years. That, incidentally, is one of the reasons we get a great deal of help from the corporations—is because the corporations think we are fiscally quite sound.

Senator MOYNIHAN. I don't know that I would want to make any quick judgment here.

The Metropolitan Opera Trustee has a citizens board, too. But, on the other hand, I would have thought that some assumption of fundraising went into this board.

Mr. STEVENS. Please understand there are 15 ex-officio members representing the Government and there are 30 other members appointed by the President. As I say, a lot of them have given money, themselves. Most of it has to be raised by the development.

Senator MOYNIHAN. Would it be presumptuous to ask you if you could just give us figures for recent years of the contributions you have received from the trustees, the gross amounts?

Mr. STEVENS. Do you mean, in the last 5 years?

Senator MOYNIHAN. Yes. The last year or the year before, so we get some feeling of it.

Mr. STEVENS. I would say, over the last 2 years, at the most, \$500,000.

Senator MOYNIHAN. Per year?

Mr. STEVENS. No.

Senator MOYNIHAN. About two? Would you give us the actual numbers?

Mr. STEVENS. I can give you the exact figures very easily.
[Mr. Stevens supplied the following information:]

SUPPLEMENTAL INFORMATION REGARDING TRUSTEE CONTRIBUTIONS

Six of the Center's thirty general Trustees have contributed a total of \$195,165 during the past three years. Contributions have ranged from \$1,500 to \$92,450. A number of Trustees have made substantial gifts in prior years totalling well over \$1 million. Further, the generous donation of time and specialized knowledge by certain other Trustees has contributed greatly to the success of the Center's operations.

Senator MOYNIHAN. I understood there was a little more of a duty involved here.

Mr. STEVENS. I would certainly be glad to have all of the assistance I could get in raising money, because there are always projects that we would like to do that we can't do for lack of money.

Senator MOYNIHAN. There we are. I think we have some other witnesses.

Senator CHAFEE. Could I ask a question, if I might, Mr. Chairman?

I would like to ask this of Mr. Stevens and, maybe, the Interior people, too.

I don't know how this would come up. But if we started with a clean slate and the debt was paid off and some kind of a reasonable solution was worked out on this matter of maintenance and security, and so forth—whatever formula it might be—I don't know whether it would be "78" or "75"—whatever you worked out—do you see it in the cards that you could carry yourself?

In other words, I saw in the testimony the experience that—your Executive Director has just come back from Europe—what happens in Geneva or wherever else it might be—and there, of course, they get a subsidy—but, in any event, there are subsidies of very substantial amounts.

Could you do it without a subsidy?

Mr. STEVENS. If we started clean?

Senator CHAFEE. If you started clean and you had the parking revenues.

Mr. STEVENS. We have been doing it without help for the last 8 years in terms of the performing arts aspect.

Of course, Interior is in charge, as you well know, of all Presidential memorials. And the way this thing got divided up was because at the very beginning, there were millions of people going through the building just as sightseers—like they go to the Washington Monument or the Jefferson Memorial.

You can't have millions of people going through a building at all without costing you a lot of money.

At that time the Congress felt that it should be put—that the maintenance should be put under the Park Service. And there was an attempt to allocate the use of it as a tourist attraction. And the millions of people who see it as a tourist attraction, with the charges—I mean, maintenance costs caused by the operation of the theaters.

So, we have been paying the share that we pay, representing what we call the non-public-memorial part of the building.

Senator CHAFEE. Twenty-three percent?

Mr. STEVENS. That is the estimate they came up with about 8 years ago. And we have been living with it ever since.

Of course, as I said, the irony of it is that the more public service we do the more it ends up costing us. We have been using the building more for performing arts purposes than was originally contemplated.

Senator CHAFEE. Just taking the Ford Theater, I suspect the total expenses of that are carried very heavily by the Federal Government. By the Interior Department?

Mr. FISH. Yes. That is a unit of the National Park System. And we do pay the cost for operation of the building.

Although there is at the Ford Theater—there is a Ford Theater Society, which does the programing and handles the box office. So, the performing arts part of that is handled by the society.

Senator CHAFEE. I had not realized that the Kennedy Center was such a tremendous tourist attraction.

Do you know how it ranks among the tourist attractions of the Federal facilities, say, compared to—

Well, I suppose it is hard to say which is No. 1 and so on.

Mr. FISH. It is probably one of the most—as Mr. Herbst said, it is one of the top five.

The Air and Space Museum will probably take in \$10-\$12 million a year. The Capitol up here will take in quite a few. And the Kennedy Center would run to about \$4 or \$5 million a year.

Senator CHAFEE. Under the statute, you couldn't charge—they charge at Space, don't they—just to see the movie?

Mr. FISH. Yes. That is correct. Just to see the film in there.

Senator CHAFEE. Thank you very much.

Senator DOMENICI. Senator Chafee, I will use about 5 minutes. I have to return to an Energy Committee hearing. And Senator McClure is here to testify. I told him I would try to go quickly.

I have a number of questions. And the ones I don't ask now, I will submit. And you can answer them for the record.

Why has the Center never used any parking revenues toward reducing its parking bond debts?

Mr. STEVENS. The records show that we have just been on the bitter edge. We are just about breaking even every year. And the money hasn't been available.

Also, we have had to pay debts.

When I say debts, for example, I mean, when the building was finished, we had to buy—there wasn't any money available for seats and carpets, which, needless to say, are a great necessity. We had to lease-purchase those items.

Like any building that has been recently finished—we only now have been able, really, to catch up to where we have been completely in the black as far as the balance sheet is concerned.

Also, we have had each year, for about the last 4 or 5 years, bills pertaining to this bond-issue question. We are trying to resolve it, and it never has been resolved yet.

Senator DOMENICI. I am just wondering, because I am not fully familiar with the background.

But it would seem to me, if you had parking revenues and parking bonds that it would almost be proscriptive that parking revenues would go to the get-rid-of-parking bonds.

But you haven't been able to do that yet?

Mr. STEVENS. No, sir.

Senator DOMENICI. Is it accurate to say that Congress has appropriated \$23 million directly to the construction of the Center?

Mr. STEVENS. Do you mean, in the grant?

Senator DOMENICI. Yes.

Mr. STEVENS. Matching grant?

Senator DOMENICI. No.

I am speaking of direct construction money.

Mr. STEVENS. I am speaking of a matching grant that we had to match equal amounts of money.

We have actually come up with over \$35 million of construction money against the \$23 million that the Government paid.

Senator DOMENICI. So, \$23 million is correct? However, you raised more than that to match it?

Mr. STEVENS. Yes, sir. Considerably more.

Senator DOMENICI. Is it accurate to say, then, that Congress authorized an additional \$20,400,000 in marking bonds for the Center?

Mr. STEVENS. That is correct, sir.

I mean, it was a bond issue.

Senator DOMENICI. I said, "* * * authorized it."

Mr. STEVENS. Authorized a bond issue.

Actually, there are two bites. There was originally a \$15,500,000 matching grant and a \$15,400,000 bond. Then in 1969, President Nixon asked for an increase, because of the inflation factors, of \$7½ million on the grant and \$5 million on the bond issue.

Senator DOMENICI. Is it also accurate to say that we have—that Congress has authorized \$4½ million to repair leaks in the Center?

Mr. STEVENS. Yes, sir.

Senator DOMENICI. Is it accurate to say that we provided through the Park Service about \$20 million since the Center opened for operating assistance?

Mr. STEVENS. I haven't added up the figures.

Of course, that is supposed to go for memorial purposes—you know, for the tourists. Just what it adds up to, I—it probably adds up to quite a lot of money.

I would like to point out one thing, sir, that the General Services Administration was paid \$1,400,000 out of our funds to supervise the construction of the building. I don't feel that we should be held responsible for the architectural design errors which they were paid to prevent.

Senator DOMENICI. No. I don't even want to go back and talk about that. Maybe someone else does.

I asked those questions and the others because I really didn't want to leave the impression that we haven't spent substantial amounts of money to try to get it to where it is working. We still want to arrive at a point where we have put all of that in one financing package and obligated you to pay a certain amount and get on, as I understand it, with running it, so that you don't have to come back here all the time and do this kind of thing.

Mr. STEVENS. I would appreciate very much if we could accomplish that this time, sir.

Senator MOYNIHAN. That, obviously, is our purpose. It is the purpose of these hearings, the first such held. I am aware of it.

I think, at this point——

Senator DOMENICI. Mr. Chairman, I have three items which I would like to have included in the record. The first is my additional views that appeared in the report on S. 1142, the second is a copy of the auditor's report for fiscal year 1978, and the last item is the GAO report on the parking bonds. I would like those included in the record, with your permission, Mr. Chairman.

Senator MOYNIHAN. I will be happy to do that. (See pp. 51-98.)

I see Senator McClure has arrived.

I would be more than glad, of course, to have our colleague here.

And I wonder if I could excuse Mr. Kendrick, Mr. Stevens, Mr. Taylor, Secretary Herbst, and Mr. Fish—and, of course, Mr. McPherson—if they would have the kindness to be on hand in case there is something to clear up at the end of the hearing. We would appreciate that.

We thank you for your excellent testimony.

Mr. Fish, you brought more notebooks than you need to have done. But you never know.

It is a very considerable honor to have our colleague from the Energy Committee find occasions for such appearances as this one.

We welcome you, sir.

And I note that you have a statement.

STATEMENT OF HON. JAMES A. MCCLURE, U.S. SENATOR FROM THE STATE OF IDAHO

Senator MCCLURE. Thank you very much, Mr. Chairman.

I have a statement that I have prepared and submitted.

I have some other remarks, which I would like to give as a preamble to those statements.

Senator MOYNIHAN. Without objection, it is so ordered. (See p. 27.)

Mr. Chairman, it is a pleasure to be among friends, where I spent 6 years addressing the wide variety of fascinating issues and challenges not the least interesting of which was this committee's stewardship of the Kennedy Center for the Performing Arts.

I wish very much that I could have attended all of your hearing today but I came here from our markup in the Energy Committee which includes issues vitally important to all of us.

I want to assure you of my continued interest in the performing arts and the problems of the Kennedy Center and to offer my thoughts and to be available to help whenever you believe I can make a contribution.

I should say at the outset if only for the record that I believe Government support for the arts, local, State and Federal, is thoroughly appropriate, so that I approve Federal assistance for the performing arts, including Kennedy Center.

I would insist, however, that this assistance as for all Federal programs follow a carefully defined Federal purpose that the need be justified and evaluated and that we follow the criteria and standards, including oversight and auditing, we set for ourselves in other areas.

That is the position I held when securing the \$4.7 million for roof repair—which Senator Burdick and I and others devoted a great deal of time to—which I understand is now well along and which prompted my development in the last session of a proposal which

you might wish to revisit and to which I call your attention; S. 2308 of the 95th Congress.

I would like to take just a few minutes to outline its principal features and purpose and then answer any questions. I might note that the statement I have filed gives some detail about that legislation.

The effect of my proposal would be to establish what might well be called a performing arts bank. Proceeds of the bank could be used to help meet the current operating expenses of performing arts centers throughout the United States, specifically including, of course, the Kennedy Center.

My proposal would not forgive or write off as a bad debt the existing Kennedy Center indebtedness. That amount represents an investment already made by the people of the United States.

I propose, instead, that that credit in the Treasury be held, that it be made good, and that it be earmarked for and plowed back into the performing arts.

The Kennedy Center credit at the Treasury should be viewed as an asset, not as an anchor. I believe we should make it good by restructuring our arrangements or redefining the Federal role with the Kennedy Center so that the Center can and will make regular payments on its account.

There is a variety of ways in which this can be done, ranging from variations on the present scheme of things to more basic restructuring of responsibility. These can be explored and discussed, but the method chosen is not essential to my proposal.

The essence of my proposal is that regular payments on the Kennedy Center indebtedness from a portion of the Center's gross proceedings by contributions, by gifts, by direct Federal appropriations if anyone should, I imagine, that feasible or by some combination of efforts be made.

These funds would become the seed money for a national campaign in support of the performing arts. Each \$1 would provide the matching funds to attract \$2 or \$3 in private or corporate funds.

A portion of the amount generated would be specifically earmarked for the Kennedy Center. The Kennedy Center then would both contribute to this effort and be one of its major beneficiaries.

If this committee chooses such a course, it would in effect be telling us on the Appropriations Committee, we are requiring the Kennedy Center to meet its obligation. We are giving them more time to do so. And we are providing a framework that we believe will generate additional private, corporate and other funds for the performing arts, including the Kennedy Center. But we are asking you on Appropriations to put these payments from the Center into a special account, reserve them for the performing arts and, thus, create a revolving fund devoted exclusively to the performing arts.

Some have called my proposal complex. I agree that it requires some thought, but it is certainly no more complex than any arrangement in government and less so than some.

The difference between my proposal and the original arrangement, the contract the Kennedy Center now has with the Treasury, is that funds repaid are reserved for use of the performing arts.

Mr. Chairman, my prepared statement addresses S. 2308, more specifically, but that is only one formation of the idea. If the com-

mittee is interested, I would be glad to join in further discussion or hearings or if you believe it might be constructive to reintroduce the bill.

My interest is toward a sound and permanent means of support for the performing arts and a clearer definition of the appropriate Federal role as I have mentioned.

If this proposal helps set the direction toward Federal support of the facilities and activities avoiding interference and artistic judgments and avoiding interference in arts management, I would be happy to pursue it.

Thank you, Mr. Chairman. I think you have the detailed statement.

Senator MOYNIHAN. We do.

Senator, I would like the record to show that if this committee does anything this year on this issue that it ought, it will be more than any other thing to take the initiative that you took last year.

We fixed the roof enough now. It is in place.

Senator McCLURE. We jokingly referred to that as the Alka-Seltzer roof because every time it rained, the roof fizzed. I hope we have it fixed.

Senator MOYNIHAN. Senator Chafee?

Senator CHAFEE. I just want to first welcome back our member and to say that I am always amazed that the range of his interests, that he could with all his duties in the Appropriations Committee and the Energy Committee, both of which seem to meet interminably, that he could spend time with this very interesting proposal which I think we should devote some attention to.

Senator McCLURE. Which we certainly will.

Senator CHAFEE. I thank the Senator.

Senator MOYNIHAN. We certainly will. I understand you have to get back. Can we just express our appreciation? It is good to see you again. We will be talking to you when we mark something up.

Senator McCLURE. Thank you, very much. I appreciate your attention.

Senator MOYNIHAN. We thank you.

[Senator McClure's prepared statement follows:]

STATEMENT OF HON. JAMES A. McCLURE, U.S. SENATOR FROM THE STATE OF IDAHO

Mr. Chairman, because this committee—and the full Congress—must soon deal with the issue of the bond indebtedness of the Kennedy Center, and as I have already devoted some time and effort to the problems of the Center having served on this committee, I am especially glad to be able to discuss today the purpose and concept of the bill I introduced in the Senate October 1977. [S. 2308, 95th Cong.]

Briefly, it is designed to generate needed additional funds to support performances at the Kennedy Center, while erasing its indebtedness year by year. At the same time, it could raise funds for performing arts in the 50 States—thereby encouraging wider congressional support, as well as enabling the Center to make a broader and deeper contribution to the performing arts across the country.

Under the bill, S. 2308, direct payments by the Kennedy Center on its indebtedness would be based upon its capacity, but at least \$1 million a year—the amount the Center has indicated it could afford. These payments to the Treasury would become seed money to attract private contributions—contributions to be used not for debt retirement, but for the current support of the performing arts at the Kennedy Center and elsewhere in the country.

Any private contributions would be matched 50 percent by the Treasury funds—and additionally covered 100 percent by a further reduction in Kennedy Center indebtedness. thus, each \$2 in private contributions would generate \$1 in federally

appropriated funds for ongoing support of the performing arts, plus \$2 in the Kennedy Center debt forgiveness—a total of \$5. I would hope this approach might serve as a strong incentive to private contributors to the arts.

In effect, the annual Kennedy Center bond amortization payments would be deposited in escrow as front-end money for a national performing arts campaign. If the \$1 million Treasury deposit were fully subscribed by \$2 million in private contributions, the \$5 million total—cash and automatic debt reduction—would be distributed this way: \$2 million would be written off against the remaining Kennedy Center debt; \$3 million would comprise the Kennedy Center Performing Arts Fund. If the annual campaign fell short of its goal, both the debt reduction bonus and the fund would be proportionately less; or if oversubscribed, more.

One-third of the proceeds in the Kennedy Center Performing Arts Fund would go to the Kennedy Center to support performing arts there. The balance of the proceeds in the fund would provide grants in support of such performances in areas of the United States which otherwise could not enjoy them.

The proposal I have outlined above is in contrast to the alternative proposal committing the Center to pay \$1 million annually for 20 years with no hope of any return. That proposal would, moreover, ask the Congress to forgive millions of dollars of accumulated interest, and to waive all future interest on the bonded debt. It promises no fundamental change in the structure or finances of the Center, except perhaps an increase in costs assumed by the Park Service.

If no legislation action is taken, interest on the Kennedy Center debt will exceed \$2 million annually—double the payment proposed in the bill I have described.

A number of quite different alternatives could be considered, of course, several of which I worked through in the course of developing my own suggestions. For example, the bill is silent on the question of who shall undertake and manage the fund campaign, but I am confident an appropriate organization can be found or chartered for that purpose. It should not, of course, conflict with or detract from the present successful fundraising efforts of the Center itself. State art councils and local groups might play a role.

I suggest we join for further discussion and hearings to enable us to review all of the possible constructive variations of this theme and work through them to find the best solution.

Senator MOYNIHAN. Now I have what I believe is called the high personal honor and distinct privilege—that is the formulation over in the House—of welcoming to the committee an old and dear friend, John Mazzola.

John Mazzola, who you know, is the president of the Lincoln Center for the Performing Arts, is one of those persons, an amateur turned professional. You once were an honest attorney.

Mr. MAZZOLA. An honest barefoot lawyer gone astray.

Senator MOYNIHAN. Then you joined the circus?

Mr. MAZZOLA. That is right. The circus is here.

Senator MOYNIHAN. And what a circus! I will take the opportunity to point out that the Lincoln Center which received aid from the city of New York and from the State of New York has an operating budget more than three times the Nation's Capital and that is as it should be.

How did you do that?

STATEMENT OF JOHN MAZZOLA, PRESIDENT, LINCOLN CENTER FOR THE PERFORMING ARTS, NEW YORK, N.Y.

Mr. MAZZOLA. Thank you, very much, Mr. Chairman, Mr. Chafee.

I have been asked to testify today about Lincoln Center in this hearing. And I have tried to shape my testimony in response to the general outline of the questions that came from the committee and also from the series of questions that came from the GAO in their questions to us relating to the Kennedy Center.

First of all, Lincoln Center is quite different from every other center, mainly because we are first and foremost a group of compa-

nies rather than a group of buildings. We are also obviously more than a group of buildings.

The organizations are the Metropolitan Opera, the New York Philharmonic, the New York City Ballet, the New York City Opera, the New York Public Library, and the Juilliard School. We have a theater constituent, which is inactive for now; the Film Society of Lincoln Center, the Chamber Music Society of Lincoln Center, and, of course, Lincoln Center, Inc.

I filed my testimony with you earlier and I submit it for the record.

I would like to make a few brief statements.

Senator MOYNIHAN. Please do. (See p. 131.)

Mr. MAZZOLA. The original total cost of Lincoln Center was about \$185 million. That is construction and startup period. Most of that came from individuals and foundations, individuals and foundations which put up \$137 million; and corporations contributed \$11 million, and the city of New York invested \$15 million, the State of New York invested \$15 million and the U.S. Government invested about \$7 million.

One of the great things about Lincoln Center is its extraordinary impact on the economy. Our \$91 million annual operating budget triggers ancillary expenditures of almost a quarter of a billion dollars in the city of New York; \$700 million has been spent on new construction on the West Side alone, and it certainly has been a catalyst for an enormous development which extends right up to 79th Street, with all of the new stores, and restaurants, and so forth.

At Lincoln Center last year, we had 3,000 performances attended by about 5 million people. At this point I would certainly like to express my admiration for the Kennedy Center, Roger Stevens, and the other people who run it, because of the extraordinary effort it must have taken to develop the audience for cultural attractions in the city of Washington.

No one realizes how much effort is involved in any kind of audience development and it really doesn't matter whether it is in Providence, or Washington.

You really have to get out there and get the market and sell those seats. It is very hard to get people to change their patterns.

Lincoln Center is not only the seven major buildings occupied there. Lincoln Center, Inc., also operates a central mechanical plant, a central security force and a garage facility.

We were able to realize about \$900,000 last year from the operation of the garage, which we in turn have to use under our agreement with the city for the security in the plaza areas, the maintenance of the plaza, and the park.

Incidentally, Lincoln Center was built free and clear of any indebtedness.

I have given you a consolidated statement of all the companies of Lincoln Center, including Lincoln Center, Inc., which shows that this year our operating costs are going to be \$90 million.

Most of that comes from earned revenues, 65 percent from ticket sales, rental of the halls when we are not using them, and corporate support is about 25 percent.

Individuals and foundations maintain their level as the highest supporters of the Center. They provide 21 percent of our operating costs every year. Federal aid is about 4 percent, and that comes through the National Endowment for the Arts for specific programs; State aid, 4 percent again for programing; the city is way down around 1 percent.

Most costs are for producing and presenting performances. On performances for paying audiences, we spent \$42 million in 1978, 50 percent of our gross operating budget.

We spent \$7 million or 8.5 percent of that budget on touring programs, that reached out across the Nation and in fact our companies tour in approximately 12 States other than New York State.

Of the budget, \$8½ million or 10 percent, was spent on what we call free performances; that is a performance that someone comes to that doesn't have to pay for it whether it is in the park, community activities, educational programs, and so forth. Also included in that is our public broadcasting system, delivery of "Live From Lincoln Center" and "Live From the Met" which, of course, reaches out not only across the 50 States but into the foreign countries as well. Buildings and maintenance costs is another extraordinary expense; \$10 million, over 12 percent of our costs, go for the heat, light, air-conditioning, porters, guards, cleaning, all of these things.

Basically, we only buy two commodities—labor and utilities. Sometimes the labor is a tenor and sometimes it is a porter, but they still go up in costs every year.

These are the two most extraordinary costs that can be subject to increase through all of the forces that act toward our national inflation.

Our buildings don't operate just in the evenings. Our buildings operate at minimum of 14 hours a day. They start up at 9 o'clock in the morning, rehearsal in the morning and in the afternoon, performance at night, and all day long, the tours are going through and, of course, the buildings have to be open for the restaurants, box office, and other users.

Senator CHAFEE. Could I ask one question?

This is what you might call a delayed reaction. You said you had 3,000 performances a year?

Mr. MAZZOLA. Yes, sir. We have 13 theaters and there are approximately 3,000 performances that take place.

Senator MOYNIHAN. That is with the Beaumont closed?

Mr. MAZZOLA. Of course, the Mitzi Newhouse is also closed, that is also part of the Drama Theater Building.

Senator CHAFEE. That place really must be jumping.

Mr. MAZZOLA. It is, it is a 52-week-a-year operation. The summer is one of the most active times because not only do we have all of the visiting ballet companies coming in from all over the world, we have our free performances on the Plaza and "Mostly Mozart Festival" and all the other activities that take place.

We effectively ruined all of our vacations by creating a 52-week season for all of us. Lincoln Center, Inc., is also a major producer in the area of music and we generally program toward specific audiences. "Mostly Mozart" is devoted expressly toward the 20- and

30-year olds. They are called singles in New York. We market to them.

So the old name for this series is called the midsummer serenades. We changed it to "Mostly Mozart." We used T-Shirts, frisbees, jogging shorts, and even Yo-Yos this year. But they were all part of our marketing program developed by us—and it actually works—to reach out to that 20-year-old and 30-year-old audience.

We also have a special program of recitals called the Great Performer series because we felt it necessary to build a recital audience in the city of New York. To reach out in the community we had special community programs, the free performances on the Plaza. Lincoln Center out of doors brings in 30 street theater companies from all over the country each summer and Lincoln Center out of doors includes chamber music, and dance, and everything else.

Our educational activity reaches out to the children, not only restricted to the State of New York. We provided 500 free performances in the schools this year. That is over and above the 3,000 performances we mentioned before.

Senator MOYNIHAN. Would you say that again?

Mr. MAZZOLA. There were 500 performances in the schools over and above the 3,000 performances at the center. Those 500 performances in the schools were designed specially for and created for the high school and junior high school level audiences. In addition 150,000 schoolchildren were brought in to actual performances at the Center as part of the educational program.

Senator MOYNIHAN. 150,000?

Mr. MAZZOLA. 150,000. We also have a teacher-training program in esthetic education. Basically, this takes place in the summer. We have 400 teachers there right now that are also entitled to graduate credits when they come there through the good offices of Columbia University.

Further, to break down the walls and reach out, we created "Live From Lincoln Center." We raised about three quarters of a million dollars to develop new technological techniques in order to use new low-light-level camera devices, and a new stereo system so that we could reach out with the highest level of transmission of the actual performances that are taking place at the center.

There is a separate series, "Live From the Met," and the reason for the change in the name of the two series is that "Live From Lincoln Center" is supported by Exxon, and "Live From the Met" is supported by Texaco.

There is a rule of physics that says oil and oil don't mix.

Mr. MAZZOLA. But the problems of Lincoln Center and the problems of the Kennedy Center are not solely problems for those two centers themselves. There are a large number of performing arts centers across the United States. They all have virtually identical problems no matter how different their operations might be. They are not unlike the museums in that they are there. That is, the buildings are there. It is what takes place inside of them that is important, but, without the buildings, and without the operation of the buildings, nothing can take place inside.

It is the tremendous costs again of heat, light, air-conditioning, guards, porters, all of those costs which are very, very difficult to cover.

Senator MOYNIHAN. The Federal Government is saving you money on air-conditioning this summer. That is one thing we have done for you. We don't do much else for you. We save 4 percent by raising the thermostats. Think of that as Federal aid.

Mr. MAZZOLA. Actually we started our own energy saving program 2 years ago.

Senator CHAFEE. You can see how we are observing that 78 degrees in the room.

Mr. MAZZOLA. The energy-saving system that we created 2 years ago has managed to cut down 19 percent of our energy consumption, 19 percent of our energy consumption has been cut down simply by a review bulb by bulb, vent by vent.

Now we are purchasing a series of automation devices which will save even more money and even more energy for us. The payback on the energy-saving devices, automation devices, into which we are going to have to invest several million dollars, is about 1 to 3 years depending on what kind of equipment it is.

So we will have accomplished and we are accomplishing a great deal in the way of energy conservation at Lincoln Center. But even with these savings, and with the support, existing support from all of the other sources that we have been able to devise and the support that has been obtained by the Kennedy Center and all the other centers hasn't really addressed the problem of these centers.

While it is not on the docket today, I would certainly urge this committee and all of the Congress to address these special problems of these performing arts centers because they have a tremendous impact not only on the artistic life, but also on the economy of the United States.

I think that some special measures should be taken, I think appropriate legislation ought to be thought of and created and put into the practice certainly as soon as possible to overcome these additional costs which have to be diverted from the performing arts themselves.

I can go on and on at length on that, but I will stop right here. Thank you.

Senator MOYNIHAN. We thank you, sir.

Let's go on a little bit beyond, if I can. We would like to hear you further.

Senator Chafee?

Senator CHAFEE. What is your view on this vote?

Senator MOYNIHAN. We have to vote. If we could go away, it will take us 6 minutes, no more and before we start questioning, we have Mr. Papp, and Mr. Goldin after you. We have little white mice, watch us start when the bells go and you just stay right there. You have been more than gracious and we will be back in 5 or 6 minutes, no more.

Senator CHAFEE. Am I correct, if I wrote it down, the help you get, if you call the subsidy for operating, is 4-percent State, 4-percent Federal and 1-percent city, that is not counting the donations you raised. So in effect it is a 5-percent subsidy?

Mr. MAZZOLA. About 9 percent overall, 4 percent from the State—9 percent.

Senator MOYNIHAN. We will recess for 5 minutes.

[Brief recess.]

Senator MOYNIHAN. It is always good to have the witness come forward once again. I might make the remark, I am not sure just how relevant it is, but part of the history of the Kennedy Center is that President Kennedy had quite agreed with the Council on Pennsylvania Avenue that the idea of a cultural center down by the river was not a good one, and that the three basic components of the Center should be broken up and distributed along Pennsylvania Avenue.

At the moment he was shot in Dallas, it happened that William Walton and I and Charles Horsky were sitting there working on a presentation that he was going to give the Congress when he returned from Dallas of the new proposal that would split the Cultural Center up and so it would have the effect that the Lincoln has, up to 79th Street and up the West Side.

But that is not our option. You do an enormous amount, about 10 percent of your performances are free.

Mr. MAZZOLA. That is right, actually 10 percent of our expenditures are devoted to various kinds of free performances.

Senator MOYNIHAN. And you do this on 4 percent of your funds from Federal aid and maybe double that number for aid altogether.

What is the secret? Are New Yorkers just—well, New Yorkers are different from other people.

Mr. MAZZOLA. I think one of the main things about New York which is certainly different from Washington is that we have a large number of people who are used to giving money, if you know what I mean.

They are used to making contributions for various good causes and each of these institutions at Lincoln Center has quite a history. The Metropolitan Opera is almost 100 years old.

Senator MOYNIHAN. It is a tradition that you know, but I would like for the record to show that Mozart's librettist came over and worked for your predecessor, twice removed, from the Metropolitan Opera.

Mr. MAZZOLA. Yes; his name is Mazzola, which is also interesting for the record.

But this tradition of giving and the fact that these are very old, well established organizations—the youngest of them is the New York City Ballet which is 30 years old. That kind of tradition as has always included in it a strong element of public service of one kind or another.

Therefore, it is easier for us to raise private money than the Kennedy Center and probably easier in the other centers of the United States, whether it is Chicago or Los Angeles because I think the history of the performing arts organizations in those cities is a cross-section of the people who live in those cities as compared to Washington.

Therefore, I think what Rogers Stevens has done in fundraising is extraordinary as compared to what we have been able to do because he is dealing with quite a different center.

Senator MOYNIHAN. It is a rich city, Washington, the richest suburbs in the world and the most stable income. Is it because it is so wealthy down here that you cannot expect them to give any of it away? Is that a past history of the well-to-do?

Mr. MAZZOLA. No; I think there are two things.

First of all, I think to a large extent, Washington is a company town and certainly an enormous proportion of constituency must be employees of the Government who are not the rich people you are talking about, but the other thing is that I think one of the things that Roger Stevens has been great in overcoming, but he has a long way to go, in which he would admit, one of the difficulties is, I think, that too many people probably think that the Kennedy Center gets a lot more support from the Federal Government than it does.

Of course, in fact, as the testimony has shown here, its support is minimal in that area. Seventy percent of just those operating costs relating to certain parts of the operations, but not for the performances themselves.

Senator MOYNIHAN. I know. I am not disagreeing with you. You are a lot better off than the Kennedy Center, but you won't say that.

Mr. MAZZOLA. We have well-trained audiences up there and very well-trained contributors.

Senator MOYNIHAN. Senator Chafee?

Senator CHAFEE. Mr. Chairman, first of all, let me express in behalf of myself and I suppose the committee our gratitude for your taking the trouble to come down here. I must say we don't very often hold committee meetings at 2 o'clock on a Friday afternoon. So we are grateful for your taking the time to do that, everybody who has come in.

Unfortunately, I won't be able to stay too much later. I am interested in what you have done up there, as you point out, only 9 percent of what could amount to a subsidy outside of what you collect in your contributions.

So it is extraordinary. I suppose in this business that as you say you have got the buildings, and the halls and even though you have some kind, whether it is the ballet, whatever it might be, that might not necessarily be a moneymaker, it is better to have the room functioning in something than doing nothing. Is that true?

Mr. MAZZOLA. Yes; first of all our purpose is to present cultural activities. I think actually the national average for box offices, that is, what the box office brings in for cultural attractions, is probably only down around 40 percent. I think that would be what the national average is.

Senator CHAFEE. You mean 40 percent covers the cost of operation?

Mr. MAZZOLA. The ticket sales cover about 40, a little over 40 percent, that would be the national average.

Senator CHAFEE. Even at that, the tickets aren't exactly a giveaway.

Mr. MAZZOLA. No; they are not. They are much less expensive. You are paying for the tickets. In Japan, when the New York Philharmonic was in Japan, the local promoters charged \$60 apiece for the top price for their tickets and they certainly sold out every

time. The local ticket price in New York is \$15. The ticket prices in Paris Opera House are \$30 for ordinary nights but it is \$80 for a night of any one of their premieres.

Yes; by and large, the ticket price seems high in New York, but, I think Salzburg Festival this year is probably around \$90 for their top ticket prices.

Senator MOYNIHAN. Is that right?

Mr. MAZZOLA. Yes.

Senator CHAFEE. Obviously I guess the answer is yes, you wring as much money as you can out of the TV and radio?

Mr. MAZZOLA. No; actually to tell you the truth, our television is all funded; that is, we raise the money and present our television on public broadcasting. It is really another form of fundraising in order to present it. The same is true on radio. So the income from that, in the present case, is very small. Commercial television isn't basically interested at the present time certainly in ballet, opera, so forth, especially during prime time. So there is very little in that way that money can be made. We have a business plan and we would hopefully plan going on in the near future to a paid cable system which can be delivered to a minority audience. That number of people which we don't know, but let's say half a million people in the United States who might be willing to pay.

Commercial television is not a way for us to make money by and large for the kind of attractions that we present.

Senator CHAFEE. How about radio?

Mr. MAZZOLA. Radio in both cases are sponsored and there is an income from them. I think the Metropolitan Opera may get about a quarter of a million dollars from their radio. But again, in terms of what we are looking at, with a \$90 million budget overall, and the Metropolitan Opera's budget is \$26 million, it is not substantial.

Senator CHAFEE. Thank you, Mr. Chairman.

Senator MOYNIHAN. We want to thank you, sir. I wonder if I could consult with you. We are going to have to work out some legislation this year on the Kennedy Center and we would have much like to consult with you, and you are obviously a friend for these purposes and probably the leading practitioner.

Mr. MAZZOLA. Thank you, very much. I certainly will be willing to and I am totally available for any kind of discussions.

Senator MOYNIHAN. You have been very generous on Friday afternoon.

Senator CHAFEE. Just one quick question, Mr. Chairman, for the record: I presume you have a box of some kind.

Mr. MAZZOLA. In each one of the theaters, they don't all have boxes, but either a box or some number of tickets is actually removed from the manifest; that is to say, when an outside attraction comes in, it takes the seats left besides those seats, and the Metropolitan Opera House has the general manager's box, in Fisher Hall, there is a small section.

Senator CHAFEE. Let's take the Metropolitan Opera. How many seats are aside for you?

Mr. MAZZOLA. Actually, it is for the general manager of the Metropolitan Opera and it is a box of eight seats in it. He uses

those seats basically really for fundraising solicitation and for warming up prospects.

Senator MOYNIHAN. I had the privilege of being in the box one night and I thought it not altogether coincidental that so was the President of Sony and his wife. They were given free glasses of sherry between performances but I think there was something else in their mind, on his mind.

We thank you.

Mr. MAZZOLA. It was domestic sherry.

[Mr. Mazzola supplied the following additional information:]

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.

140 WEST 65TH STREET NEW YORK, N.Y. 10023 (212) 877-1800

CABLE: LINCENARTS

August 14th, 1979

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Senator Daniel Patrick Moynihan
442 Russell Senate Office Building
Washington D.C. 20510

Dear Pat:

It was a great honour to be invited to testify before the Senate Committee on Environment and Public Works on July 20th.

During the course of my testimony, various questions were raised and I would like to take the liberty of setting down in this letter some facts which amplify my written testimony and represent a more complete response to some of the questions.

In my testimony, I stated that the combined annual operating costs of all the companies at Lincoln Center amounted to \$80,600,000 in 1977-78 and \$91 million (projected) in 1978-79. The breakdown among all of our constituents is as follows:-

	1978	1979
Metropolitan Opera	\$34.2	\$38.4
New York Philharmonic	8.2	9.4
New York City Ballet	8.5	10.8
New York City Opera	8.5	10.0
Library/Museum	---	---
Theater Constituent	-0-	-0-
Juilliard School	7.1	7.5
Chamber Music Society	.6	.8
Film Society	.7	.7
Lincoln Center Inc.	12.8	13.3
	<u>\$80,600,000</u>	<u>\$91,000,000</u>

Approximately \$8½ million or over 10% of the gross operating budget was spent on free activities, these breakdown as follows:

Parks Concerts	\$1,005,000
Community Activities	390,000
Educational Programs	5,305,000
Public Television Performances	1,762,000
	<u>\$8,462,000</u>

Continued.....

The high and low ticket prices are set forth below and they should be contrasted with prices abroad. For example, at the Salzburg Festival this year the box office ticket price for the top seats are \$150.00 each! Opera tickets at the Paris Opera and Vienna are approximately \$40.00 top price for a regular performance and \$80.00 any night there is a premiere. When the New York Philharmonic appeared in Japan on tour, the local sponsors priced the top tickets at \$60.00 and they were virtually sold out.

Ticket Prices for Presentations at Lincoln Center 1978-79

	High	Low
New York Philharmonic	\$15.00	\$5.00
Metropolitan Opera	50.00	4.00
Film Society	5.50	2.50
Chamber Music	9.00	8.00
New York City Ballet	17.00	3.00
New York City Opera	20.00	3.00
Bolshoi Ballet	30.00	10.00
Joffrey	25.00	8.00
Stuttgart	30.00	6.00
Cuban Ballet	30.00	6.00

The constituent organizations of Lincoln Center and Lincoln Center Inc. bear an extraordinary burden of the expenses of security, heat, light, air conditioning, maintenance, etc., which amounted to approximately \$10 million last year. These breakdown as follows:

Lincoln Center and Constituents annual heat, air conditioning, security, utility and maintenance expenses.

Security	\$1,500,000
Air conditioning, steam	1,500,000
Electricity	1,500,000
Maintenance	5,500,000
	<u>\$10,000,000</u>

I would certainly like to have the opportunity to further discuss with you and other members of the committee the major problems which we began to discuss at the hearings, namely the need to enact appropriate legislation to provide general support to performing arts centers, so that all of our artistic activities will not be negatively effected by rising costs.

I am sending a similar letter to all the other members of the Committee.

Sincerely

John W. Mazzola
President

/ak Mr. Robert Peck
cc: Mr. Joe Bowman

Senator MOYNIHAN. We thank you, very much.

Now, Mr. Joseph Papp, a neighbor to John Mazolla, who is the producer of the New York Shakespeare Festival and many other things, a conglomerate of entertainment and arts.

Mr. Papp, we welcome you.

STATEMENT OF JOSEPH PAPP, PRODUCER OF THE NEW YORK SHAKESPEARE FESTIVAL, NEW YORK, N.Y.

Mr. PAPP. Thank you.

Senator MOYNIHAN. We would like to express our appreciation for your staying this late.

Mr. PAPP. I have enjoyed the afternoon very much, the various comments. I am pleased to be here. I am here as kind of a friend of the Kennedy Center. When I say "kind of a friend," I want to make it clear that I have a deep appreciation for the achievements of Roger Stevens here.

I would say that in the marble of Washington to be creative is very, very difficult and I think he has in a few years managed to create an audience of great numbers and gotten around many obstacles that would face anybody coming into the situation.

It is kind of amazing to me to see that he still has to struggle with the kind of support that he is asking for in a Government building. I just took the liberty this morning to walk around the compound here and got a sense of the place.

I have been here for the first time and like yours, I felt the architecture was a miserable disaster, but after seeing it today and seeing some of the theaters in operation, that has left me entirely thinking that it is a very viable enterprise.

Senator MOYNIHAN. You would contrast the architecture of the Kennedy Center with the superb inspiration of—

Mr. PAPP. Mussolini, Stalin art you are talking about, architecture.

Senator MOYNIHAN. We refer to it as Grand Rapids Roman. We don't believe in those foreigners, but that is different.

Mr. PAPP. But seriously, it was interesting to see the life that does exist in the theater complex that is used. The difference between the Kennedy Center and the Lincoln Center is very, very important. John has been pointing out the differences but let me accentuate them.

The Kennedy Center does not have a major artistic organization as one of its constituents. That is an extraordinary difference. The Metropolitan Opera spends \$28 million a year in its operation.

If you were to compare those figures with what is spent on booking attractions, it is considerably less, and what Roger has managed to do as a sound businessman is to make it pay some way, although in my estimation a point is going to be reached very shortly where this institution is going to have to address itself to the art in a more specific way, in a more tangible way and perhaps in a more rooted way.

As of this moment and with a great degree of success, Roger has brought into the Kennedy Center a great variety of attractions, some quite commercial in the sense that they are Broadway material—some Broadway, very little is art.

On the other hand, last night I saw an opera which was quite experimental and quite well done, one of the operas being done in the season, and this originated in Washington. I think that the fact that this is Washington, the Nation's Capital, the Kennedy Center willy-nilly represents the cultural institution of the United States both for visitors and those people who live in other parts of the country. When they walk through that building, whether they go into the theaters or not, there is a sense that this is a cultural institution and represents the United States.

For that reason, I think as Senator McClure made the statement talking about the Federal purposes of this institution, you cannot separate the Federal purposes from the art that this institution will create.

If the influence is desired, of artistic components, it will happen at some point and I think the preparation of the groundwork has been made by the creation of the audience, of some constituency actually operating out of the Center itself. So the Center itself creates its own art.

Last night was a small example of that where the Center itself produced its own opera. You got a sense of what the possibilities would be rather than things that come from various, and other sources.

It will become an origination point, which means at some point the Government will have to consider the possibility of underwriting some of that operation because it is a governmental operation.

I know, someone quoted Margaret Chase Smith saying: "well, I know you are going to come back for operations." That is not such a horrendous thought at all. I think Senator Chafee in the very beginning said what I had on my mind, and he said it very clearly, that any existing debts that have been incurred by the Center should be entirely wiped out.

That includes the original debt as well in my estimation, because there is no question what this particular institution represents to the world at large and should represent in Washington. I think it is much more important than one thinks. To see negotiations going on where this cultural institution has to try to work out the percentage arrangements, for example, with the Department of Interior and the Department of Treasury and so forth, I think there is something wrong in that idea.

I would say that it becomes necessary to consider the complete elimination of that debt. As you said, there is no other way for any institution if it is going to function properly. And Roger happens to be a very good businessman and he sort of keeps his commitments and he feels some commitment to that very ironic historical situation, that created this institution in the first place: It took the death of a popular President to get the Congress to even consider the possibility of creating a cultural institution in Washington.

If they had waited another 3 months, I am sure the bill would not have passed. That is how rapidly attitudes change. There is no question that because of the death of President Kennedy, there is a major institution in the Nation's Capital representing some of the best culture in the United States.

The outreach, free programs, yes, they should go on, but at the center of the Center, there must be a creative force in the institu-

tion and its constituents, like the Metropolitan Opera. Lincoln Center does not exist in a real sense. With all due respect for John whom I admire very much, Lincoln Center doesn't really exist in a significant way outside of the Metropolitan Opera, the Philharmonic and the other great art institutions.

The opportunity exists here to begin to create such institutions. This is all money. I think with Senator Percy, who began to mention these figures, we all know, we hear it all over again, what the small countries are paying for the arts per capita.

We should be ashamed of ourselves not to come near to that. But here there is now the possibility, because of the creation of an audience and the fact that an institution exists and there is some very good thinking going on, to begin to lay the groundwork for some constituents, maybe starting very slowly.

There is no question in my mind that in a few years, if this institution is going to remain to be a viable one, it will have to begin to concern itself with what was started last night, a new opera created at the Center itself or with some new theater operating in the Center for an entire season so there is some permanency, some artistic base, because art is the purpose of any cultural center.

All other activities are peripheral to the implementation of something that has a high artistic quality. Quality and standards must still be the present dominant reason for the Center's existence. The Federal purpose of art or any purpose of art, is the quality.

Then, making it accessible and available to as many people as possible, particularly in the Washington area, where you have a strong black constituency, is crucial; it must address itself to that thing.

I might as well tell you a little bit about the kind of work that I do because it does have some connection with what you are investigating here as a committee. The Shakespeare Festival engages in many free activities. We present free Shakespeare in Central Park; we don't charge admission there. There is a free Mobile Theater, there are tours of the city of New York with plays by blacks, Hispanics, or any mixture.

I want to say that on tour there is no discrimination at all. If someone is going to throw something, they will throw it equally at blacks as well as whites. There is a great deal of democratic freedom in any one wanting to throw anything. We have been quite successful with this program.

Interestingly enough, we have seven theaters in a small complex. It is not a cultural center.

Senator MOYNIHAN. Complex down on Madison Avenue?

Mr. PAPP. No; this is on Lafayette Street, the old Astor Library, the first free public library in the city of New York. John Jacob Astor is really responsible for creating that. He looked out of the window from across the street at the colonnades and he would look at this marvelous library that he endowed in the city of New York. It is a beautiful building.

We have maintained all of the architecture that could be preserved, certainly the exterior, but much of the interior and I think you would admire that center, if you know that building.

We generally have no outside attractions. We create our own products. We are the bees and spin our own webs and create our own honey.

In that sense we are totally responsible for the artistic product. We have free workshops, we have a program of quick tickets which reduces prices. We have a black classical company starting this year, and we will do Julius Caesar. We will also be doing new adaptations of classics by black playwrights.

We are very conscious of the fact that New York City is made up of so many different kinds of races and people. We have an Asian-American workshop which is starting now, with some very fine writers coming in. We have a cabaret.

On Broadway, we still have "A Chorus Line" which has been supporting this institution. Someone made reference earlier to the fact that you cannot depend on "Annie" to support the Kennedy Center, but occasionally it is good to have the kind of entrepreneurship for a center of this kind that Roger brings to it alongside of what you call the non-income-producing work, which is the best art.

When I say "nonincome," it means that you cannot derive sufficient income to really in any way pay for what it would cost to operate. Therefore, I just want to mention also that the seven theaters we have on Lafayette Street—off Broadway, if you want to call them that—we have won Pulitzer Prizes, and all major awards for the work.

We have a poetry center there, considered one of the best in New York. We have contemporary jazz, considered best in New York today. We have a film program, which is one of the best in New York. We are into TV. We just did a production of an adaptation of "The Taming of the Shrew," which we sold to the British Broadcasting Co. It is called "Kiss Me, Petruchio," which we did in the park. They admitted that American actors were much more interesting than British actors. We like to hear that spoken. We also will be going into moving pictures, making of films. So we are involved in many, many activities. Some of them have a commercial feeling about them, because in fact, they are dealing in more popular areas. But most of them are nonrevenue producing.

We have an operation of some \$5 million a year which is the largest in the country for a theater. We are not a cultural center. A cultural center is no stronger than its constituents. I, therefore, in summarizing, want to make two points. I feel that, one, the whole debt should be canceled. Mr. McClure's proposal, I felt, created a huge problem immediately; what it did would be to rob Peter and not pay Paul. That is what it would do. I felt that was no solution at all. I believe in at least 30-percent maintenance. I know Roger does because he feels he can breath and maybe some of the people in Congress will say, well, they are paying something back. Actually I feel there should be 100-percent maintenance of that building because it is a Government building and it needs to be free of that debt. But just in principle alone, there should be 100-percent maintenance of that building.

I don't think the institution itself should be required to maintain the building. Finally, it should be considered in projected congress-

sional thinking as a framework of for the arts, for an artistic constituency at the Center.

The reason you are not getting money now from the NEA, Roger, is because the Center doesn't have a constituent. There is money available. Money can be raised for a constituency the same way money is raised for the Metropolitan Opera because there is some kind of a special visibility of an artistic institution that is related to the complex here.

The popular area must at the same time be kept alive. I think the idea of keeping both in sort of a reciprocal way of working where you have the best of capitalist thinking in Roger Steven's head, along with the role he has certainly assumed in the Broadway area, where he was one of the first producers to produce plays of quality.

Who in his right mind would produce "Medea" on Broadway. He did many things with Robert Whitehead and even though he was considered a hardheaded businessman, his tastes in the Broadway area were superior and I admire him for that, very much.

I think there has to be an increase in the outreach programs, but it seems that the Parks Department or the Department of Interior here is doing a lot of that work by giving free concerts and free performances and doing free Shakespeare and a number of programs that Jack Fish told me about. But the major emphasis at the Center is that it has to be an artistic institution. I think all things follow on from that.

Senator MOYNIHAN. Thank you for an extraordinary, interesting and creative performance.

Senator Chafee?

Senator CHAFEE. I want to say we are again grateful for Mr. Papp coming down and giving us his thoughts on this and obviously we are hearing from top people who know a lot about this area. You have been very helpful.

Mr. PAPP. Thank you, very much.

Senator MOYNIHAN. May I say, if I take the thrust of your argument, it is that the Kennedy Center is going to become a center of arts only as far as it has a resident company.

Mr. PAPP. Artistic status of its own, independent of bringing in shows from time to time which it has to do anyway to keep the theater going and have a diversity.

A number of theaters have this broad diversity. If you had a theater that just did four classics in repertory and two contemporary plays and you didn't permit a thing like "Annie" or "Chorus Line" or something of that kind, which has a broad appeal, you would be cutting off the potential of the institution, also the colorfulness of it.

You don't want to get too dreary. No matter how successful classics are, they have relatively limited appeal but they are extremely important and necessary for a theater of this kind. But keep it broad. I think Roger has that kind of viewpoint. I think it represents a very solid one.

Senator MOYNIHAN. Could I ask you, you mentioned the NEA, the National Endowment for the Arts.

Have you had some grants from them?

Mr. PAPP. We always get grants from the NEA.

Senator MOYNIHAN. What is your experience of their judgment in these matters?

Mr. PAPP. I think for the most part it has functioned effectively. It has been rather fair. It has been noninterfering, for example, in the internal operations of the theaters.

There was a time during the sixties when a number of theaters were doing plays and making utterances that were totally opposed to the administration's policies in Vietnam. At that time, it never came up as a matter of point. It made me feel very good about the democracy that exists. Eventually, their artistic judgments in terms of support, cannot be perfect but they have a very good record. The big problem with it nationally is with all the seeming amount of money, it is totally inadequate to begin to deal with the problems of the institutions. But the individuals themselves, I feel, have functioned very well on this particular program. It just doesn't have enough money. That is all.

It is dealing with an enormous thing of culture in the United States, a major country, an enormously relatively wealthy country. The amount of money for the arts is peanuts comparatively.

Senator MOYNIHAN. That is a very encouraging thing to hear you say. If it meets your standards even moderately, it is successful.

Mr. PAPP. Moderately, I would say.

Senator MOYNIHAN. For any Washington bureaucracy.

We thank you, very much.

Senator CHAFEE. May I just ask one question? Mr. Papp mentioned that the Kennedy Center doesn't get any NEA funds. Do funds only go directly to companies rather than to institutions? Is that the way it works?

Mr. PAPP. That is the way they have interpreted it this far. I don't know their specific reasons. It is an assumption on my part.

First of all, they find it very difficult to give it to institutions in Washington itself. There seems to be some problem there. Some of the smaller institutions have problems as well, although the Arena Stage does get money from the National Endowment and has since its inception. But for some reason or other, I assume that they do not consider the Center an arts institution, even though it presents the performing arts.

Senator CHAFEE. The money would go to the companies that are performing?

Mr. PAPP. Yes. If you had an arts constituent working at the Center, that company would get money from the NEA without any question. And other such activities might stimulate that.

Mr. STEVENS. Senator, the policy up until the last year or so anyway has been that the Arts Endowment also felt that this being a Government institution, it should go directly to Congress for money and not through the Arts Council.

Senator MOYNIHAN. You may want to reconsider that.

Mr. PAPP. Maybe when this other matter that we are working on gets straightened away, there would be a closer working together with the NEA.

Senator MOYNIHAN. Mr. Papp, thank you, very much.

As our last witness today, we are happy to welcome Joseph Golden, executive director, Cultural Resources Council of Syracuse, which is a thriving enterprise.

STATEMENT OF JOSEPH GOLDEN, EXECUTIVE DIRECTOR,
CULTURAL RESOURCES COUNCIL, SYRACUSE, N.Y.

Dr. GOLDEN. It certainly is.

Thank you.

Senator CHAFEE. I just have this appointment which I have to go to, and I apologize.

Dr. GOLDEN. It is quite all right.

Senator CHAFEE. Thank you.

Senator MOYNIHAN. We thank you very much for giving us so much of your afternoon when we were on the floor with other things.

The things that you have done in Syracuse, word has reached this city certainly. I once taught at the university up there. I remember, 24 years ago, going to somewhere or other, Marcel Marceau was talked into appearing.

Dr. GOLDEN. Yes. At the University Theater.

Senator MOYNIHAN. There were 30 people in this rather cavernous movie house that showed up.

Dr. GOLDEN. Thank you. Being rather late on Friday afternoon, I think it would be merciful and suggest whatever it is Mr. Stevens said about the activities of the Kennedy Center and what Mr. Mazzola said about Lincoln Center, I could say about ourselves and in just smaller dimensions.

Senator MOYNIHAN. Go ahead and say them.

Dr. GOLDEN. Because you were gracious enough to invite somebody from the boondocks, I would love to use about 5 minutes.

Senator MOYNIHAN. You take all the time you want, sir.

Dr. GOLDEN. Thank you.

A prepared statement has been submitted for the record.
(See p. 144.)

I confess I did not really address the issues of the Kennedy Center as such. But I felt if it could help at all it might be useful to provide some sort of different perspective on the Kennedy Center through a quick glimpse at a smaller scale operation of an art center in a community outside of one of the major urban centers.

I am Joseph Golden, executive director of the Cultural Resources Council and sort of by default, the managing director of the city center of Onondaga County which is a relatively new three-theater complex built in downtown Syracuse.

It is owned by, and paid for by the citizens and taxpayers of the county. It is very much a municipal public facility; relatively unique in structure. It is integrated architecturally and totally with a 16-story county office building for a total of 450,000 square feet, thus creating a fascinating interface of persons having to use governmental service of one kind or another, being obliged to pass through, around, and in a theater complex. It makes the complex as natural on the urban scene as would be an office building, a church.

It is primarily a center for the performing arts, although we do get some involvement in the area of the visual arts as well.

Our mandate, which comes from the county government is really quite easy to identify. It is simply to present, produce, and promote all manner of cultural, educational, literary, musical, and theatri-

cal events to insure that the use of the facility is maximized in terms of the resources that exist in our community.

In 1978, as one measure of the kinds of activity went on, over 100 different organizations used it for 1,421 events on 324 of the 365 days of the year, or approximately 90-percent utilization rate, drawing about 325,000 people from 16 counties in upstate New York.

In terms of its operating costs; as background to really the main statement that I would like to make in just a moment, its operating costs in 1978 was by the standards of my larger brothers behind me relatively modest, \$1,185,000 to operate that facility which is as I say by certain other national standards—

Senator MOYNIHAN. Well, no. Even Onondaga County has about 600,000 people.

Dr. GOLDEN. About 500,000.

Senator MOYNIHAN. So if you were to use the multiple for Metropolitan New York, or Metropolitan Washington, you are very visible indeed.

Dr. GOLDEN. We are delighted by it. It doesn't bother us that that differential exists. There is still enough conservatives in the county that that figure still raises a brow or two.

Senator MOYNIHAN. I recollect.

Dr. GOLDEN. Yes. That still exists certainly. But what is curious is that the facility generated a total income of revenue of only about \$80,000 a year which is returned to the county, that is, the owner, and is derived from rentals, primarily of the space of the facility.

So we face a problem, a very serious one, certainly that finally devolves upon the political viability of that institution in our community, and how to modify or expand the concept of ourselves in order to justify that tremendous difference.

In other words, the taxpayers of the county, with assistance from the State and Federal resources, come up with about \$1,005,000 in 1978, to keep that place open and operating.

So it is highly subsidized, but we feel we do that to insure maximum accessibility of that facility to every kind and nature and degree of activity that is characteristic of the lifestyle of that community.

I will expand on that in just a second.

In other words, we view the facility, or are obliged to, in fact, not entirely differently from a community college, a county park, a county road, a forest preserve, whatever, a human resource available to a great many people.

As I say, we feel no shame and no chagrin about the position; and as it turns out, interestingly, no one else does either in Onondaga County, largely because we maintain a whole different rapport with the public.

Our stance, our posture, is different relative to our own community. To us, the citizen investment is amply returned in three ways: One, through very heavy program in the area of community service; through using the facility as a showcase for local and developing talent; and, third, by identifying the dollars being generated and multiplied because of the existence of that facility and the kinds of persons it attracts and the kinds of money they spend.

Just very briefly, under the notion of service, we play several roles. We adopted them freely and willingly from the very beginning. We are a theater, we are a community and conference center, and we are a schoolhouse simultaneously.

We operate four programs that interrelate and interact all of the time.

We are grateful for that and it accounts for what seems to us a very large utilization rate.

In the second area, that of showcase, we tend to be very heavily in the community program area; to involve and train local performers and artists. I won't belabor that point now.

In the brochure I submitted is identified everything from ethnic festivals to school jazz programs—a very wide range that hopefully touches some of the nerve endings and interests of the community itself with a tremendously heavy stress on children.

As many others do, we conduct impact studies to determine precisely how those dollars move and generate and why in fact, collectively, a number of institutions return \$16 million to the county, where the county puts up \$700,000 to keep them in operation.

So we believe we not only multiply dollars, we multiply cultural opportunity, by directly and deeply involving the people who built and have paid for the center.

That in a nutshell is the digest of the remarks I have turned in. I would be happy to respond.

Senator MOYNIHAN. That really is an extraordinary performance up in Syracuse, which has long had a good museum, an interesting museum, but not performing arts at all and it is a county that can do as much as you are doing.

I mean, what would be comparable for the Nation would be a much larger one, and there is obviously some hyperbole in describing the Kennedy Center as serving the Nation. It serves the Capital primarily.

What was your response, or would be your response to Mr. Papp's suggestion? Do you have a theater company of your own?

Dr. GOLDEN. No; we do not. We are a home for several organizations, the Opera Theater of Syracuse, the Syracuse Symphony, Ballet Theater and several quasi-professional local groups.

Senator MOYNIHAN. You are rather like the Lincoln Center, with the Philharmonic and the Metropolitan Opera?

Dr. GOLDEN. Yes; we do not own them, or run them. They are independent, autonomous agencies that base themselves in our facilities.

Senator MOYNIHAN. Would you look forward to having a theater company?

Dr. GOLDEN. We would, except that we have a rather good one. Arthur Storch runs one under the aegis of the university and the community is well served by a virtually year-round professional theater.

Senator MOYNIHAN. It does work of its own?

Dr. GOLDEN. Yes.

Senator MOYNIHAN. So that is what you want?

Dr. GOLDEN. Opera, ballet, theater are produced ultimately.

Senator MOYNIHAN. That is not the case in Washington and that is striking.

Dr. GOLDEN. Just to underscore, if I may, with reference to the network of performing arts facilities that exist, I mentioned the radiation effect of the centers advisedly, namely, that we serve 16 counties. We have to. We are the only game in town, or in upstate New York, as it turns out.

I think this can be said of many performing arts centers around the United States, wherever they may be located, in Des Moines, Dallas, wherever they may, they are actually serving an enormous constituency that cuts across city, county, and State lines.

If you were to use the pins on a map, you would see an interlocking network of these centers that could in fact disseminate cultural services on a massive scale throughout the United States because of the reach they have developed.

Senator MOYNIHAN. Between Albany and Rochester, and Syracuse and that is a very large part, and a very important part of the role.

Dr. GOLDEN. Amen, sir.

Senator MOYNIHAN. Mr. Golden, we thank you very much for coming down. This is part of the world where, when you come in July it is a service and a generosity for which we are more than grateful.

Dr. GOLDEN. Thank you.

Senator MOYNIHAN. Mr. Stevens, you have been very thoughtful to stay the whole afternoon, and Mr. McPherson, would you like to make some final thoughts or would you think you are so far ahead, you had better leave it lay?

Mr. MCPHERSON. Mr. Chairman, I don't want to—we may all freeze in here before we finish—but I want to take just a moment to point out why we are here, to remind us all why we are here.

The Kennedy Center as one of the members pointed out earlier this afternoon was constructed with three sources of funds, one was appropriated, one was a bond and a loan, in effect, and one was public contributions.

The public contributions exceeded the matching requirement by quite a great deal and they continue to exceed, private contributions do continue.

The only reason I can conceive that the Congress ever imposed a compound interest requirement on a Federal building carrying out a public purpose as a combination of natural cultural center and Presidential memorial is because nothing like an undertaking, no undertaking like this had ever been considered seriously before, a large Federal contribution to the arts.

At the time, the National Endowment for the Arts did not exist.

Senator MOYNIHAN. Mr. Gross used to say over in the House he wanted to know if they taught poker on account of he thought poker was an art, would they teach poker, and so do I, as a matter of fact, and they still don't teach poker.

Mr. MCPHERSON. That is right. They ought to teach high and low, anyway. Then in 1969, when that loan was increased from \$15 million to \$20 million at that time I think the National Endowment appropriation was about \$10 million, altogether for the entire Nation.

So we had imposed on us this almost financial requirement to pay compound interest which I believe by the year 2019 will amount to enough to build several Senate office buildings or aircraft carriers.

Senator MOYNIHAN. We will need that. You may be losing a very important case. By the time that is finished, we will need all of that and then some.

Mr. MCPHERSON. We will bear that in mind. Ticket prices may be high enough to do that by then. But in any event, we are a prospering center by almost any standards. We are operating narrowly in the black with the help of the Federal Government's maintenance and security contribution through the National Park Service, but it should be noted that we do not come to the Government for any performing arts subsidy at all; that our occasional investments in the Pippin's and Annie's enable us to do a great deal of public service programing.

I share Mr. Papp's view that we ought to have homegrown companies, repertory companies, and such things. I think we very much need them. But the performance of the Kennedy Center in my experience, and I have observed it as you have since the beginning in the middle sixties, I think has been quite remarkable from a financial and fiscally responsible point of view as well as a cultural one.

I hope we can resolve it.

I do add one last thing. I hope also that Congress will bear in mind as it considers this financial legislation the needs that do exist for refurbishment of the Center, of the halls, the Concert Hall, Opera House, and Eisenhower Theater. They are now 10 years old and they have been used by millions of people. They will require some redoing which we will probably not have the means to do. So we may want to consider that.

Senator MOYNIHAN. If I can just thank you, sir, I know of your devotion to this cause when you were counsel to President Johnson, we have been saving a lot of money in the U.S. Senate this afternoon.

We cut half a billion dollars from the program to help poor people get jobs, just about 3 o'clock. Earlier on we were cutting \$750 million from welfare programs which I managed to hold off, but then we made it up by cutting another \$3½ million just this last vote we had.

I now have to go over there to see if they are about to cut out only \$150 million. We may save \$1 billion before the afternoon is out for this otherwise miserable Friday.

I could also report to those of you who are interested that Mr. Schlesinger is leaving and Mr. Duncan, the Deputy Secretary of Defense, will take his position; Mr. Claytor, the Secretary of the Navy, will take Secretary Adams' position until he moves out, when he will take Mr. Duncan's current position.

For those of you who are looking for an opportunity to make a name for yourself, there is one prospective opening for the Secretary of Transportation. I don't know if anybody in the room—but you probably don't apply here, but you shouldn't be finding this out from television.

We thank you all very much. We have learned a great deal on this committee and we will move legislation this year and we will be in touch with you all and we are much in your debt.

[Whereupon, at 5 p.m., the committee recessed, to reconvene at the call of the Chair.]

[Material referred to by Senator Domenici, statements submitted for the record, and the bill, S. 1532, follows:]

JOHN F. KENNEDY CENTER AUTHORIZATIONS

ADDITIONAL VIEWS OF MR. DOMENICI

I am pleased that the Committee on Environment and Public Works has agreed to address the many issues relating to the financing of the Kennedy Center for the Performing Arts before the Senate considers this legislation on the floor. Resolution of the parking-bonds debt and other aspects of the Center's finances must logically be considered before additional tax dollars are authorized for the Center.

Parking Bonds.—In addition to \$23,000,000 in direct appropriations provided for the Center in the 1960's, the Congress authorized \$20,400,000 in parking bonds for the Center. These bonds are due to be redeemed in the years 2017–2019. According to the General Accounting Office: "The bonds state that the interest and principal are to be paid from parking-revenues. However, the Center has not set aside any funds or made any provision to pay the interest or amortize the principal of the bonds."

By the original agreement with the Treasury Department, interest on the bonds was deferred until December 31, 1978. The Kennedy Center has since had that date extended to December 31, 1979. By the end of this year, the Center will owe the Treasury Department some \$17 million in back interest (not counting principal). It disturbs me that the Center has been unwilling to set aside even a dime towards the bonds or the accumulated interest. It is rather like a homeowner who spends to the limit of his paycheck, then refuses to pay anything on the mortgage of his home. Citizens can't get away with this; apparently the managers of the Kennedy Center can.

The problem goes back to the period before the Center was completed. The Center was running out of cash for construction work. So, rather than go to private contributors or to the Congress, it borrowed \$3.5 million from the company that obtained the concession on the parking garage. The money was used to complete construction on the theaters. To obtain the loan, the Center pledged the use of its parking revenues, those same revenues that were to go to pay the parking bonds. Says GAO: "The (parking) company's proposal to provide this advance . . . was an important factor in its selection to manage the Kennedy Center's parking facility."

Currently, the Center charges \$2.50 for every car that uses the three-level, 1,408-car parking garage in the evening, plus hourly charges during the day. This brings in some \$1.5 million yearly. Of these revenues, 5 percent off the top goes to the parking company as a "management fee." Next, the parking company is paid for all its operating and maintenance costs. Next, a payment of about \$400,000 is made yearly to the parking company toward the principal and interest on the \$3.5 million, 15-year loan. Then, and only then, does the Kennedy Center receive any revenues from the garage—50 percent of the residue. (The split becomes 70 percent Kennedy Center, 30 percent to the parking company once the loan is paid off, with an 80–20 split on revenues exceeding \$1.5 million.)

From 1972 through 1978, the parking garage received total revenues of \$8,716,426. Of that sum, the concessionaire received \$7,253,939, while the Center received \$1,462,487. And those parking revenues received by the Center were used for theater operations, according to the General Accounting Office.

As early as 1975, the Committee on Environment and Public Works made the following observation:

The Committee is greatly concerned over indications from the recent General Accounting Office report and hearings on this bill that the Center may be unable to meet its accumulated debt and to make necessary repairs, both outside the memorial aspects of the Center. This question will come into focus by 1978 when unpaid debts on the parking garage bonds fall due; the interest due in 1978 is estimated at \$14.6 million.

The Committee urges that the Center and the Department of the Interior recognize what might be termed the precarious financial position of the Center and report, within one year, to the Congress on what efforts are and will be made by the Center to raise the funds needed to meet this debt, as well as to meet any costs of major repairs that may be necessary. Such a report should contain a detailed analysis of the Center's efforts to raise additional capital funds to cover such debts in order that the taxpayers will not be forced to assume the burden of such added and unnecessary costs.

A year later, the committee expanded on this view:

During the 1976 hearings before the Committee, representatives of the Kennedy Center alluded to Treasury Bonds issued to finance construction of the parking garage at the Center. Payment of interest on the \$20.4 million in bonds may be deferred by the Center until December 31, 1978. At that time \$14.6 million in accrued interest will be due. Officials of the Center stated that existing revenue sources, because of the manner the funds are committed, are unlikely to yield sufficient funds to pay the interest. While no specific request for Federal assistance was made, the testimony indicated that the Kennedy Center would be seeking relief from its obligations in the future.

Members of the Committee, during consideration of H.R. 14360 in the last Congress, expressed opposition to granting such relief. The Committee believes there is need for better information on the Center's overall financial needs and operations, and perhaps also to establish clearer lines of responsibility for the Center's disparate functions; the center for the performing arts, and the national monument and major tourist attraction. The Committee plans to review these matters, and may propose changes in the division of responsibilities between the Kennedy Center Board and the Federal Government. The interest of the Federal Government in the Center in this legislation is limited to providing effective oversight of the building's structural integrity in

order to assure that adequate maintenance and rehabilitative measures needed to maintain its functional and aesthetic qualities are carried out.

It should be noted that the amended bill and the parking bonanza are not the only on-going Federal supports provided to the Center. Because of shabby construction work, the Congress has appropriated \$4.5 million to repair leaks in the roof and in the driveway. And more work is needed inside. According to the Park Service, the Opera House needs \$1,000,000 in work (carpet, wall coverings), the Concert Hall needs \$300,000 (carpet, broken seats), the Eisenhower Theater needs \$400,000 (carpet, ceiling fabric), and there is a need to spend \$700,000 to reinsulate the garage. The total: \$3.5 million, including contingencies.

And the list of taxpayer supporters goes on. While the National Endowment for the Arts gives no money directly to the Kennedy Center, the Center is still the beneficiary, both directly and indirectly, of large sums provided yearly by the Endowments. One of the Endowments' programs is its dance touring program, which provided \$3,886,000 nationally in fiscal year 1978 to pick up about a third of the costs of touring dance companies. Of that sum, the Kennedy Center received \$253,500 to finance a total of 9 weeks of performances by the American Ballet Theater and the New York City Ballet. The Endowment provides \$3,000,000 yearly to the American Film Institute, money which indirectly enables the Institute to rent its theater in the Center.

The public has a right to know exactly how much the Center receives from the taxpayers in order to make a proper analysis of future requests, such as relief of the parking bonds.

Tickets.—An issue related to the millions of taxpayer dollars provided yearly to the Center involves free tickets. I have introduced legislation (S. 558) that would limit the Center's ability to hand out free tickets to those who can easily afford to pay, while the Center continues to come to the taxpayers for this smorgasbord of financial supports. The Center provides approximately \$500 daily in free tickets (the most choice of seats) to the White House and to the Center's chairman, Roger Stevens. The White House tickets are normally used by the staff of the White House and the Congress, while the Stevens tickets are used by a variety of people, including persons being lobbied on wildlife protection issues.

The annual value of these tickets is some \$175,000 yearly. While this sum certainly will not retire the Center's debt, the principle of giving freebies to those who can afford to pay, while begging for more tax dollars, is simply wrong.

I applaud the Committee for its decision to confront the various issues relating to the finances of the Center, and I agree that this must be done before this legislation is considered on the floor.

PETE V. DOMENICI.



JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Board of Trustees
OFFICE OF THE CHAIRMAN

April 24, 1979

The Honorable Pete V. Domenici
United States Senate
Washington, D.C.

Dear Senator Domenici:

Reference your letter of April 13, a copy of the Auditors' Report of Kennedy Center financial operations for Fiscal 1978, certified by Lutz & Carr, is enclosed. Please call me at your convenience if you have any questions.

Sincerely,

Roger L. Stevens,
Chairman.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

AUDITORS' REPORT

SEPTEMBER 30, 1978

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS

300 EAST 42ND STREET
NEW YORK, N. Y. 10017
212-697-2299

The Board of Trustees
John F. Kennedy Center for
the Performing Arts and
Studio Theater Trust

We have examined the combining balance sheet of JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS AND STUDIO THEATER TRUST (not-for-profit organizations) as of September 30, 1978 and the related combining statements of: revenue, expenses, public support and capital additions; changes in fund balances; and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combining financial statements, present fairly the combined financial position of JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS AND STUDIO THEATER TRUST at September 30, 1978, and the combined results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the method of accounting for restricted contributions as described in Note 9, with which we concur.

Lutz and Carr

New York, New York
December 29, 1978

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

COMBINING BALANCE SHEET

SEPTEMBER 30, 1978

	Unrestricted		Restricted		Fixed Asset	Total All
	General Fund	Friends Fund	Corporate Fund	Other Donor Restricted Funds	Fund	Funds
Assets:						
Current Assets:						
Cash	\$1,308,148	\$217,326	\$469,783	\$ -	\$ 138,945	\$ 2,134,202
Certificates of deposit	600,000	200,000	800,000	-	1,500,000	3,100,000
Accounts receivable	708,371	1,952	-	-	-	708,323
Prepaid expenses	128,969	-	-	-	-	126,969
Marketable securities and other investments	308,969	-	-	-	-	308,909
Merchandise inventory	-	84,914	-	-	-	84,914
Pledges receivable	-	-	-	75,000	11,550	86,550
Total Current Assets	3,050,397	504,192	1,269,783	75,000	1,638,945	6,549,867
Other Assets:						
Land, building, improvements and equipment (net of accumulated depreciation)	-	-	-	-	2,075,270	65,021,138
Pledges receivable (Notes 1e and 3)	109,842	-	-	-	-	109,842
Interfund receivable or (payable)	627,771	(35,461)	(319,269)	74,481	(36,198)	-
Total Assets	3,788,010	468,731	950,534	149,481	3,678,017	71,680,847
Less: Liabilities:						
Current Liabilities:						
Accounts payable	959,659	12,053	-	-	323,837	1,528,737
Box office receipts and theatre rentals	-	-	-	-	-	1,832,311
Deferred contributions (Note 1c)	1,832,311	-	-	-	-	13,185
Other deferred revenues	13,185	-	-	-	-	2,438,925
Deferred grants and contributions (Note 1c)	60,000	-	950,534	149,481	1,278,910	191,805
Accrued salaries and taxes payable	191,805	-	-	-	-	-
Security deposit-APQOA Washington, Inc.-current portion	233,328	-	-	-	-	233,328
Total Current Liabilities	3,290,288	12,053	950,534	149,481	1,602,747	6,238,311
Other Liabilities:						
Accounts payable-C.S.A. non-current portion	6,115	-	-	-	-	6,115
Revenue bonds payable (Notes 2f and 4)	-	-	-	-	-	20,400,000
Deferred interest payable (Note 4)	-	-	-	-	-	14,461,055
Security deposit-APQOA Washington, Inc.-non-current portion	1,691,683	-	-	-	-	1,691,683
Accrued interest payable	982,860	-	-	-	-	982,860
Accrued repair and replacement of fixed assets	5,970,946	12,053	950,534	149,481	35,094,263	43,780,024
Total Liabilities	\$2,182,936	\$456,678	\$ -	\$ -	\$2,075,270	\$27,900,823
Contingencies (Note 5)						
Fund Balances or (Deficit)						

The accompanying letter of transmittal and notes are an integral part of this financial statement.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST
COMBINING STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED SEPTEMBER 30, 1978

	Unrestricted		Restricted		Fixed Asset Fund	Total All Funds
	General Fund	Friends Fund	Corporate Fund	Other Donor Restricted Fund		
Fund balances - October 1, 1977 (as previously reported)	\$ (2,198,073)	\$ 360,278	\$ 638,926	\$ 21,259	\$ 30,973,751	\$ 32,882,809
Prior period adjustment (Note 9)	-	-	(638,926)	(21,259)	-	(3,570,366)
Fund balances - October 1, 1977 (as adjusted)	(2,198,073)	360,278	-	-	30,973,751	29,412,443
Excess or (deficiency) of revenue and public support over expenses after capital additions	42,979	103,741	-	-	(3,457,123)	(1,511,620)
Interfund transfers for the acquisition of fixed assets	(27,842)	(7,341)	-	-	35,183	-
Fund Balances - September 30, 1978	<u>\$ (2,182,936)</u>	<u>\$ 456,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,551,811</u>	<u>\$ 27,900,823</u>

The accompanying letter of transmittal and notes
are an integral part of this financial statement.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST
COMBINING STATEMENT OF REVENUE, EXPENSES, PUBLIC SUPPORT
AND CAPITAL ADDITIONS

YEAR ENDED SEPTEMBER 30, 1978

	Unrestricted		Restricted		Fixed Asset Fund	Elimination	Total All Funds
	General Fund	Friends Fund	Corporate Fund	Other Donor Restricted Fund			
Revenue (Excluding Public Support and Capital Additions)							
Box office receipts	\$14,155,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$14,155,057
Theatre rentals	1,060,754	-	-	-	-	-	1,060,754
Concessions	791,002	-	-	-	-	-	791,002
Alliance for Arts Education	833,379	-	-	-	-	-	833,379
Memberships	-	157,574	-	-	-	-	157,574
Other income	422,009	-	-	-	22,350	-	628,576
Sales (net of cost of sales of \$245,095)	-	165,361	-	-	-	-	165,361
Total Revenue	17,262,201	339,640	-	-	22,350	-	17,791,703
Less: Expenses:							
Attractions' share of gross receipts	11,884,113	-	-	-	-	-	11,884,113
Net theatre expenses	3,005,777	-	-	-	-	-	3,005,777
Alliance for Arts Education expenses	1,341,135	-	200,000	-	-	(200,000)	1,341,135
Presentations	940,976	-	-	-	-	-	940,976
Non-funded programming (before programing contributions)	233,354	-	385,392	-	-	(385,392)	233,354
Reserve for repairs and replacement	-	-	-	-	-	-	-
Fund raising	250,000	-	-	-	-	-	250,000
Administrative expenses - Friends Fund	154,566	-	-	-	-	-	154,566
Public service projects	-	266,918	-	-	-	-	266,918
National Park Service:	-	(40,426)	-	-	-	(5,000)	35,426
Share of expenses	524,531	-	-	-	-	-	524,531
Direct reimbursement	97,155	-	-	-	-	-	97,155
Restricted fund expenses	-	-	-	185,440	-	(6,974)	178,466
Interest expense	-	-	-	-	2,018,503	-	2,018,503
Depreciation expense	-	-	-	-	1,472,520	-	1,472,520
Construction of office space to non- affiliated organizations	25,000	-	-	-	-	-	25,000
Total Expenses	18,456,607	307,344	585,392	185,440	3,491,023	(597,366)	22,428,440
Excess or (deficiency) of revenue over expenses before public support and capital additions (brought forward)	(1,194,406)	32,296	(585,392)	(185,440)	(3,468,673)	597,366	(4,636,737)

The accompanying letter of transmittal and notes
are an integral part of this financial statement.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

COMBINING STATEMENT OF REVENUE, EXPENSES, PUBLIC SUPPORT
AND CAPITAL ADDITIONS

YEAR ENDED SEPTEMBER 30, 1978

	Unrestricted		Restricted		Fixed Asset Fund	Elimination	Total All Funds
	General Fund	Friends Fund	Corporate Fund	Other Donor Restricted Fund			
Excess or (deficiency) of revenue over expenses before public support and capital additions (Carried forward)	<u>\$ (1,194,406)</u>	<u>\$ 32,296</u>	<u>\$ (585,392)</u>	<u>\$ (185,440)</u>	<u>\$ 167,512</u>	<u>\$ 597,366</u>	<u>\$ (4,636,737)</u>
Public Support:							
General							
Received for theatre programming	290,307	44,145	-	185,440	-	-	519,892
Related services (Note 6)	543,449	-	385,392	-	-	(385,392)	543,449
Alliance for Arts Education	12,978	27,300	-	-	-	(211,974)	40,278
	390,651	-	200,000	-	-	-	378,677
Total Public Support	<u>1,237,385</u>	<u>71,445</u>	<u>585,392</u>	<u>185,440</u>	<u>-</u>	<u>(597,366)</u>	<u>1,482,296</u>
Excess or (deficiency) or revenue and public support over expenses before capital additions	<u>42,979</u>	<u>103,741</u>	<u>-</u>	<u>-</u>	<u>167,512</u>	<u>-</u>	<u>(3,154,441)</u>
Capital additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,550</u>	<u>-</u>	<u>1,642,821</u>
Excess or (Deficiency) of Revenue and Public Support Over Expenses After Capital Additions	<u>\$ 42,979</u>	<u>\$ 103,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,457,123)</u>	<u>\$ -</u>	<u>\$ (1,511,620)</u>

The accompanying letter of transmittal and notes
are an integral part of this financial statement.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1978

	Unrestricted		Corporate	Restricted	Studio	Fixed Asset	Total All
	General	Funds	Fund	Restricted	Theatre	Fund	Funds
				Fund	Trust		
Financial Resources Were Provided By:							
Excess or (deficiency) of revenue and public support before capital additions	\$ 42,979	\$103,741	\$ -	\$ -	\$ 167,512	\$ (3,468,673)	\$ (3,154,441)
Capital additions	-	-	-	-	1,631,271	11,550	1,642,821
Excess or (deficiency) of revenue and public support over expenses after capital additions	42,979	103,741	-	-	1,798,783	(3,457,123)	(1,511,620)
Add: Expenses not using working capital:							
Depreciation	-	-	-	-	-	1,472,520	1,472,520
Reserve for repair and replacement of fixed assets	250,000	-	-	-	-	-	250,000
Deferred interest payable	292,979	103,741	-	-	-	2,018,503	2,018,503
Decrease in pledges receivable	70,217	-	-	-	1,798,783	33,900	2,229,403
Interfund (receivable) or payable	(271,859)	38,082	248,229	(53,222)	30,797	7,973	70,217
Interfund transfers	(27,842)	(7,341)	-	-	-	-	-
	63,495	134,482	248,229	(53,222)	1,829,580	77,056	2,299,620
Financial Resources Were Used For:							
Charges against reserve for repair and replacement of fixed assets	15,239	-	-	-	-	-	15,239
Acquisition of fixed assets	-	-	-	-	2,075,270	46,734	2,122,004
Decrease in accounts payable-G.S.A.-non-current portion	166,814	-	-	-	-	-	166,814
Decrease in security deposit-APCOA Washington, Inc. - non-current portion	233,328	-	-	-	2,075,270	46,734	2,537,385
	415,381	-	-	-	-	-	-
Net Increase or (Decrease) in Working Capital	\$ (551,886)	\$134,482	\$248,229	\$ (53,222)	\$ (245,690)	\$ 30,322	\$ (237,765)
CHANGES IN WORKING CAPITAL							
Cash	\$ (604,796)	\$ (57,643)	\$ (240,163)	\$ -	\$ (244,059)	\$ -	\$ (1,146,661)
Certificates of deposit	600,000	200,000	800,000	-	(1,000,000)	-	600,000
Accounts receivable	171,269	1,886	-	-	(71,983)	-	101,172
Prepaid expenses	(105,817)	-	-	-	(276,487)	-	(382,304)
Marketable securities and other investments	175,800	(2,000)	-	-	-	-	173,800
Merchandise inventory	-	(4,966)	-	-	-	-	(4,966)
Pledges receivable	-	-	-	75,000	-	11,550	86,550
Deferred interest payable	(43,410)	(2,795)	-	-	(284,432)	18,772	(381,371)
Unearned box office receipts and theatre rentals	(381,371)	-	-	-	-	-	510
Other deferred income	510	-	-	-	-	-	-
Deferred revenue-grants and contributions	(10,000)	-	(311,608)	(128,222)	1,631,271	-	1,181,441
Accrued salaries and taxes payable	(154,071)	-	-	-	(265,690)	30,322	(237,765)
Net Increase or (Decrease) in Working Capital	(351,886)	134,482	248,229	(53,222)	(245,690)	30,322	(237,765)
Working capital-(deficit) - October 1	111,995	357,657	71,020	(21,259)	281,888	(251,980)	549,321
Working Capital-(deficit) - September 30	\$ (239,891)	\$492,139	\$ 319,249	\$ (74,481)	\$ 36,198	\$ (221,658)	\$ 311,556

The accompanying letter of transmittal and notes are an integral part of this financial statement.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 1 - Summary of Significant Accounting Policies:

a - Basis of Presentation:

In December, 1978, the Accounting Standards Division of the American Institute of Certified Public Accountants issued a statement of position entitled "Accounting Principles and Reporting Practices for Certain Nonprofit Organizations." The Organizations' accounting policies are in compliance with the provisions of this statement.

b - Principles of Combination:

The accompanying combined financial statements include the accounts of John F. Kennedy Center for the Performing Arts ("Center") and Studio Theater Trust, affiliated organizations. All material related accounts and transactions between the organizations have been eliminated.

c - Grants and Contributions:

Grants and contributions for support of current activities are recorded as support in the respective funds to which they apply. Grants and contributions for support of future activities are deferred until earned. Enforceable pledges are recorded as receivables in the year made.

d - Marketable Securities and Other Investments:

Marketable securities are reflected at cost, if purchased, or at fair market value on date of acquisition, if received as a contribution.

e - Fixed Assets:

Fixed assets are being depreciated using the straight-line method over the estimated useful life of the asset.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 2 - Fund Accounting:

The financial statements are reported in self-balancing fund groups as follows:

- a - General Fund:
This fund is used to account for the general activity of the Center.
- b - Friends Fund:
This fund is used to account for the activities of the Friends of the Kennedy Center.
- c - Corporate Fund:
The Corporate Fund For The Performing Arts ("Corporate Fund") was formed to provide continuing corporate support for the ongoing activities of the Center. All funds contributed to this fund are being used to present outstanding performing arts programs and to encourage the development of new theatrical musical talents.
- d - Other Donor Restricted Fund:
This fund is used to account for grants whose use is restricted to certain programs designated by the donor.
- e - Studio Theater Trust:
The Studio Theater Trust was established with funds donated to the Center by the Government of Japan and six other Japanese organizations.

The purpose of the Trust is the carrying out of the terms and conditions of the contribution - the completion of the studio theater within the Center.

The resulting studio theater, when fully operational or at such other time as the trustees may determine, shall be turned over to the Board of Trustees of the Center and shall be for all purposes a part of the Center.

The trust is an Organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The trust shall terminate when the purposes set forth above have been fully executed, and the facilities and any portion of the trust estate remaining shall have been turned over to the Board of Trustees of the Center.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 2 - Fund Accounting: (Continued)

f - Fixed Asset Fund:

This fund is used to account for the acquisition and disposal of fixed assets and to allocate the cost of the fixed asset acquired over their estimated useful lives.

The "John F. Kennedy Center Act", as amended, established the Center as a bureau within the Smithsonian Institution to be directed by a Board of Trustees. The Act provides that the Board shall construct, maintain and administer the Center for the Smithsonian Institution with funds raised by voluntary contributions.

In addition, Section Eight of the Act authorized a Congressional appropriation of matching funds of up to \$23,000,000 for use in accordance with the Act and Section Nine authorized the Board to issue revenue bonds to the Secretary of the Treasury of not more than \$20,400,000 to finance necessary parking facilities for the Center.

The assets and corresponding liabilities resulting therefrom have been reflected on these financial statements since the Act vests responsibility for these assets in the Board of Trustees.

Note 3 - Fixed Assets:

Fixed assets consist of the following:

	<u>Life</u>	<u>Amount</u>
Building	50 years	\$73,091,962
Visitors Center	25 years	6,189
Furniture, fixtures and equipment	10 years	132,781
		<u>73,230,932</u>
Less: Accumulated depreciation		10,635,064
		<u>62,595,868</u>
Land		350,000
		<u>62,945,868</u>
Construction in progress - Studio Theater		<u>2,075,270</u>
		<u>\$65,021,138</u>

A charge for repair and replacement of fixed assets of \$250,000 has been reflected as an expense of the General Fund. In the opinion of management, such charge will be sufficient to meet repairs and replacements as required.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 4 - Revenue Bonds Payable:

The \$20,400,000 of revenue bonds referred to in Note 2f are payable as follows:

Due Date	Rate	Face
December 31, 2017	5-1/8%	\$ 3,800,000
" " "	5-1/4%	2,900,000
" " "	5-3/8%	1,200,000
December 31, 2018	5-3/4%	2,200,000
" " "	5-7/8%	4,300,000
" " "	6%	1,000,000
" " "	6-1/4%	1,300,000
" " "	6-1/2%	1,900,000
" " "	6-5/8%	800,000
December 31, 2019	6-5/8%	1,000,000
		\$20,400,000

Interest payments have been deferred until December 31, 1979. All deferred interest bears interest after June 30, 1972. Both the Revenue bonds and interest thereon are liabilities of the Board of Trustees of the Center.

Note 5 - Contingencies:

The Kennedy Center has been named one of the defendants in a lawsuit brought by an individual claiming, among other things, interference with his contractual relations and relating to the play, ANNIE. Kennedy Center is one of the general partners of the limited partnership producing ANNIE. Kennedy Center vigorously denies any liability in this matter; if there is a recovery, it is expected that there will be sufficient assets of the limited partnership to pay the amount thereof.

Kennedy Center is the defendant in several tort suits arising out of alleged injuries sustained by individuals at the Kennedy Center. It is believed that if there is any liability in these cases, sufficient coverage is provided by insurance and other sources to pay the amount thereof without any material effect on the financial condition of the Kennedy Center.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 5 - Contingencies: (Continued)

The District of Columbia government has, from time to time, claimed that the Kennedy Center is obligated to collect sales taxes on Kennedy Center sponsored events, although an understanding has been reached in the past that the Kennedy Center is not obligated thereof as an instrumentality of the United States. Kennedy Center considers that there is no liability for sales taxes.

At September 30, 1978, \$1,191,399 had been committed by the Center for additional construction work on the Studio Theater.

Note 6 - Donated Services:

The Center received donated services in connection with its operations. The fair value of these items is recorded as follows:

	General <u>Fund</u>	Friends <u>Fund</u>
Legal expenses	<u>\$12,978</u>	
Salaries		<u>\$27,300</u>

Note 7 - Specially Priced Tickets:

Since its opening in September, 1971, the Kennedy Center has maintained a Specially Priced Ticket Program through which tickets for Center-produced attractions are made available at half-price to students, the handicapped, senior citizens age 65 and over, low-income groups, and military personnel in grades E-1 through E-4. The attendant costs, in terms of reduced revenue potential and administrative overhead, are borne by the Center itself and are viewed as part of its educational/public service responsibility.

During the twelve-month period ending September 30, 1978, 110,757 tickets for Center-produced or presented attractions were sold at half-price through the Specially Priced Ticket Program. The sale of these tickets at full-price would have resulted in an additional gross income to the Center of \$425,391.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978

Note 7 - Specially Priced Tickets: (Continued)

The Center also requires that independent producers who occupy the halls, participate in the Ticket Program by making a certain percentage of their tickets available for sale at half-price. During the twelve month period ending September 30, 1978, the combined number of half-price tickets for Center-produced or presented attractions and those of independent producers totaled 129,707. The sale of these tickets at full price would have resulted in a total additional gross income of \$769,721 to the Center and independent producers.

Note 8 - Allocation of Overhead:

Administrative and operational overhead of the General Fund has been allocated among cost centers in reasonable ratios determined by management.

Note 9 - Change in Accounting Principles:

In prior years, the Organizations recorded as income, in the year received, contributions and grants that had been restricted by donors to certain purposes for which they may be used. In accordance with the statement of position discussed in Note 1a, Organizations are to record restricted grants and contributions as public support in the current period only to the extent that expenses have been incurred for the purpose specified by the donor. Accordingly, the fund balances at October 1, 1977, as previously reported, have been adjusted to defer restricted contributions which previously were included in the fund balance but for which the restrictions have not yet been met.

SUPPLEMENTAL SCHEDULES

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
AND STUDIO THEATER TRUST

STATEMENT OF OPERATIONS - CORPORATE FUND

YEAR ENDED SEPTEMBER 30, 1978

	<u>"Corporate Fund"</u>	<u>"Encore Fund"</u>	<u>Total</u>
Public Support and Other Income:			
Year ended September 30, 1977	\$ 852,649	\$ -	\$ 852,649
Year ended September 30, 1978	<u>171,800</u>	<u>725,200</u>	<u>897,000</u>
	<u>1,024,449</u>	<u>725,200</u>	<u>1,749,649</u>
 Expenditures on Programs:			
Year ended September 30, 1977	213,723	-	213,723
Year ended September 30, 1978	<u>332,947</u>	<u>252,445</u>	<u>585,392</u>
	<u>546,670</u>	<u>252,445</u>	<u>799,115</u>
 Deferred Grants and Contributions -			
September 30, 1978	<u>\$ 477,779</u>	<u>\$472,755</u>	<u>\$ 950,534</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

STATEMENT OF OPERATIONS - OTHER DONOR RESTRICTED FUND

YEAR ENDED SEPTEMBER 30, 1978

	<u>Deferred Balance</u> <u>October 1, 1977</u>	<u>Public</u> <u>Support</u>	<u>Expenses as</u> <u>Per Terms of</u> <u>Restrictions</u>	<u>Deferred Balance</u> <u>September 30, 1978</u>
African Room	\$(6,126)	\$ 10,878	\$ 6	\$ 4,746
Library	6,945	182	6,973	154
Rockefeller Competitions	(582)	151,669	127,121	23,966
Library of Congress	-	111,903	27,132	84,771
Other	<u>21,022</u>	<u>39,030</u>	<u>24,208</u>	<u>35,844</u>
Total	<u>\$21,259</u>	<u>\$313,662</u>	<u>\$185,440</u>	<u>\$149,481</u>

CONCESSION INCOME

Parking - APCOA Washington, Inc.	\$539,391
Canteen corporation	223,045
Golub	<u>28,566</u>
Total	<u>\$791,002</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

SCHEDULE OF REVENUE - ALLIANCE FOR ARTS EDUCATION

YEAR ENDED SEPTEMBER 30, 1978

	<u>Revenue</u>	<u>Public Support</u>	<u>Total</u>
Department of Health, Education and Welfare	\$750,000	\$ -	\$ 750,000
The National Committee of the Arts for the Handicapped	-	10,000	10,000
American College Theatre Festival X:			
Amoco	-	80,000	80,000
Box office receipts	53,840	-	53,840
Registration	24,536	-	24,536
David Library	-	6,974	6,974
Irene Ryan	-	6,777	6,777
McDonald's Corporation	-	5,900	5,900
Souvenir program	5,003	-	5,003
ATA	-	5,000	5,000
FNMA	-	2,500	2,500
Summer program	-	2,000	2,000
The Folger Fund	-	1,500	1,500
TAT Communications	-	1,000	1,000
Children's Art Programs:			
Kennedy Center Corporate Fund	-	200,000	200,000
McDonald's Corporation	-	50,000	50,000
Foundations	-	10,000	10,000
Friends of the Kennedy Center	-	5,000	5,000
Park Foundation Grant	-	3,500	3,500
IATSE	-	500	500
 Total	 <u>\$833,379</u>	 <u>\$390,651</u>	 <u>\$1,224,030</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

SUMMARY STATEMENT OF THEATRE OPERATIONS

YEAR ENDED SEPTEMBER 30, 1978

	<u>Eisenhower Theatre</u>	<u>Opera House</u>	<u>Concert Hall</u>	<u>Total</u>
Box office receipts	\$3,555,270	\$8,595,727	\$2,004,060	\$14,155,057
Less: Attraction share	<u>2,558,934</u>	<u>7,321,119</u>	<u>2,004,060</u>	<u>11,884,113</u>
	996,336	1,274,608	-	2,270,944
Add: Theatre rentals	80,500	467,346	512,908	1,060,754
Other income	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>1,076,836</u>	<u>1,756,954</u>	<u>512,908</u>	<u>3,346,698</u>
Less: Net theatre expenses	935,782	1,573,589	496,406	3,005,777
Reserve for repair and replacement	<u>37,080</u>	<u>72,630</u>	<u>40,290</u>	<u>150,000</u>
	<u>972,862</u>	<u>1,646,219</u>	<u>536,696</u>	<u>3,155,777</u>
Excess (Deficiency) of Revenue Over Expenses	<u>\$ 103,974</u>	<u>\$ 110,735</u>	<u>\$ (23,788)</u>	<u>\$ 190,921</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

THEATRE OPERATIONS - EISENHOWER THEATRE

FOR THE YEAR ENDED SEPTEMBER 30, 1978

Box Office Receipts	\$3,555,270
Less: Attractions share	<u>2,558,934</u>
	996,336
Add: Theatre rentals	<u>80,500</u>
	1,076,836

Less: Expenses:

	Total Expenses	Reimbursed by Attraction	Net Expense
Salaries:			
Managers	\$ 28,284	\$ 1,983	\$ 26,301
Box office	89,199	16,679	72,520
Ushers	52,852	16,503	36,349
Ticket takers	12,627	-	12,627
Firemen	8,041	633	7,408
Stagedoor	13,294	939	12,355
Musicians	12,793	10,940	1,853
Production	194,143	194,143	-
Stagehands	434,530	323,273	111,257
Wardrobe	21,197	21,197	-
Payroll taxes, pension, welfare	158,875	135,605	23,270
Newspaper, radio, TV	338,182	317,262	20,920
Mechanical production charges	38,156	37,299	857
Signs, photos, billposting	4,731	4,471	260
Printing	2,830	1,637	1,193
Public relations and patron parking	14,309	8,943	5,366
Subscription and mailing expense	40,577	13,314	27,263
Tickets	10,886	2,537	8,349
Ushers' supplies and expenses	5,680	225	5,455
Repairs and maintenance	40,004	-	40,004
Office and box office	35,215	33,660	1,555
Departmental	86,784	39,858	46,926
Piano rental and tuning	1,985	310	1,675
Equipment rentals	28,816	26,550	2,266
Independent booking office	3,300	1,650	1,650
Bad debts	8,726	-	8,726
Transportation	13,648	13,648	-
Production expenses	283,132	283,132	-
Rights and royalties	94,366	62,848	31,518
Delivery service	237	60	177
Allocation of administrative and operational overhead	<u>427,682</u>	<u>-</u>	<u>427,682</u>
	2,505,081	1,569,299	935,782
Reserve for repair and replacement of fixed assets	<u>48,580</u>	<u>11,500</u>	<u>37,080</u>
	<u>2,553,661</u>	<u>1,580,799</u>	<u>972,862</u>
Excess of Revenue Over Expenses			<u>\$ 103,974</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

THEATRE OPERATIONS - OPERA HOUSE

FOR THE YEAR ENDED SEPTEMBER 30, 1978

Box Office Receipts	\$8,595,727
Less: Attraction share	<u>7,321,119</u>
	1,274,608
Add: Theatre rentals	467,346
T.V. rights	<u>15,000</u>
	1,756,954

Less: Expenses:

	Total Expenses	Reimbursed by Attraction	Net Expense	
Salaries:				
Managers	\$ 33,936	\$ -	\$ 33,936	
Box office	142,905	67,849	75,056	
Ushers	83,921	75,348	8,573	
Ticket takers	16,036	-	16,036	
Firemen	7,972	-	7,972	
Stagedoor	14,775	-	14,775	
Production	36,123	3,584	32,539	
Stagehands	1,051,149	905,915	145,234	
Wardrobe	73,506	73,248	258	
Musicians	708,919	572,085	136,834	
Payroll taxes, pension, welfare	363,652	321,737	41,915	
Newspapers, radio, T.V.	336,707	270,321	66,386	
Mechanical production charges	34,242	34,242	-	
Signs, photos, billposting	4,142	2,953	1,189	
Printing	27,219	4,898	22,321	
Public relations and patron parking	19,852	14,170	5,682	
Subscription and mailing expense	110,771	110,771	-	
Tickets	17,752	4,813	12,939	
Ushers' supplies and expenses	6,270	795	5,475	
Repairs and maintenance	68,438	2,342	66,096	
Office and box office	7,807	7,807	-	
Departmental	90,434	53,792	36,642	
Piano rental and tuning	4,188	4,188	-	
Equipment rentals	8,742	7,756	986	
Independent booking office	3,325	1,200	2,125	
Bad debts	13,540	-	13,540	
Transportation	69,979	64,068	5,911	
Production expenses	1,559,793	1,559,793	-	
Rights and royalties	5,000	5,000	-	
Delivery service	1,074	1,074	-	
Allocation of administrative and operational overhead	<u>821,169</u>	-	<u>821,169</u>	
	5,743,338	4,169,749	1,573,589	
Reserve for repair and replacement of fixed assets	<u>78,284</u>	<u>5,654</u>	<u>72,630</u>	
	<u>5,821,622</u>	<u>4,175,403</u>		<u>1,646,219</u>
Excess of Revenue Over Expenses				<u>\$ 110,735</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

THEATRE OPERATIONS - CONCERT HALL

FOR THE YEAR ENDED SEPTEMBER 30, 1978

Box Office Receipts	\$2,004,060
Less: Attraction share	<u>2,004,060</u>
	512,908
Add: Theatre rentals	<u>512,908</u>

Less: Expenses:

	Total Expenses	Reimbursed by Attraction	Net Expense
Salaries:			
Managers	\$ 39,591	\$ 39,591	\$ -
Box office	98,055	98,055	-
Ushers	65,416	65,416	-
Ticket takers	17,551	17,551	-
Firemen	4,950	4,950	-
Stagedoor	16,514	16,514	-
Musicians	25,995	25,995	-
Stagehands	217,028	217,028	-
Production	153,935	153,935	-
Wardrobe	707	707	-
Payroll taxes, pension, welfare	71,994	71,994	-
Newspapers, radio, T.V.	70,005	70,005	-
Mechanical production charges	13,866	13,866	-
Signs, photos, billposting	605	605	-
Printing	3,666	3,666	-
Public relations and patron parking	7,432	7,432	-
Subscription and mailing expenses	20,877	20,877	-
Tickets	11,645	11,645	-
Ushers' supplies and expenses	6,615	6,615	-
Repairs and maintenance	38,360	-	38,360
Office and box office	6,567	6,567	-
Departmental	17,191	17,191	-
Piano rental and tuning	7,033	7,033	-
Equipment rentals	3,467	7,451	(3,984)
Independent booking office	200	200	-
Bad debts	10,837	10,837	-
Transportation	886	886	-
Production expenses	138,330	138,330	-
Rights and royalties	8,238	8,238	-
Delivery service	351	351	-
Allocation of administrative and operational overhead	<u>462,030</u>	<u>-</u>	<u>462,030</u>
	1,539,937	1,043,531	496,406
Reserve for repair and replacement of fixed assets	<u>40,290</u>	<u>-</u>	<u>40,290</u>
	<u>1,580,227</u>	<u>1,043,531</u>	<u>536,696</u>
(Deficiency) of Revenue Over Expenses			<u>\$ (23,788)</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
ADMINISTRATIVE AND OPERATIONAL OVERHEAD - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 1978

General and Administrative:

Chairman:

Salaries	\$ 42,810	
Benefits	4,012	
Publications	529	
Acceptance of gifts	5,443	
Meetings	4,046	
Other	<u>1,274</u>	\$ 58,114

Executive Director:

Salaries	89,668	
Benefits	10,706	
Other	<u>2,569</u>	102,943

General Manager:

Salaries	60,568	
Benefits	6,220	
Other	<u>1,202</u>	67,990

Director of Operations:

Salaries	65,208	
Benefits	6,609	
Other	<u>4,500</u>	76,317

Finance:

Salaries	54,459	
Benefits	4,806	
Supplies	2,537	
Other	<u>1,659</u>	63,461

Controller:

Salaries	34,985	
Benefits	4,255	
D-P services	6,555	
Supplies	3,247	
Other	<u>1,777</u>	50,819

Payroll:

Salaries	22,704	
Benefits	2,291	
D-P services	36,769	
Other	<u>5,003</u>	66,767

Internal Audit:

Salaries	37,972	
Benefits	2,178	
D-P services	11,129	
Other	<u>2,386</u>	53,665

Total (Brought forward)

540,076

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
ADMINISTRATIVE AND OPERATIONAL OVERHEAD - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 1978

Total (Carried forward)		\$ 540,076
General and Administrative: (Continued)		
Accounts Receivable:		
Salaries	\$ 18,564	
Benefits	1,832	
Other	<u>3</u>	20,399
Contract Administration/Special Events:		
Salaries	49,901	
Benefits	5,046	
Printing and publications	1,229	
Other	<u>493</u>	56,669
Special Projects:		
Salaries	64,950	
Benefits	4,995	
Other	<u>9,122</u>	79,067
Director of Building Operations:		
Salaries	41,501	
Benefits	7,173	
Facilities and construction	33,630	
Other	<u>5,151</u>	87,455
Administration:		
Salaries	59,656	
Benefits	5,157	
Other	<u>3,702</u>	68,515
General Office Support:		
Equipment purchase and repairs	4,643	
Office supplies and equipment	24,101	
Stationery	90	
Postage	22,009	
Copier rental	(15,985)	
Publications	(81)	
Travel and vehicle expenses	2,059	
Messenger service	532	
Interest expense	227	
Other	<u>(12)</u>	37,583
Legal and consulting	109,573	
Audit	35,185	
Insurance	115,774	
Telephone and telegraph	<u>188,548</u>	449,080
Total (Brought forward)		<u>1,338,844</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
ADMINISTRATIVE AND OPERATIONAL OVERHEAD - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 1978

Total (Carried forward)		\$1,338,844
Indirect Theatre Operations:		
Director of Public Relations:		
Salaries	\$ 93,855	
Benefits	7,011	
Calendars (monthly)	4,100	
General publicity	6,673	
Photo supplies, equipment and service	2,899	
Newsletter:		
Fees and salaries	6,745	
Printing and mailing	51,231	
Press supplies	<u>10,270</u>	182,784
Director of Sales:		
Salaries	33,260	
Benefits	2,930	
Mailing list maintenance expenses	13,118	
Printing	<u>14,641</u>	63,949
Subscription Sales:		
Salaries	9,401	
Benefits	(440)	
Other	<u>5,591</u>	14,552
Advance Mail Order and Mail Order Processing:		
Salaries	62,521	
Benefits	2,686	
Other	<u>4,903</u>	70,110
Instant Charge Sales:		
Salaries	(9,748)	
Benefits	19,325	
Forms and supplies	9,171	
Other	<u>1,824</u>	20,572
Telephone Information:		
Salaries	32,316	
Benefits	2,807	
Other	<u>998</u>	36,121
Group Sales and Travel:		
Salaries	(8,116)	
Benefits	5,451	
Printing and miscellaneous	5,251	
Promotion and expenses	18,780	
Other	<u>8,225</u>	29,591
Total (Brought forward)		<u>1,756,523</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
 ADMINISTRATIVE AND OPERATIONAL OVERHEAD - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 1978

Total (Carried forward)		\$1,756,523
Indirect Theatre Operations: (Continued)		
Technical Operations:		
Salaries	\$ 97,387	
Benefits	27,958	
Prints and materials	<u>3,373</u>	128,718
Theatre Operations:		
Salaries	19,672	
Benefits	1,862	
Equipment purchases and maintenance	14,249	
Public relations	1,520	
Public bus service	7,278	
Travel and transportation	36,030	
Miscellaneous office expenses	(25,083)	
Printing and publications	<u>1,722</u>	<u>57,250</u>
Total Administrative and Operational Overhead		<u>\$1,942,491</u>
Allocation of Administrative and Operational Overhead:		
Eisenhower Theatre	\$ 427,682	
Opera House	821,169	
Concert Hall	<u>462,030</u>	
Total Allocation to Theaters		1,710,881
Friends	35,461	
Alliance for Arts Education	178,075	
Fund raising	<u>18,074</u>	
Total		<u>\$1,942,491</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
SCHEDULE OF ADMINISTRATIVE EXPENSES - FRIENDS FUND
YEAR ENDED SEPTEMBER 30, 1978

Salaries and employee benefits	\$138,034
Office and postage	17,058
Promotion	30,524
Annual meeting	15,591
Printing	2,534
Travel	313
Meetings	184
Miscellaneous	4,409
Founder's room and decorating	14,715
Legal and consulting	8,095
Allocation of administrative and operational overhead	<u>35,461</u>
	<u>\$266,918</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
 SCHEDULE OF EXPENSES - ALLIANCE FOR ARTS EDUCATION
 YEAR ENDED SEPTEMBER 30, 1978

Salaries and benefits		\$ 159,058
Travel		39,237
Regional meetings		32,140
National Dance Project		16,090
Subcontracts with states		70,500
NCAH		23,900
National Arts Educational Advisory Panel		15,548
Intern programs		5,400
Special projects		4,045
ATA resource development		6,137
Visual and reading programs		14,565
CEMREL programs		5,000
Music programs (M.E.N.C.)		5,000
NDA		5,000
Printing and reproduction		25,452
Supplies and materials		41,046
American College Theatre Festival X:		
Administration	\$ 63,579	
Regionals	94,737	
Judging National Festival	8,844	
Programs and awards	41,885	
National Festival	124,747	
Marketing and promotion	28,802	
Office supplies	8,279	370,873
Children's Arts Programs:		
Salaries and benefits	34,633	
Artists fees and expenses	166,035	
Theatre use	37,760	
Information	64,096	
Creation of new works	8,046	
Travel	8,811	
Audience	902	320,283
Allocation of administrative and operational overhead		178,075
Miscellaneous		3,786
Total		<u>\$1,341,135</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

SCHEDULE OF FUND RAISING EXPENSES

YEAR ENDED SEPTEMBER 30, 1978

Director of Development:		
Salaries	\$67,178	
Benefits	5,556	
Travel	9,632	
Publications	986	
Other	<u>4,726</u>	\$ 88,078
 Golden Circle:		
Salaries	35,506	
Benefits	3,162	
Food, beverages and supplies	8,104	
Other	<u>1,642</u>	48,414
 Allocation of administrative overhead		<u>18,074</u>
 Total		<u>\$154,566</u>

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

SCHEDULE OF PRESENTATIONS

YEAR ENDED SEPTEMBER 30, 1978

	Gross Box Office Receipts	Theatre/ Producer Share	John F. Kennedy's Share	Production and Operating Expenses	Surplus or (Deficit)
First Monday in October	\$ 881,333	\$245,333	\$ 636,000	\$ 591,897*	\$ 44,103
Timbuktu	-	-	-	52,850	(52,850)
Somersaults	-	-	-	211,319	(211,319)
Last of Mrs. Cheyney	-	-	-	75,000	(75,000)
Absent Friends	-	-	-	362	(362)
Magdalene Flats	-	-	-	7,500	(7,500)
Master Builder	-	-	-	741	(741)
Stages	-	-	-	28,750	(28,750)
Merchant	-	-	-	12,000	(12,000)
Master and Margarita	-	-	-	750	(750)
Gracious Living - Washington	372,630	105,813	266,817	394,433	(127,616)
Gracious Living - Baltimore	164,296	41,074	123,222	120,889	2,333
Oh Kay!	-	-	-	49,638	(49,638)
Players	168,846	67,500	101,346	359,979**	(238,633)
Semmelweis	-	-	-	98,744	(98,744)
Every Good Boy Deserves Favor	137,299	-	137,299	200,808***	(63,509)
Total	\$1,724,404	\$459,720	\$1,264,684	\$2,205,660	\$ (940,976)

* Reduced by \$114,138 capitalization contributed by co-producer.

** Reduced by \$33,000 capitalization contributed by co-producer and \$56,000 contribution from the Corporate Fund.

*** Reduced by \$40,000 contribution from the Corporate Fund.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

THEATRE OPERATIONS - NON-FUNDED PROGRAMMING EXPENSES

YEAR ENDED SEPTEMBER 30, 1978

	Box Office Receipts	Royalties and Sundry	Less: Operating Expenses	Surplus or (Deficit)	Public Support	Net Surplus or (Deficit)
Music Theatre Lab	\$ -	\$ -	\$ 80,045	\$ (80,045)	\$ 80,045	\$ -
Black Commission	-	-	101,615	(101,615)	101,615	-
Lincoln Center Chamber Ensemble	52,599	-	55,390	(2,791)	-	(2,791)
Brahms/Beethoven Festivals	127,884	-	122,969	4,915	-	4,915
Handel Festival	26,404	-	104,172	(77,768)	60,000	(17,768)
Hanukka Sing-In	-	-	1,650	(1,650)	-	(1,650)
American Ballet Theatre I	834,068	-	854,920	(20,852)	108,000	87,148
American Ballet Theatre II	624,306	-	668,059	(43,753)	81,000	37,247
American Ballet Theatre - benefit	99,660	-	50,625	49,035	2,500	51,535
Annie	-	276,128	-	276,128	-	276,128
Christmas Festival	24,708	-	70,497	(45,789)	45,789	-
DC Youth Corale	-	-	1,650	(1,650)	-	(1,650)
Virgil Fox Organ Recital	9,618	-	16,314	(6,696)	-	(6,696)
New York City Ballet	424,938	-	490,393	(65,455)	64,500	(955)
Inter American Music Festival	-	-	3,300	(3,300)	-	(3,300)
Cuban Ballet	92,530	-	43,000	49,530	-	49,530
New York City Opera	451,646	-	677,934	(226,288)	-	(226,288)
DC Youth and Costa Rican Orchestra	-	-	4,600	(4,600)	-	(4,600)
London Festival Ballet	123,418	-	43,000	80,418	-	80,418
Friedheim Award	-	-	26,970	(26,970)	-	(26,970)
General	-	33,928	18,086	15,842	-	15,842
Total	\$2,891,779	\$310,056	\$3,435,189	\$ (233,354)	\$543,449	\$310,095

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.D.

May 11, 1979

The Honorable Jennings Randolph
Chairman, Committee on Environment
and Public Works
United States Senate

Dear Mr. Chairman:

In response to your request dated March 19, 1979, and discussions with your office, we have updated information contained in our prior reports on the John F. Kennedy Center for the Performing Arts. The updated information includes the Center's parking concession agreement, status of revenue bonds held by the Treasury Department, and the results of the Center's operations through fiscal year 1978.

CONTRACT AGREEMENT WITH THE
PARKING GARAGE CONCESSIONAIRE

The parking facility at the Kennedy Center which consists of 1,408 parking spaces is operated by the Airport Parking Company of America-Washington, Inc. Under its parking-concession agreement, it advanced the Center \$3,500,000 to be repaid from profits over the 15-year term of the agreement beginning in 1972. The company's proposal to provide this advance, which the Center required to complete construction and begin operations, was an important factor in its selection to manage the Kennedy Center's parking facility.

The agreement with the garage concessionaire provides that after deductions for interest and amortization of the principal, profits are to be split evenly between the concessionaire and the Center. The agreement also gives the concessionaire a 10-year renewal option and provides that the Center can repay the advance prior to the end of the initial 15-year term. After the advance is repaid--which at the present rate of repayment will be in 1987--the Center will receive 70 percent of net profits on annual gross receipts up to \$1.5 million. On annual gross receipts in excess of \$1.5 million after repayment of the advance, the distribution rate is 80 percent

to the Center and 20 percent to the contractor. After the option period, the Center can award a new contract.

The Center's net income from parking revenues was \$250,610 in 1977 and \$156,179 in 1978. A schedule of parking revenues from 1972 through 1978 and the Center's share is shown in enclosure 1.

Evaluation of parking-concession proposals

In a prior report (B-154459, August 8, 1972), we evaluated the parking-concession proposals received by the Center and, considering the Center's requirement for a substantial advance against future parking revenues, agreed with the selection made. However, if the advance had not been required, we believed the Center could have entered into a more favorable parking concession agreement with another company.

Details on our evaluation of the proposals were contained in chapter 4 of our August 1972 report (enclosure 2).

ISSUANCE AND CURRENT STATUS OF REVENUE BONDS

As authorized by Section 9 of the Kennedy Center Act, the Center's Board of Trustees borrowed \$20.4 million from the Treasury Department by issuing revenue bonds. The proceeds were to be used to finance the construction of the Center's parking facilities and the bonds were to be repaid from revenues accruing to the Center. The act permitted deferral of interest payment on the bonds but stipulated that interest so deferred will bear interest after June 30, 1972. The Center issued 21 revenue bonds between July 1, 1968, and April 30, 1970, with maturity dates ranging from December 31, 2017 to December 31, 2019.

The bonds provide that principal and interest are to be paid from parking revenues. To date, no payments have been made of the interest due. Beginning in December 1968, the Board annually requested a deferral of the interest which was granted by the Treasury. In February 1979, the Treasury granted the latest one-year deferral through December 1979 after the Center indicated its intent to seek a legislative solution to its financial problems. As of December 31, 1978, the Center's bond indebtedness totaled, \$35,374,097 -- \$20,400,000 principal plus \$14,974,097 in interest. (See enclosures 3 and 4.)

RESULTS OF THE CENTER'S OPERATIONS

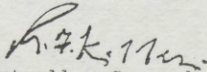
We summarized the financial results of the Center's operations for fiscal years 1972 through 1976 in our previous report (GGD-78-15, December 20, 1977). The Center's net income from operations, before the provision for interest on the revenue bonds was \$65,160 in 1977 and \$42,979 in 1978 resulting in a net income from operations since the Center opened in fiscal year 1972 through fiscal year 1978 of \$1,157,369. After deducting interest accrued on the bonds, the Center showed net losses of \$1,825,176 in 1977, and \$1,975,524 in 1978 and a cumulative net loss of \$13,303,688 through fiscal year 1978. A summary of the Center's income and expenses from 1972 through 1978 is shown in enclosure 5.

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The updated information contained in this report was derived from the Center's certified public accountant's reports, Treasury data on bonds and interest, and information obtained from the Kennedy Center. We have not audited the information obtained. In accordance with Public Law 94-119, which requires us to audit regularly the Kennedy Center's accounts and records, we are in the process of auditing the Center's operations for fiscal years 1977 and 1978, and a copy of our report will be sent to your Committee when the audit is completed.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 3 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,


 ACTING Comptroller General
 of the United States

Enclosures - 5

John F. Kennedy Center for the Performing Arts

Parking Revenues and Center's Share

	1972	1973	1974	1975	1976	1977	1978	Total
Gross revenue	\$1,084,868	\$1,129,208	\$1,221,833	\$1,261,313	\$1,427,880	\$1,377,994	\$1,213,270	\$9,716,426
Expenses:								
Operating	184,180	170,972	195,555	a/283,529	a/328,394	a/369,767	a/352,242	1,884,639
Maintenance								
Utilities								
Security								
Telephone								
Travel								
Miscellaneous								
Total	54,743	56,460	61,092	63,069	71,394	68,900	60,663	435,821
Net operating profit	238,423	227,432	256,647	346,598	399,788	438,667	412,905	2,320,460
Center's share	846,445	901,776	965,186	914,775	1,028,092	939,327	800,365	6,395,966
Payment to advance:								
Operating	201,250	310,333	326,083	210,001	166,833	180,833	225,750	1,621,083
Maintenance	233,333	233,333	233,328	233,333	233,333	233,328	223,328	1,633,316
Utilities	434,583	543,666	559,411	443,334	400,166	414,161	459,078	3,234,399
Security								
Telephone								
Travel								
Miscellaneous								
Total	411,862	358,110	405,775	471,441	627,926	525,166	341,287	3,141,567
Center's share	205,931	179,055	202,888	235,720	313,963	262,583	170,643	1,570,783
Less valuations	32,507	13,422	11,855	12,010	12,065	11,973	14,464	108,296
(note 2)								
Center's share	\$ 173,424	\$ 165,633	\$ 191,032	\$ 223,711	\$ 301,898	\$ 250,610	\$ 156,179	\$1,462,487

a/For 1972, \$172,000 paid to the Center for utilities.
 b/Interest is determined by the prime rate of the Chase Manhattan Bank at
 November 1 of each year. The rate was 5-3/4 percent in 1972, 9-1/2 percent
 in 1973, 11-3/4 percent in 1974, 7-1/2 percent in 1975, 6-1/2 percent in
 1976, 7-1/4 percent in 1977, and 10-3/4 percent in 1978.
 c/Valuations for purchasing tickets is allowed 30 minutes of free parking for which
 the fee is made by the Center to the parking concessionaire.

ENCLOSURE 2

ENCLOSURE 2

CHAPTER 4

PARKING CONCESSION

AWARD OF THE PARKING-CONCESSION AGREEMENT

In response to a request for proposals dated June 22, 1966, the Center received three proposals for managing its parking facility. All three proposals were rejected. The Center had no record of the basis for the rejections, and Center officials told us they could not remember the basis for the actions.

The proposals provided that the concessionaire retain revenue as shown below.

<u>Proposals</u>	<u>Concessionaire's share of revenue</u>
1	\$12,000, plus expenses
2	2-1/2 percent of gross receipts up to \$200,000
	3-1/2 percent of gross receipts from \$200,000 to \$400,000
	4-1/2 percent of gross receipts from \$400,000 to \$600,000
	5-1/2 percent of gross receipts over \$600,000, plus expenses
3	100 percent of the first \$80,000 of gross receipts for fixed expenses
	50 percent of the next \$80,000 of gross receipts
	25 percent of additional gross receipts

The Center again requested proposals on October 16, 1968, from eight companies. Because the Center needed funds to pay construction costs and to begin operations, this request required that "A substantial advance to the Center against future profits should be proposed." The Center received four proposals in November 1968. A summary of these proposals reflecting subsequent negotiations with APCOA and company A 1/ is presented in the following table.

1/The Center request stated that each proposal would be considered in the strictest confidence. At the request of Center officials, we have designated companies other than APCOA as companies A, B, and C.

Source: GAO report B-154459, August 8, 1972

Summary of Parking Concession Proposals
Reflecting Subsequent Negotiations

	<u>APCOA</u>	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>
<u>Proposed Division</u>				
<u>Tolls</u>	15 years	20 years	10 years	Not stated
<u>Periodical tolls</u>	10 years	10 years	Not stated	Not stated
<u>Advance payment revenues</u>	\$3,500,000	\$3,000,000		\$100,000
<u>Payment of advance</u>	\$231,311 for 15 years, plus interest at the prime rate of Chase Manhattan Bank	14-year payout at 6-percent interest on \$3,650,000 (advance, equipment, and 2 years prepaid interest)		Amortized as expense
<u>Estimated cost of equipment</u>	\$130,000	\$250,000	\$89,618	\$45,000
<u>Payment for equipment</u>	By APCOA--amortized as expense	By company A--repaid as shown above	By company B--amortized as expense	By company C--amortized as expense
<u>Estimated gross receipts</u>	\$1,250,000	\$936,000	\$864,000	\$750,000
<u>Estimated operating expenses</u>	\$300,000	\$750,000	\$277,460	\$206,000
<u>Management fee (note a)</u>	5% of gross receipts	7-1/2% of gross receipts	6% of gross receipts	\$35,000
<u>Label costs (note a)</u>	No estimate	\$101,500	\$117,200	\$140,000
<u>Company's share of net profit after advance is subtracted</u>	b/ 50%	b/ 50% of first \$200,000 40% of remainder		50% of first \$100,000 15% of next \$100,000 10% of next \$200,000 5% of remainder
<u>Company's share of net profit after payment of advance</u>	30% of net profit on gross receipts up to \$1.5 million plus 20% of gross receipts in excess of \$1.5 million	Same as above after \$400,000 of net profit is paid to Center	5%	Same as above
<u>Management fees and labor costs are included in the amounts shown for estimated operating expenses.</u>				
<u>Management fee is a contribution of net profit after withholding the advance</u>				
<u>Management fee is a contribution of net profit after withholding the advance</u>				

Company B and company C did not propose a substantial cash advance against future revenues. Center records show that, for this reason and because other aspects of the proposals were not considered to be substantially different, final negotiations were limited to APCOA and company A. After these negotiations and with the unanimous recommendation of the Center/GSA Building Committee, the parking concession was awarded to APCOA on February 21, 1969.

The principal features of the agreement are as shown in the above table. The commencement date of the agreement was to be the date of completion of the parking facility and its acceptance by APCOA. APCOA subsequently accepted the parking facility on April 1, 1972.

GAO EVALUATION OF THE PARKING-CONCESSION PROPOSALS

We compared the APCOA proposal with the other proposals received by the Center. The only available written evaluation made by the Center was a comparative listing of the terms proposed by APCOA and company A.

We made two comparisons. First we compared the APCOA and company A proposals--the only proposals which offered a substantial advance against future revenue. Next we compared the APCOA and company B proposals to determine whether the Center could have obtained a more favorable agreement if it had not required a substantial advance. We made no comparison with the company C proposal because we had determined previously that the company B proposal was more favorable.

Estimated gross receipts and expenses in proposals

APCOA and companies A, B, and C estimated gross receipts at \$1,250,000, \$936,000, \$864,000, and \$750,000, respectively. We believe that, for a comparison to be equitable, it should not be based on a different level of gross receipts for each company, because the amount of gross receipts that can be generated is dependent upon the capacity and utilization of the parking facility and the parking rates charged--factors over which the concessionaire would have little control.

Utilization of the parking facility is governed, in part, by the scheduling of performances at the Center, and the capacity of the facility is relatively fixed. In addition, the Center has approval authority over parking rates. Accordingly, in each comparison, we computed the revenue to the Center from each company on the basis of APCOA's estimate of receipts and expenses and also on the other company's estimate of receipts and expenses. At all times, however, we used the actual management-fee rate proposed by the companies. The basic data used in our comparisons follow.

	<u>APCOA</u>	<u>Estimate by</u>	
		<u>Company A</u>	<u>Company B</u>
		<u>(000 omitted)</u>	
Gross receipts	\$1,250	\$936	\$864
Expenses	<u>238</u>	<u>188</u>	<u>176</u>
Net profit before management fee	\$1,012	\$748	\$688
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Present value

Because the value of money is directly related to the time in which it is received, we also compared the present value of the expected revenue to the Center.

A major problem in the use of the present-value methods of analysis has been the selection of the appropriate discount rate. For Federal Government program analyses and decisionmaking, arguments have been presented for using rates ranging from as low as the interest rate for borrowings by the Treasury to rates as high as certain rates of return that can be earned in the private sector of the economy. The discount rate used has a direct effect on the results and conclusions of present-value analysis.

Because of the public and private aspects of the Center and the controversy over the selection of an appropriate discount rate, we computed the present value of revenue to the Center using 6, 8, and 10 percent discount rates. We

are not taking a position as to which discount rate is appropriate, but we believe that our computations provide an indication of the effect of present-value considerations on estimated revenues to the Center.

APCOA proposal versus company A proposal

We computed, for the APCOA and company A proposals, the estimated revenues to the Center and the present value of those revenues for (1) a 15-year period representing the basic term of the APCOA proposal and (2) a 25-year period representing the basic term and the 10-year-renewal option period.

Our comparison of the estimated revenues to the Center under the APCOA and company A proposals showed that the estimated revenues to the Center would have been higher under the company A proposal based on either APCOA's or company A's estimates of gross receipts and expenses as shown in the following table.

<u>Estimated Revenue to the Center</u> <u>from Parking Concession</u>			
<u>Gross receipts</u> <u>and expenses</u> <u>as estimated by</u>	<u>Parking</u> <u>concessionaire</u>	<u>Revenue from parking</u> <u>operations</u>	
		<u>15 years</u>	<u>25 years</u>
----- (millions) -----			
APCOA	APCOA	\$8.1	\$14.8
	Company A (note a)	<u>8.5</u>	<u>15.4</u>
	Difference	\$0.4 ====	\$ 0.7 =====
Company A	APCOA (note b)	\$6.2	\$11.1
	Company A	<u>6.4</u>	<u>11.3</u>
	Difference	\$0.1 ====	\$ 0.7 =====

a/Based on APCOA's estimated receipts and expenses and on company A's proposed management fee.

b/Based on company A's estimated receipts and expenses and on APCOA's proposed management fee.

Note: Figures may not add due to rounding.

However, the present value of the estimated revenue to the Center is generally higher under the APCOA proposal. The following table shows the results of our present-value computations.

		<u>Present Value of</u> <u>Estimated Revenue to the Center</u> <u>from Parking Concession</u>					
Gross receipts and expenses as estimated by	Parking Conces- sionaire	Present value of revenue from parking operations					
		15 years			25 years		
Discount rate		(6%)	(8%)	(10%)	(6%)	(8%)	(10%)
		millions					
APCOA	APCOA	\$6.4	\$6.1	\$5.8	\$8.5	\$7.5	\$6.7
	Company A	6.4	a/ 6.0	5.6	8.5	a/ 7.4	6.6
	Difference	\$0.0	\$0.1	\$0.1	\$0.1	\$0.0	\$0.1
		====	====	====	====	====	====
Company A	APCOA	\$5.2	\$5.0	\$4.8	\$6.7	a/ \$6.0	\$5.5
	Company A	5.0	4.7	4.5	6.7	5.9	5.3
	Difference	\$0.2	\$0.2	\$0.3	\$0.0	\$0.1	\$0.2
		====	====	====	====	====	====

a/Indicates the higher amount.

Note: Figures may not add due to rounding.

As shown above, the present value of estimated revenue to the Center from company A is higher only under APCOA's estimate of gross receipts and expenses and at a 6-percent discount rate.

We believe the selection of APCOA over company A was reasonable because of the following factors.

- The additional revenue under the company A proposal is less than \$30,000 a year, regardless of which company's estimate is used.
- The present value analysis of the estimated revenue favors the APCOA proposal.
- During the 15-year basic term of the APCOA proposal, each dollar increase in gross receipts above the

level estimated by APCOA would result in 8 cents more revenue to the Center under the company A proposal than under the APCOA proposal. However, during the 10-year renewal period, each dollar increase in gross receipts would result in 11 cents more revenue to the Center under the APCOA proposal than under the company A proposal if gross receipts remain at \$1.5 million or less and in 21 cents more revenue on each dollar increase in gross receipts over \$1.5 million. In both cases we assumed that there would be no increase in expenses.

APCOA proposal versus company B proposal

Our comparison of the APCOA and company B proposals disclosed that the estimated revenue and the present value of estimated revenue to the Center were higher under the company B proposal at all levels considered, as shown in the following tables.

Estimated Revenue to the Center
from Parking Concession

Gross receipts and expenses as estimated by	Parking concessionaire	Revenue from parking operations	
		15 years	25 years
----- (millions) -----			
APCOA	APCOA	\$ 8.1	\$14.8
	Company B (note a)	<u>13.4</u>	<u>22.3</u>
	Difference	\$ 5.3 =====	\$ 7.5 =====
Company B	APCOA (note b)	\$5.8	\$10.3
	Company B	<u>9.1</u>	<u>15.1</u>
	Difference	\$3.3 =====	\$ 4.8 =====

a/Based on APCOA's estimated receipts and expenses and on company B's proposed management fee.

b/Based on company B's estimated receipts and expenses and on APCOA's proposed management fee.

Present value of
Estimated Revenue to the Center
from Parking Concession

Gross receipts and expenses as estimated by	Parking conces sionaire	Present value of revenue from parking operations					
		15 years			25 years		
Discount rate		(6%)	(8%)	(10%)	(6%)	(8%)	(10%)
------(millions)-----							
APCOA	APCOA	\$6.4	\$6.1	\$5.8	\$ 8.5	\$7.5	\$6.7
	Company B	<u>8.7</u>	<u>7.6</u>	<u>6.8</u>	<u>11.4</u>	<u>9.5</u>	<u>8.1</u>
	Difference	\$2.2	\$1.6	\$1.0	\$2.9	\$2.0	\$1.4
		====	====	====	====	====	====
Company B	APCOA	\$4.9	\$4.7	\$4.6	\$6.3	\$5.7	\$5.3
	Company B	<u>5.9</u>	<u>5.2</u>	<u>4.6</u>	a/ <u>7.7</u>	<u>6.5</u>	<u>5.5</u>
	Difference	\$0.9	\$0.4	\$0.0	\$1.4	\$0.8	\$0.2
		====	====	====	====	====	====

a/Company B's amount is higher.

Note: Figures may not add due to rounding.

If the Center had not required a substantial advance against revenues, it could have entered into a more favorable parking-concession agreement with company B. On the basis of APCOA's estimates, revenue to the Center under a parking-concession agreement with company B would have been \$6.3 million more in the first 15 years of operations or \$7.5 million more in the first 25 years of operations. On the basis of company B's estimates, revenue to the Center under an agreement with company B would have been \$3.3 million more in the first 15 years of operations or \$4.8 million more in the first 25 years of operations. Moreover, our present-value computations showed that the company B proposal remained more favorable when we considered the time value of money.

If the parking concession generates more than estimated in the above alternatives, the Center will receive a smaller portion of the additional profit than it would have received under the company B proposal. Under the APCOA agreement the Center will receive 50 percent of any increase in net profit during the initial 15-year term and 70 percent of any increase in net profit on gross receipts of \$1.5 million or less during the 10-year renewal period. Under the company B proposal, the Center would have received 95 percent of any additional net profit.

To illustrate this difference we computed the profit to the Center resulting from an increase in gross receipts of \$250,000 with no increase in expenses. In this case the Center would have received an additional \$119,000 under the APCOA proposal but would have received an additional \$223,000 under the company B proposal.

We recognize that the Center considered APCOA and company A as the only companies that submitted responsive proposals. Furthermore, we have not examined into alternative sources of funds which might have been available to the Center at that time. Therefore we are not taking the position that the parking-concession agreement should have been awarded to company B. We are including our comparison of the APCOA and company B proposals only as information for the Committee.

ENCLOSURE 3ENCLOSURE 3

John F. Kennedy Center for the Performing Arts
Loans, John F. Kennedy Center, Parking Facilities
Revenue Bonds - 12/31/78

<u>Percent of Rate</u>	<u>Bond no.</u>	<u>Due date</u>	<u>Calendar year advanced</u>	<u>Accrued face amount</u>
5-1/8	2-5	12/31/2017	1968	\$ 3,800,000
5- 1/4	1-6	12/31/2017	1968	2,900,000
5-3/8	7 and 8	12/31/2017	1968	1,200,000
5-3/4	9 and 10	12/31/2018	1968	2,200,000
5-7/8	11 and 14	12/31/2018	1969	4,300,000
6	15	12/31/2018	1969	1,000,000
6-1/4	16 and 17	12/31/2018	1969	1,300,000
6-1/2	18 and 19	12/31/2018	1969	1,900,000
6-5/8	20	12/31/2018	1969	800,000
6-5/8	21	12/31/2019	1970	<u>1,000,000</u>
GRAND TOTAL				<u>\$20,400,000</u> =====

ENCLOSURE 4ENCLOSURE 4John F. Kennedy - Deferred Interest
Revenue Bonds - 12/31/78

<u>Year</u> <u>deferred</u>	<u>Interest</u> <u>deferred</u>	<u>Percent of</u> <u>deferred</u> <u>rate</u>	<u>Interest</u> <u>on</u> <u>deferred</u> <u>interest</u>	<u>Interest</u> <u>on</u> <u>deferred</u> <u>interest</u> <u>deferred</u>
12/31/68	\$ 114,176.57	5-1/2	\$ 6,279.71	
12/31/69	775,852.06	7-1/8	55,279.46	
12/31/70	1,152,844.18	6-5/8	76,375.93	
12/31/71	1,174,625.00	5-7/8	69,009.22	
12/31/72	1,174,625.00	6-1/8	71,945.78	
12/31/73	1,174,625.00	6-7/8	80,755.47	
12/31/74	1,174,625.00	7-3/4	91,033.43	
12/31/75	1,174,625.00	7-1/2	88,096.88	
12/31/76	1,174,625.00	6-1/8	71,945.78	
12/31/77	1,174,625.00	7	82,223.75	
	\$10,265,247.81		692,945.41	

Interest on deferred
interest deferred

12/31/72	6-1/8	103,472.16	\$ 6,337.66
12/31/73	6-7/8	285,227.76	19,609.41
12/31/74	7-3/4	385,592.64	29,883.43
12/31/75	7-1/2	506,509.50	37,988.21
12/31/76	6-1/8	632,594.59	38,746.42
12/31/77	7	743,286.79	52,036.08
		2,656,683.44	\$184,595.21
		\$3,349,628.85	=====

SUMMARY

Interest for year ended 12/31/78	\$ 1,174,625.00
Deferred interest to date	10,265,247.81
Interest on deferred interest	3,349,628.85
Interest on deferred interest deferred	184,595.21
	\$14,974,096.87
	=====
Principal owed	\$20,400,000.00
Total interest owed	14,974,096.87
	=====
Total owed 12/31/78	\$35,374,096.87
	=====

TESTIMONY OF
ROGER L. STEVENS
CHAIRMAN

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
WASHINGTON, D. C. 20560

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July 20, 1979

TESTIMONY OF ROGER L. STEVENS, CHAIRMAN
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
BEFORE THE SENATE COMMITTEE ON ENVIRONMENT
AND PUBLIC WORKS

Mr. Chairman, Members of the Committee on Environment and Public Works:

I am pleased that the Chairman has convened this hearing, so that we might have a full and open discussion of the Kennedy Center's financial relationship with the Federal government.

As the Members know, the General Accounting Office, in its 1977 report on the Center, posed the following problem:

-- First, the Center has been unable to set aside funds to repay the principal and interest on its construction bonds, which are held by the Treasury;

-- Second, in the GAO's view, the present formula for dividing maintenance expenses between "performing arts" and "non-performing arts" activities does not accurately reflect the actual use of the building for each purpose; if the formula were revised in the manner proposed by the GAO, the Center's share of those expenses would rise from 23.8% to 37.2%;

-- If, however, the Center were to set aside funds to repay the principal and interest on the bonds, or if the formula were revised to increase the Center's share of maintenance expenses, the Center's ability to carry out the principal functions that Congress has instructed it to perform would be adversely affected.

It is important to note here that GAO found the Center's management to be operating efficiently, within its financial limitations -- filling its halls at levels "close to optimal expectations," raising substantial private funds, and seeking to provide the wide range of performing arts and public programming that is called for in the Center's charter.

Prospects are "dim", the GAO observed, that the Center "can make much of a dent" in its debt by raising more private funds or increasing attendance.

The GAO concluded (and I quote): "Only the Congress can make both the value judgments and the trade-offs required to resolve this situation."

There have, over the years, been scores of suggestions -- some realistic, some not -- as to how this problem could be resolved. Today, I would simply like to lay out some of the facts that need to be considered no matter what course is chosen.

I can personally attest that President Kennedy considered development of a National Cultural Center in Washington essential to the country's position of world leadership. He was closely involved in its plans and remained so until his untimely death.

Thus, in 1964, it was entirely appropriate that Congress decided to convert the proposed National Cultural Center into the only memorial to President Kennedy in Washington. What had been conceived as a purely privately-funded center became eligible for Federal money. It is important to bear this in mind, because statements continue to be made in Congress that the Center's sponsors promised that no Federal dollars would be needed to construct the building. That was indeed the original intention, prior to Congress's designation of the Center as a "living memorial" to the late President, charged with presenting a broad range of performing arts and public service activities. In retrospect, the remarkable part about the 1964 Act was that a presidential memorial was required to solicit private funds to match Federal construction appropriations.

However remarkable that requirement was, the Trustees vigorously set about fulfilling it.

Congress appropriated \$15.5 million in 1964 in matching funds and authorized the Trustees to issue 50-year Revenue Bonds for an additional \$15.4 million. Still, the Center could not be finished with the funds available. Rapidly escalating inflation, and mis-estimates by the construction manager -- the General Services Administration -- drove costs up sharply. (It might be noted in passing, however, that the Kennedy Center was built for 65% of the cost of the Lincoln Center in straight dollar terms, and 40% if an allowance is made for inflation.)

In 1969, Congress increased the matching appropriation to \$23 million and the Revenue Bond authorization to \$20.4 million. (Later, Congress appropriated an additional \$3.9 million for construction claims against the Government.) To date, the Trustees have raised more than \$34 million from sources other than the U.S. Government for the construction of the building -- far more than the required matching.

Congress continued to require the payment of compound interest on the \$20.4 million in Revenue Bonds. Let me note that at the time the original compound interest requirement was imposed, there was no National Endowment for the Arts. When the Bond authorization was increased to \$20.4 million, the Endowment

was receiving Federal appropriations in the amount of \$7.7 million -- a sharp contrast to its current appropriation of \$150 million.

I think this historical context is important to understand. In 1969, Congress was, to put it mildly, still very wary about appropriating for the arts. The idea of using Federal funds to help build a National Cultural Center in the capital made many Members nervous. Its conversion into a memorial to President Kennedy was probably the only way by which that could have been accomplished. And, even that conversion was conditioned on two factors: first, that Federal appropriations would be matched by private contributions; second, that compound interest would accrue on the bonds. There would be no Federal funds for subsidizing the performing arts themselves in the Center. Except for such support as the Center receives when the National Endowment helps to fund ballet companies when they perform at the Center, that has continued to be the case, even as the National Endowment's for the Arts' annual appropriation has risen to \$150 million. Unlike Lincoln Center and other regional cultural centers in this country, the Center receives no program funds from any state or municipal arts agency.

Several other important facts are these:

In Section 4 of the Federal statute that created the Center, the Trustees are instructed to do the following:

- present classical and contemporary music, opera, drama, dance, and poetry from this and other countries;
- present lectures and other programs;
- develop programs for children and youth and the elderly (and for other age groups as well) in such arts designed specifically for their participation, education, and recreation;
- provide facilities for other civic activities at The John F. Kennedy Center for the Performing Arts.

These are what we call the "Section 4" responsibilities of the Board, wide-ranging responsibilities imposed and set forth by Congress in our charter -- but not funded. They are critical to the concept of a "Living Memorial."

As everyone knows, many of these presentations do not pay their own way. They must be subsidized by somebody. Classical and contemporary music and opera are particularly costly. Programs that educate children and youth, and provide for broad public participation

require substantial underwriting. The half priced ticket program obviously results in a substantial revenue loss. Kennedy Center does receive limited help, through the Office of Education, in mounting jointly-sponsored programs for youth at the Center. But even here, the bulk of the funding is from private donors. For the most part, Congress in Section 4 gave us a mandate to fill a building with all the performing arts, and to serve the great social purpose of enlightening and giving pleasure to all citizens through those arts, but did not provide the wherewithal to carry out that mandate.

Other nations do, of course. Let me give a few brief examples. Our director of performing arts, Martin Feinstein, recently returned from a trip to Europe. Here are a few items from his report:

-- Zurich, Switzerland, with a population of 420,000, maintains an opera house in which they manage to put on ten new opera, musical and ballet productions each year. They receive an annual state subsidy of \$12 million for this purpose;

-- Stuttgart, Germany, with a population of 700,000 has a famous ballet company, an opera company, and a theater. To keep these in operation and mount new productions requires an annual subsidy of \$20

million -- \$10 million from the state, \$10 million from the city;

-- The total subsidy for German opera houses, provided by both cities and states, comes to almost \$800 million a year.

-- Budapest keeps two opera houses going nightly with opera and ballet. In Vienna, the opera house receives a state subsidy of \$30 million. The Paris Opera receives about \$27 million.

-- A number of great opera companies from Europe -- La Scala, Berlin, Paris, and Vienna -- have come, or will be coming, to the Kennedy Center. The combined subsidies that Italy, Germany, France and Austria have provided or will provide to make these visits possible total \$7 million. There has been and will be no corresponding U.S. government subsidy at all.

I cite these examples for comparative purposes. The American taxpayer helped build the national cultural center, but unlike the taxpayers of Europe, contributes virtually nothing to the production costs of the artistic events that take place there. The United States Congress appropriated funds to help construct the building, and annually pays three-quarters of its maintenance cost. But though Congress by statute requires the Center to conduct artistic and public service programs that

inevitably cost more than they earn, it provides no funds to meet this requirement.

Let me turn to the maintenance cost issue. Almost from the time the building opened in September, 1971, there was an unexpected tide of tourists who came, not to attend performing arts activities, but simply to see this national memorial to a slain President. Maintenance costs were much higher than anticipated. Because of a Federal policy affecting national memorials, the Center could not charge admission for tours. According to the National Parks Service, 5 million persons were visiting the Center annually until the current repair project reduced that flow to about 4 million last year. (Of these visitors, about 1.6 million attend paid performances.)

We could not meet the maintenance costs occasioned by such massive tourist use of the Center, and still carry out our mandated responsibilities. So we appealed for help. Congress responded by authorizing the National Park Service to provide -- as it does for other presidential memorials -- maintenance, security, and utility services for the building. But it limited the Park Service's share of maintenance and utility costs to the non-performing arts aspect of the Center. The Center retained an accounting firm to determine what that share should be. The formula produced a call for the

Center to pay 23.8% of maintenance, housekeeping and utility costs, as attributable to the performing arts' use of the overall building. We have been paying that share since 1972 as well as 100% of the cost of maintaining the Center's theaters and extensive backstage facilities.

GAO has questioned whether that is an accurate formula today. In its December, 1977 report, it found that performing arts use was higher than anticipated by the original formula; that public service and educational activities, such as free organ recitals and symposia, had been significantly expanded; and so on. GAO thought the formula should be adjusted to call for the Center's paying something like 37% of the maintenance and utility costs.

The first point to be made about this is that the very things that have occasioned more performing arts use of the building, as distinct from conventional memorial purposes, are those activities mandated by the statute. Both the production of performing arts, and public service programming such as performances for children, organ recitals and symposia, are exactly what is called for in the law. So, if we follow the GAO's reasoning, the more the Center does what it is required to do, the more it would be required to pay in maintenance, utility and housekeeping costs.

The second point to be made about the GAO analysis is this. The Kennedy Center is designated a "living memorial" to the late President, in the preamble to its authorizing legislation. That distinguishes it from the Washington, Lincoln, Jefferson, and other presidential memorials. It was meant to be more than a building. It is a platform for the cultural enrichment of our people. What goes on in the Center -- from the production of plays for children, to the presentation of music and dance, to seminars conducted by artists -- is as important to memorializing and celebrating the life of President Kennedy, as is the building itself. These things are endowed with a public purpose. They are meant to be broadly shared.

The Center has become an important showcase for the performing arts in America and has added much to the cultural life of Washington. It is conducting a wide range of public service activities; in Fiscal 1978, it allocated \$2 million for such programs. For example:

- (1) Since it opened in 1971, the Center has maintained a Specially Price Ticket Program through which up to 15 percent of the tickets to regular performances are made available, at half-price, to students, the handicapped,

persons over 65, low-income groups and enlisted military personnel. In Fiscal 1978, about 130,000 tickets were sold through this program, resulting in a total price reduction of \$770,000.

- (2) In 1977, more than 400,000 people attended nearly 600 free events at the Center, including special performances, symposia, lectures and exhibitions. These numbers have been reduced somewhat because of disruption caused by the current water leak repair project, but are expected to increase again next year as construction work is completed and the building returns to normal.
- (3) The Center and Office of Education cooperate in sponsoring a state network -- The Alliance for Arts Education -- which supports exemplary arts education projects across the country and in producing a model children's program at the Center. In Fiscal 1978, 105,603 children attended free performances of music, theatre, dance, poetry and puppetry presented by groups from around the country. This year's budget has financed a fall and spring series of performances for young people, an

annual National Children's Arts Festival, and stimulated similar outreach festivals in Chicago and Seattle that proved very successful. Financing totalled more than \$400,000 of which \$200,000 came from the Kennedy Center Corporate Fund and \$87,750 from private foundations and corporations.

- (4) The Center and OE jointly underwrite an annual American College Theatre Festival. This year, more than 400 colleges and universities took part in 13 preliminary regional festivals. The current budget totals \$433,750 of which \$247,750 was raised from corporations and other private sources.

- (5) The Friends of the Kennedy Center -- with 8,500 members -- present free weekly symposia at the Center; artists like Marcel Marceau, Isaac Stern, Mary Martin and Marcia Haydee have taken part. Nearly 300 active volunteer Friends serve as the Center's tour guides and run an information center. Their contributions to the Center totalled more than 64,000 hours last year alone. Proceeds from their membership dues and sale of souvenirs go to finance more public service and educational programs.

- (6) A national advisory commission has been working to expand black and other minority participation in the performing arts at the Center and across the country -- both in terms of artists and audiences. More than \$500,000 in private funds has been expended or committed for a score of projects recommended by the Commission in the three years since its inception.
- (7) The Center recently opened a new 500-seat Terrace Theater, the \$3 million gift of the people of Japan. Along with a new Performing Arts Library, also built and furnished with private funds, this multi-purpose theater is expected to greatly facilitate the Center's efforts in public service, education and development of new talent and works.

We do all these things because a national memorial should be available to, and used by, as broad a range of citizens as possible.

So the idea of parceling out shares of Maintenance costs between "performing arts" and "non-performing arts" functions runs counter to the true nature of this unique Presidential memorial.

Where do we get funds for carrying on the Centers numerous activities -- the music, opera, and ballet that chronically run deficits, the dramatic shows that often do so as well, the public service and educational programming, the half-priced ticket sales? Our sources are several:

-- Corporate giving. We have the active support of many of the largest corporations in America, who underwrite our public service programs through contributions to the "Corporate Fund". We raised more than \$1.2 million in the last fiscal year from corporate givers, and we expect to raise \$1.5 million this year;

-- Foundation, personal, and corporate gifts to underwrite specific public service projects, shows, and festivals, such as those featuring the complete works of a great composer. Altogether, donors from the private sector and foreign governments have given the Center more than \$34 million for construction, and approximately \$8.7 million additional to carry out out "Section 4" responsibilities;

-- There are also of course, box office earnings, and to a limited extent, investments in successful shows. In 1972, a group of public spirited individuals organized Kennedy Center Productions, Inc. to assist

Kennedy Center by providing a source of private financing for programming. It operates totally on a non-profit basis. It pays no salaries whatever and no fees except for periodic audit services. KCPI's net profits and revenues are committed by its charter to Kennedy Center. Its basic financing has been provided by a revolving bank loan, guaranteed by its founders without any obligation on the part of Kennedy Center. It has been responsible in whole or in part for providing the financing of many of the major productions at Kennedy Center.

In considering solutions to the Center's fiscal dilemma, it is essential to recognize that the Kennedy Center is located in a unique environment, where normal sources of financial support are extremely restricted compared with the communities that support many performing arts centers. As I have noted, the Kennedy Center has no access to state or municipal funding. But equally important, Washington has few wealthy private benefactors of the arts, no major private industry and comparatively little foundation money. Philadelphia, for example, has 9 foundations as large or larger than the largest in Washington.

Let me now cover one or two other matters involving the Federal government and the Center.

Three years ago, the Center developed leaks in many horizontal areas -- roof, terraces, and entrance drive. Immediate action was required to prevent water from spreading and damaging large areas of the Center, including the houses themselves. Such action was not forthcoming. The Park Service insisted that their present statutory responsibilities were only for "maintenance", and the leaks called for "major repairs" of design and construction defects. We had to seek legislation to resolve the matter. It became ensnared in a dispute between the two Houses. Month after month passed, the water damage grew. At last the Secretary of Interior was authorized funds to repair the leaks. The ultimate cost to the taxpayer will be substantially higher than it would have been if the repair work had been started as soon as the leaks were discovered. Clearly any future legislation affecting the Center must provide permanent Park Service authority and responsibility for repairing the building, inside and out, as well as for replacing fixtures and furnishing worn by the use of 5 million people each year.

Finally, the administration of the Center. Basically, this is the responsibility of the Trustees. As Chairman of the Trustees and Director of the Center, I have purposefully kept the size of the staff very

small. Administration and building overhead represent roughly 11% of our budget, the staff is a hardworking group that handles everything from overseeing massive and complex backstage facilities to selecting and mounting productions, from the box office to contracts, from education programs to minority participation, from the American College Theatre Festival to working relationships with the National Park Service. It includes a remarkable volunteer group, the Friends of the Kennedy Center. The Friends provides tour-guide service for the thousands of visitors who come each day, and they operate the souvenir shops in the Halls. Replacing the Friends with paid employees, private or government, would cost the Center or the Government more than \$250,000 annually.

The Park Service is responsible for seeing that the Center is cleaned and secured. By and large the cooperation between the Center and the Park Service is good now. Jack Fish has been very cooperative.

The Center is fortunate in carrying out the administrative responsibilities of its charter to have the advice and experience of three Senators and three Congressman, who, along with nine key government officials, are -- by statute -- voting members of its Board of Trustees. (The remaining 30 members are private

citizens and appointed by the President.) Such substantial government representation seems to me to emphasize that the Center is very much a Federal institution. Thus, the Board's unique composition provides both the government supervision a national institution should have and the private oversight that, along with various protections written into the Act, give us the artistic freedom that a cultural center should have. That private involvement has also been invaluable in helping us raise private funds.

Mr. Chairman, I would like to offer some suggestions from the Center's Board of Trustees on how current legislation might be amended to resolve the Center's fiscal problems.

But first, let me emphasize this: despite all its various difficulties which the Congress has been called upon to help us resolve, the Kennedy Center is the pre-eminent success among American cultural centers. Doubts were expressed, before it was built, whether enough people would come to keep it from being a "white elephant". What has happened is, that its theaters are filled or nearly filled virtually every night (indeed, the GAO report specifically found that increasing our audiences in order to increase our revenues was not a realistic goal); an average of more than ten thousand

tourists and patrons visit the Center every day, according to the Park Service; hundreds of free performing arts and educational events are offered every year in order to share this Living Memorial with our millions of visitors; the Center's outreach encompasses schools, colleges, and performing arts organizations throughout the country; and with the government's help in providing maintenance and security and with private contributions helping us out with public service programming, we are presently operating in the black. So you are not faced, as representatives of the people, with the prospect of bailing out a sinking organization.

Nevertheless, there are some aspects of our financial relationship with the Federal government that ought to be improved, consistent with the facts and principles I have described this morning.

First is the bond issue. Almost certainly there is no way that the Trustees can meet their Section 4 responsibilities, pay for an ever-increasing share of the building's maintenance costs, and find the money to pay interest on the bonds. It is futile to expect private donors to help satisfy what is essentially an intra-government debt. What precedent is there? No other government entity has been asked to repay compound interest on a Federal debt with private funds.

Given the historical context in which that interest requirement was imposed -- a time when there was no National Endowment for the Arts or any real Federal commitment to encourage them -- it seems sensible and just to relieve the Center of it in 1979. Payment of interest was deferred by the terms of the bonds until December 31, 1978, when it then amounted to \$14.6 million. The Secretary of the Treasury recently deferred, pursuant to the Act, the additional \$2.1 million in compound interest which will accrue during 1979. So, at present, the annual interest payment need not be made until December 31, 1980.

The Board would prefer to have the interest -- past and future -- permanently waived. That is the clean way to do it, and compared to the notion of looking to the national cultural center to produce \$2 million a year for the Treasury, it appeals to reason. Remember that if the Center had surplus funds, every dollar that would be set aside to pay interest would be one dollar less that would be available to carry out our Section 4 responsibilities -- in other words, to serve the fundamental purposes of the Center. Remember also that while the Center was originally meant to be funded on a 50-50 basis by government appropriations and by private contributions, the Trustees in fact substantially exceeded that matching requirement.

Obviously, the most glaring inequity, or peculiarity, of the current law is the requirement to pay compound interest. At the very least, that requirement ought to be immediately repealed. If that were presently done, the Center would still owe \$20.4 million in principal, plus approximately \$15.1 million in accrued deferred interest, plus annual future simple interest of about \$1.2 million.

Bear in mind that when the Center raises private funds to meet its Section 4 obligations, it is in effect substituting those funds for what the government might otherwise have to appropriate. I am not suggesting that the government has an obligation to make such an appropriation. I am simply pointing out that when Congress instructs a Federally-chartered board to perform certain functions in a national institution owned by the government, it ordinarily appropriates funds to carry out these functions. If it does not do so, it ought at least to take proper account of the funds that board raises to discharge those responsibilities.

To sum up our effort to attract voluntary contributions:

To date, the Kennedy Center board has raised more than \$34 million from private sources to construct the

building. That is \$7 million more than was required to match the \$23 million Federal appropriation for construction and the supplemental construction claims appropriation of \$3.9 million. Since that time, the Center has raised about \$8.7 million in additional private funds to underwrite the cost of its Section 4 responsibilities. Thus, the total private funds raised to date by the Trustees exceeds federal construction appropriations by nearly \$16 million. Since that sum exceeds the Center's present compound interest obligations of approximately \$15.1 million, I would respectfully propose, Mr. Chairman, that this obligation be cancelled.

I would also propose that in the future, sums raised by the Board for Section 4 purposes be credited against the annual simple interest owing on the bonds, and that any excess be credited against the principal itself. For example: if the Board is able to raise \$2 million to carry out programs required by the Act, and if interest amounted to \$1.2 million, both that interest and \$800,000 in repayment of Federal debt principal would be deemed to be satisfied.

Finally, as to the Center's responsibility to contribute to the maintenance of the building. It is arguable, as I have said, that the government -- which, after all, owns the building -- should be responsible

for maintaining the entirety of this living presidential memorial. It is more than arguable, indeed critical, that the government be responsible for repair and replacement costs of the building. With more than 3 million tourist and 1.6 million audience members using the building each year, the wear and tear on fixtures, carpets, and furnishings is beyond the ability of the Board to provide for.

But the Board is prepared to continue contributing a share of the ordinary maintenance costs. Last year legislation was introduced that would have limited the Board's share to behind-the-curtain costs. In other words, the Park Service would be responsible for maintaining the theaters themselves up to the curtain. Maintenance from that point on, and all costs of producing the shows and equipping complex backstage facilities, would of course be the Board's responsibility.

The main reason for advancing that proposal was that the Board's share, even under the 23.8% formula that GAO found to be insufficient, is growing at a rapid rate. For Fiscal 1979, the Center's share is expected to be about \$650,000. Just recently, the Park Service announced that the Board's share of maintenance and utility costs will rise to nearly \$800,000 in Fiscal 1980, an increase of about 30% in two years.

As I said earlier, every dollar we pay for maintenance is a dollar we cannot spend to meet our Section 4 responsibilities. There will soon come a time, given inflation and the heavy use of the building, when our share will impose an undue burden on our ability to achieve our principal purpose.

A percentage formula fails to protect us from that. It would perhaps be simpler to put a fixed dollar limit on the Board's share -- possibly \$600,000. I would frankly be glad to pay such an amount if only to insure that we have a strong voice in determining maintenance policies at the Center. If we paid nothing, I am concerned that we would lose what voice we have, and that would almost certainly interfere with our conduct of operations.

Summing up, Mr. Chairman, I would recommend legislation to accomplish the following results:

- Credit past funds raised from non-U.S. government sources for both construction and meeting Section 4 responsibilities against the accrued interest owing on the bonds;

- Repeal the compound interest requirement;
- Credit private donations raised each year to meet Section 4 responsibilities against simple interest owing each year, with any excess credited against the principal;

- Expand the current Park Service responsibility for maintenance, security, and so forth to include repair and replacement; and extend the Park Service's jurisdiction for maintenance within the theaters up to the curtain line.

- Establish a fixed dollar ceiling on the Board's share of ordinary maintenance costs.

FOR RELEASE ON DELIVERY
Expected at 2:00 p.m.
 July 20, 1979

STATEMENT OF PAUL H. TAYLOR
 FISCAL ASSISTANT SECRETARY OF THE TREASURY
 BEFORE THE SENATE COMMITTEE ON
 ENVIRONMENT AND PUBLIC WORKS

Mr. Chairman and Members of the Committee:

I am glad to be here this morning to discuss the Treasury Department's role under section 9 of the John F. Kennedy Center Act.

That provision authorized the Center's Board of Trustees to issue revenue bonds to the Secretary of the Treasury in an amount not to exceed \$20.4 million. The proceeds were to be used to finance the Center's parking facilities, the bonds were to be repaid from revenues accruing to the Center, and interest on the indebtedness was to reflect the cost of market borrowings by the Treasury. The Act permits deferral of payment of the interest with the approval of the Secretary of the Treasury, but stipulates that interest so deferred will

bear interest after June 30, 1972. Deferred interest does not, however, reduce the borrowing limitation. The first bond was issued on July 1, 1968 in the amount of \$1.5 million and carried a maturity date of December 31, 2017. Attachment A to my statement shows the obligations, their interest rates and maturity dates.

The bonds provide that principal and interest are to be paid from parking revenues. However, because these revenues were insufficient to meet the current interest on the bonds (partially because a substantial portion was used to repay a \$3.5 million loan from the parking concessioner), the Center's Board, in December 1968, and annually thereafter, requested and was granted a deferral of the interest by the Secretary of the Treasury. Attachment B shows the computation of deferred interest from December 31, 1968 through December 31, 1978. In February 1979 the Department granted a further one-year deferral after the Center indicated an intent to seek legislation to ameliorate their financial problems. In this connection, proposed legislation introduced in the 95th Congress would have provided for an accommodation between the Center and the Treasury whereby the Board would undertake to repay, in equal annual installments, the \$20.4 million principal on the bonds and the Secretary would release the Board from its obligation to pay deferred and future interest

thereon. The proposed legislation was not considered, but we understand there is interest in the Congress to consider other measures to grant financial relief to the Center.

On December 20, 1977, the Comptroller General transmitted to the Secretary of the Treasury a report on the financial operations of the Center. The report pointed out that one of the Center's largest financial obligations is the \$15 million in interest and deferred interest owed to the Treasury on the revenue bonds. The report concluded that only the Congress can determine the "future financial course" of the John F. Kennedy Center for the Performing Arts. We concur in that assessment, recognizing that that determination will require an accommodation between the Center and the Treasury. We believe the Center's status as a national memorial and cultural center requires us to view their financial impairment in a different light than would be the case with respect to normal business-type operations of the Government. Therefore, the Department would support the write-off of the Center's interest obligation to the Treasury. We also believe that a firm schedule for repayment of the principal should be adopted, and in that connection we suggest that the Treasury advance to the Center the necessary funds to pay off the remaining balance on the concessionaire loan so the the major portion

of parking revenues can be dedicated to repayment of the bonds. We also suggest, as a practical matter, that the Secretary of the Treasury be appointed to the Center's Board of Trustees since the Department has a substantial financial interest in the Center.

That concludes my prepared statement, Mr. Chairman. I will be glad to respond to any questions.

Attachments

oOo

Attachment A

John F. Kennedy Center for the Performing Arts
 Loans, John F. Kennedy Center, Parking Facilities
 Revenue Bonds - 12/31/78

Rate	Bond No.	Due Date	Calendar Year Advanced	Accrued Face Amount	Interest to December 31, 1978		
					From	To	Interest
5-1/8%	2-5	12/31/2017	1968	3,800,000	12/31/77	1 yr	194,750.00
5-1/4%	1-6	12/31/2017	1968	2,900,000	12/31/77	1 yr	152,250.00
5-3/8%	7 & 8	12/31/2017	1968	1,200,000	12/31/77	1 yr	64,500.00
5-3/4%	9 & 10	12/31/2018	1968	2,200,000	12/31/77	1 yr	126,500.00
5-7/8%	11 & 14	12/31/2018	1969	4,300,000	12/31/77	1 yr	252,625.00
6%	15	12/31/2018	1969	1,000,000	12/31/77	1 yr	60,000.00
6-1/4%	16 & 17	12/31/2018	1969	1,300,000	12/31/77	1 yr	81,250.00
6-1/2%	18 & 19	12/31/2018	1969	1,900,000	12/31/77	1 yr	123,500.00
6-5/8%	20	12/31/2018	1969	800,000	12/31/77	1 yr	
	21	12/31/2019	1970	<u>1,000,000</u>	12/31/77	1 yr	
				1,800,000			<u>119,250.00</u>
GRAND TOTAL				20,400,000			1,174,625.00

John F. Kennedy - Deferred Interest
Revenue Bonds - 12/31/78

Year Deferred	Interest Deferred	Deferred Rate	Interest on Deferred Interest	Int. on Deferred Interest Deferred	Total Int. Deferred
12/31/68	114,176.57	5-1/2%	6,279.71		
12/31/69	775,852.06	7-1/8%	55,279.46		
12/31/70	1,152,844.18	6-5/8%	76,375.93		
12/31/71	1,174,625.00	5-7/8%	69,009.22		
12/31/72	1,174,625.00	6-1/8%	71,945.78		
12/31/73	1,174,625.00	6-7/8%	80,755.47		
12/31/74	1,174,625.00	7-3/4%	91,033.43		
12/31/75	1,174,625.00	7-1/2%	88,096.88		
12/31/76	1,174,625.00	6-1/8%	71,945.78		
12/31/77	1,174,625.00	7%	82,223.75		
	10,265,247.81		692,945.41		
Interest on Deferred Interest Deferred	12/31/72	6-1/8%	103,472.16	6,337.66	
" " " "	12/31/73	6-7/8%	285,227.76	19,609.41	
" " " "	" " " "	7-3/4%	385,592.64	29,883.43	
" " " "	" " " "	7-1/2%	506,509.50	37,988.21	
" " " "	" " " "	6-1/8%	632,594.59	38,746.42	
" " " "	" " " "	7%	743,286.79	52,030.08	
			2,656,683.44	184,595.21	877,540.62

SUMMARY

Interest 12/31/78	1,174,625.00
Deferred Interest to date	10,265,247.81
Interest on Deferred Interest	3,349,628.85
Interest on Deferred Interest Deferred	184,595.21
	<u>14,974,096.87</u>
Principal owed	20,400,000.00
Total Interest owed	<u>14,974,096.87</u>
Total owed 12/31/78	<u>35,374,096.87</u>

TESTIMONY OF

JOHN W. MAZZOLA

PRESIDENT

LINCOLN CENTER FOR THE PERFORMING ARTS

NEW YORK

TELEPHONE: 212-377-1800

JULY 20, 1979

Senate Committee on Environment and Public Works
Testimony, July 20th, 1979, Dirksen Senate Office Building

Testimony of John W. Mazzola, President of Lincoln Center concerning the John F. Kennedy Center's indebtedness to the U.S. Treasury, Government Funding of the Center's Operating Expenses, etc.

Mr. Chairman, Members of the Committee on Environment and Public Works:

I am John W. Mazzola, President of Lincoln Center for the Performing Arts in New York. Lincoln Center is quite different from the Kennedy Center and most of the other performing arts centers in the United States, in that Lincoln Center is first and foremost a group of performing art organizations and second, a group of buildings. These organizations are:

The Metropolitan Opera Association
The New York Philharmonic Symphony Society
The New York City Ballet
The New York City Opera
The New York Public Library, Library/Museum at
Lincoln Center
The Juilliard School
The Theater Constituent (now inactive)
The Chamber Music Society of Lincoln Center
The Film Society of Lincoln Center
Lincoln Center for the Performing Arts, Inc.
("Lincoln Center Inc.")

The total cost of construction and starting up operations of Lincoln Center was approximately \$185 million, covering the period from 1956 to 1969. The creation of Lincoln Center represented a milestone in the cooperative efforts between private individuals, corporations and governmental agencies. The \$185 million came from:

Individuals and Foundations	\$137,000,000*
Corporations	11,000,000
City of New York	15,000,000
State of New York	15,000,000
United States Government	<u>7,000,000</u>
Total	\$185,000,000

* including \$2.9 million in investment income from contributed funds

Lincoln Center has had an extraordinarily positive impact on the economy of New York since its creation. Its annual \$91 million operating budget triggers ancillary expenditures of approximately \$¼ billion into the economy. \$700 million has been spent on new construction in the west side area surrounding Lincoln Center. New shops, restaurants and other business have caused a startling rejuvenation of the entire area. In a recent New York Times article on the new prosperity of adjacent Columbus Avenue, the author stated "The Catalyst for the Columbus Avenue Revival which has been steadily creeping north and now temporarily hovers at 79th Street, is Lincoln Center". Its effect on the real estate on the west side has meant an increased tax revenue to the City of New York which has expanded from \$10 million annually in 1962 to well over \$40 million last year.

There were approximately 3,000 performances at Lincoln Center last year attended by over 5 million people. A recent Washington Post article stated: "Lincoln Center's achievements have been extraordinary. In its 13 halls of all sizes people can find music and dance of dazzling quality and variety 12 months a year".

Before I go on to describe Lincoln Center, I would like to express my admiration for the John F. Kennedy Center and especially Roger Stevens and Martin Feinstein and all the others who run the Kennedy Center. When the Kennedy Center was designed and built, an extraordinary effort had to be made in developing audiences for cultural attractions in Washington. They accomplished this in an amazingly short time and also booked in or produced a great variety of cultural attractions

and marketed these events so that people in the Washington area knew about them and flocked to them in ever increasing numbers. All of us around the country have benefitted from this because, in addition to the cultural and artistic benefits, it has enabled the members of Congress to see first hand the size and potential vitality of the arts audience and to see its effect on the community.

The buildings of Lincoln Center are by and large owned by Lincoln Center for the Performing Arts itself with the exception of the New York State Theater, which is owned by the City of New York and the Library/Museum, which is owned by the City of New York.

All of the buildings at Lincoln Center were built without borrowing and each building is operated free and clear of any debt service.

Lincoln Center operates a central mechanical plant which provides heat and air conditioning to all of the buildings on an at-cost basis - as metered. Lincoln Center also operates a central security force which patrols the Plaza at a cost of approximately \$600,000 a year. The garage facility is owned by the City of New York and is leased to Lincoln Center from which we realized a net income of approximately \$940,000 last year. This net income is credited to the plaza costs which means that we have only a small net cost for the operation of the Plaza.

The gross annual operating costs of Lincoln Center, altogether, was approximately \$81 million for the fiscal year ending 1978. These costs rose to approximately \$91,000,000 for the 1978-79 fiscal year which is just now ending. Lincoln Center and its constituent organizations

cover these costs as follows:

	<u>Fiscal 1978</u>	<u>Fiscal 1979</u> (Projected)
Lincoln Center combined Operating costs (annual)	<u>\$80,600,000</u>	<u>\$91,000,000</u>
Revenues	52,700,000 (65%)	59,200,000 (65%)
Corporate Support	4,100,000 (5%)	4,500,000 (5%)
Individuals and Foundations	18,400,000 (23%)	19,200,000 (21%)
Federal Aid	3,200,000 (4%)	3,700,000 (4%)
State Aid	3,000,000 (4%)	3,100,000 (3%)
City Aid	600,000 (1%)	600,000 (1%)
Operating Surplus (Deficit)	1,400,000 (2%)	(700,000) (1%)

The annual cost of producing and presenting performances (to paying audiences) was \$42 million in 1978 or approximately 52% of gross expenditures.

Approximately \$7 million or 8.5% of the budget was spent on touring programs reaching out across the nation.

Approximately \$8½ million or over 10% of the budget was spent for free performances in parks, for community activities including performances, educational programs, or for nation-wide television and radio performances.

The buildings and maintenance expenses for Lincoln Center's 14 acres and its buildings, come to approximately \$10 million or over 12% of our costs. This is the cost of heat, light, air conditioning, guards, porters, cleaning and all the other operating expenses, without

depreciation, of these buildings, most of which operate seven or eight performances a week.

Let me take one minute to dispell the general notion that these buildings operate in the evening only for performances. A typical day in the Metropolitan Opera House or New York State Theater begins with the buildings open at 9:00a.m., a rehearsal from 10a.m. to 12 noon, lunch break 1-2p.m., rehearsal 2-4p.m. and performance 8-11 or 11:30p.m. The buildings are open virtually all day to the public for box office and guided tours. This is the schedule six days a week except for Saturday, when there is a matinee performance as well as an evening performance. In Avery Fisher Hall or Alice Tully Hall (our concert and recital halls) the regular schedule is: building opens at 9a.m. rehearsal from 10a.m. to 1p.m., lunch break 1-2p.m., rehearsal 2-5p.m. and performances at 8:00p.m. In the concert and recital halls there is a seven day week with an average of 8 performance uses plus a church service on Sunday.

Lincoln Center instituted an extensive energy saving program two years ago and achieved a 19% energy saving, measured in kilowatt and steam consumption, before installing any automation equipment. This level was maintained for the second year of the program. These major savings were accomplished by reviewing every light fixture, every air conditioning or heating vent, changing ventilation schedules, humidity factors, installing alternate switching, etc.

We are now starting on still another review of these administrative changes and, in the second phase of Lincoln Center's energy consumption

program, which is now well under way, are automating by purchasing and installing items of equipment requiring sizeable capital expenditures. These will save additional energy with paybacks in the 1 - 3 year range from energy cost savings.

Of the seven major buildings of Lincoln Center, four are operated on a 52 week a year basis by the constituent organizations on some form of a long term, \$1 a year lease from Lincoln Center. These are:

The Metropolitan Opera
The New York State Theater
The New York Public Library at Lincoln Center/Museum
for the Performing Arts
The Juilliard School

The remaining three theaters are operated by Lincoln Center which is entirely responsible for booking attractions into these buildings. These are:

The Vivian Beaumont Theater
Avery Fisher (Concert) Hall
Alice Tully (Recital) Hall

Avery Fisher Hall, our concert hall, seating 2,800 and Alice Tully Hall, our recital hall, seating 1,000 are operated by Lincoln Center with the New York Philharmonic having special priority rights for use in Avery Fisher Hall and the Chamber Music Society and the Film Society having special priority use in Alice Tully Hall. Avery Fisher Hall has approximately 440 performances a year plus 340 rehearsals a year, and Alice Tully Hall has approximately 450 performance uses and 315 rehearsals a year. Lincoln Center Inc. subsidizes every performance by an outside user to the extent of approximately \$1,900

performance in Avery Fisher Hall and \$750 in Alice Tully Hall. These are part of the general funds that we have to raise and certainly reflect in large part, the basic costs of heat, light, air conditioning, cleaning and security for the buildings.

In addition to Avery Fisher Hall and Alice Tully Hall, Lincoln Center Inc. has exclusive operating responsibility for the Vivian Beaumont Theater, which includes a 1,000 seat auditorium and a 290 seat auditorium. We are working toward the creation of a new theater company to take over the operation of the Vivian Beaumont Theater.

Lincoln Center Inc., is a major producer in the areas of music for special audiences at reduced prices. For example, we produce the very popular Mostly Mozart Festival every summer which plays for 36 performances to approximately 90,000 people over a six week period. This series is directed toward the 20-year old and 30-year old audience and its special low prices, Mostly Mozart T-shirts, jogging shorts, frisbees, etc., are all part of a marketing plan to reach that audience.

Also, Lincoln Center is a producer of approximately 65 recitals, chamber music concerts and other events as part of our Great Performers series, both classical and popular. This series is designed to increase the number of recitals being presented in New York.

Lincoln Center Inc. also produces special free series for community out-reach including Lincoln Center Out-of-Doors, which has approximately 60 performances in August, running through Labor Day on the Plaza and in Damrosch Park which is part of Lincoln Center. This includes street

theater companies from around the United States, chamber music groups dance and musical theater. Lincoln Center also produces the Community Holiday Festival, a series of approximately 16 performances in Alice Tully Hall around Christmas time. These are free performances by and for community groups from the metropolitan area.

Lincoln Center's educational activities provided 500 performances in schools last year for over 500,000 school children. In addition 150,000 school children attended performances at Lincoln Center. Also as part of the educational activities, the Lincoln Center Institute provides special teachers' training in the summer months for which graduate credits are available to teachers. The Lincoln Center Institute also works with these teachers during the school year when Lincoln Center performers are visiting their schools to help the teachers work with their students in better understanding the arts.

We have been able to reach out across the nation through television through our Live From Lincoln Center series and Live from the Met series. Lincoln Center Inc. raised \$3/4 million to conduct research and experimentation using low light cameras and also developed new systems for stereo transmission. We then raised funds to produce Live From Lincoln Center, a series at the highest artistic level televising performances taking place at the Center. Specially developed techniques are used so that these can be telecast without interference with the audiences or the performances. This series is produced by Lincoln Center for the Public Broadcasting System, and is funded by the Exxon Corporation, The Mellon Foundation, Corporation for Public Broadcasting and the

National Endowment for the Arts. Another series, Live from the Met is also telecast nationally on the Public Broadcasting System. This series is funded by Texaco, the National Endowment for the Arts and the Charles E. Culpeper Foundation.

While Lincoln Center has been in the forefront in developing new programs, most of its problems are identical to those problems facing other centers all over the United States. Like museums, performing arts centers are not simply places where performances take place. They are centers of learning, making positive and significant contributions to the communities of which they are a part.

All of the centers have an extraordinarily positive impact on the economy of their communities, especially in relation to the ancillary expenditures stimulated by attendances at the centers. The significant monies paid for salaries and professional fees and the influence of these centers on real estate result in increased employment and increased tax revenues. Lincoln Center alone makes an estimated contribution to the economy of the City and State of New York of \$¼ billion annually.

It is essential that the Congress direct special attention to the plight of these cultural centers. Although they are making significant contributions to the economy, as mentioned before, and to the general quality of life all over the country, they are burdened with extraordinary costs relating to their operations. Monies have to be deflected from actual performances in order to support cleaning, heat, light, air conditioning and other costs.

Specifically, I think that the Congress ought to study the financial plight of the performing art centers and perhaps enact appropriate legislation, to provide general support to the centers so that the artistic, community and educational activities taking place at these centers will not be stifled because of these extraordinary operating costs.

The Theaters of Lincoln Center

<u>Theater</u>	<u>Capacity</u>
Metropolitan Opera House	3,784
List Hall	144
Avery Fisher Hall	2,742
New York State Theater	2,729
Vivian Beaumont Theater	1,140
Mitzi E. Newhouse Theater	299
Library/Museum of the Performing Arts	
Auditorium	212
Heckscher Oval	100
Juilliard School	
Juilliard Theater	1,026
Paul Recital Hall	278
Drama Workshop	206
Alice Tully Hall	1,096
Total Capacity	<u>13,756</u>

In addition, Damrosch Park, part of Lincoln Center, has the Guggenheim bandshell. The park has a seating capacity for outdoor concerts of approximately 2,700 with folding chairs.

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.

Attachment 2

Combined Operations 1977-78

REVENUES:			
Box office revenues		\$ 34,195,000	
Tuition and education fees		3,643,000	
Hall rentals		2,410,000	
Endowment and investment income		4,145,000	
Other income and retail sales		<u>8,298,000</u>	
Total revenues		52,691,000	
EXPENDITURES:			
Production and performances	\$ 42,594,000		
OUTREACH PROGRAMS:			
Touring programs	\$ 6,685,000		
Park performances	1,063,000		
Community activities	401,000		
Educational programs	5,287,000		
Media development	<u>1,776,000</u>		
Total outreach programs	15,212,000		
BASIC SERVICES:			
Building and maintenance	9,835,000		
Retail and other expenses	4,854,000		
Administration	5,846,000		
Development and fund raising	<u>2,278,000</u>		
Total basic services	22,813,000		
Total expenditures		80,419,000	
CONTRIBUTION NEED		27,928,000	
CONTRIBUTION SUPPORT:			
Federal		3,200,000	
State		3,000,000	
City		592,000	
Consolidated Corporate Fund Drive		2,116,000	
Restricted corporate gifts		2,012,000	
Foundations		3,840,000	
Membership programs		5,247,000	
Individual gifts		<u>9,329,000</u>	
Total contribution support		29,336,000	
7/18/79		\$ 1,498,000	
Operating Surplus			

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.

Attachment 3

Combined Operations Projected 1978-79

REVENUES:		
Box office revenues		\$ 38,800,000
Tuition and education fees		4,100,000
Hall rentals		3,000,000
Endowment and investment income		4,900,000
Other income and retail sales		8,400,000
Total revenues		59,200,000
EXPENDITURES:		
Production and performances	\$ 48,800,000	
OUTREACH PROGRAMS:		
Touring programs	\$ 7,900,000	
Park performances	1,100,000	
Community activities	410,000	
Educational programs	5,690,000	
Media development	1,670,000	
Total outreach programs	16,770,000	
BASIC SERVICES:		
Building and maintenance	10,675,000	
Retail and other expenses	5,360,000	
Administration	6,900,000	
Development and fund raising	2,479,000	
Total basic services	25,405,000	
Total expenditures		90,975,000
CONTRIBUTION NEED		31,775,000
CONTRIBUTION SUPPORT:		
Federal	3,671,000	
State	3,110,000	
City	606,000	
Consolidated Corporate Fund Drive	2,500,000	
Restricted corporate gifts	2,000,000	
Foundations	5,340,000	
Membership programs	5,153,000	
Individual gifts	8,675,000	
Total contribution support		31,055,000
7/18/79		
(Operating deficit)		\$ (729,000)

BALANCING DEBTS WITH SERVICES
ONE VIEW OF ARTS CENTER OPERATIONS

Prepared for the
SENATE COMMITTEE ON ENVIRONMENT
AND PUBLIC WORKS

by

Joseph Golden
Executive Director

Cultural Resources Council of Syracuse & Onondaga County
Civic Center of Onondaga County
Syracuse, New York

July 20, 1979

There are two basic dilemmas facing arts centers in America.

Dilemma #1: What are they? Arts centers are a phenomenon that eludes precise definition. Lincoln Center and the Metropolitan Museum are arts centers; so is the cluttered second story of a ramshackle garage in Hopewell Junction, NY; so is a converted auto showroom and service area in East Lansing, Michigan; so are lofts, store fronts, church basements, mobile Parks & Rec vans, restored railroad stations, urban parking lots, and salvaged textile mills.

Some concentrate programming on a single art form (visual arts, performing arts or crafts); some mix the disciplines in varying proportions; some are predominantly schools and provide classroom experiences in painting, drawing, sculpture, the crafts, dance and instrumental lessons. Some are equipped with sophisticated theatrical and exhibition tools; others are makeshift and casual.

Despite the vagaries and varieties of arts centers, the several thousand that operate in most middle-size and small American communities appear to be spawned and sustained by a single impulse: to assert the cultural independence and uniqueness of one's own community; to admit, as it were, a kind of cultural chauvinism. Such a declaration is invariably translated into a physical place and a philosophy of service that respond to and directly address the creative energies that characterize a particular city or region.

And as the arts center movement expands (a consequence of civic pride and competition, of altered perceptions of the artist's role, higher levels of education, increased leisure time, and the disenchantment with the sterility of mass produced hamburgers, autos and art), a blanket definition -- and thus viable standards, criteria -- becomes even more uncertain.

Dilemma #2: A labor-intensive enterprise in a world of widgets.

The operation of an arts center is not always compatible with the unit cost syndrome or the technological enhancement methods that improve the efficiency and lower the cost of most product-intensive operations.

Time parameters cannot be imposed on a painter or sculptor as they can on an assembly line or a dry cleaning business. The art teacher cannot apply packaged criteria to his or her students, who must receive individualized critiques of highly individualized statements. A Beethoven symphony or a Neil Simon play cannot be "hurried up" in order to squeeze in three performances a night, and thus extract more revenues. And the 12 little girls who enrolled in beginning ballet probably don't know that the fees they paid barely cover half the cost of the dance school salaries, heat, light, water, rent, promotion, telephone and insurance.

Arts centers, as environments for the creating, presenting and learning experience, cannot avoid becoming victims of the labor-intensive disciplines they serve and shelter. If the arts center is itself the sponsor of activities within its walls, the management invariably faces a deficit operation. If the arts center mainly provides "four walls" -- i.e. rents space to others -- its fiscal shortfall can be as great, or even greater than what the sponsor faces. The lessor knows that the average arts lessee operates at near or below poverty level, or has been borrowing heavily against its assets or reputation to stay alive.

A case in point: the Civic Center of Onondaga County, which I have the privilege of managing, is a three-theater performing arts complex built and owned by the County of Onondaga. During CY 1978, over 100 different organizations used the Civic Center for 1,421 events on 324 of the 365 days of the year, drawing 325,000 people to downtown Syracuse. Programs ranged from public hearings on CETA to grand opera; from revivalist preachers to the New York City Ballet; from graduation exercises by the Simmons School of Embalming to the rhythm-and-blues star, B. B. King. The breadth of program activities and the diverse audience it attracts significantly influence public attitude toward the on-going support of the facility.

The cost of operating the facility in 1978 (administration, program, maintenance, utilities, amortization, depreciation, etc.) was, as the attached indicates, \$1,185,000.00. A low figure by the standards of some of our bigger brothers in

New York City, Washington, DC or Los Angeles. But high enough in Onondaga County, New York to command some attention.

Rental revenues collected by us and returned to the owner (the County) amounted to about \$80,000.00 in 1978. Simple calculations indicate that the citizens of Syracuse and Onondaga County (plus assorted public and private funding agencies) invested about \$1,105,000.00 last year to insure the healthy operation of the Civic Center.

The annual investment neither intimidates nor outrages the citizens of Onondaga County or their elected officials. The reason for the relatively calm acceptance of the "deficit" lies in the programming emphases of the Center as manifested by its response to local resources, institutions and activities.

There are four such emphases:

- (a) A luncheon by the Daughters of Columbus, an award ceremony by Mutual of New York Insurance Company, an exhibition of underseas exploring equipment, a chess competition, a seminar on protecting crime witnesses, and a host of other non-arts community events, are as commonplace at the Civic Center as opera, theater, symphony or dance performances.
- (b) The talent resources and appetite for learning that exist in the Greater Syracuse area are the basic ingredients for a cluster of on-going programs that, among other things, celebrate the ethnic heritages of the area, showcase developing young talent in music and drama, feature the latent theatrical and musical talent of senior citizens, identify "closet" artists who are blue collar workers in local industry, and several other programs that underscore the "grassroots" or emerging talents of the community itself. The Civic Center is "home" to most of these programs.
- (c) Programming for children is heavily stressed at the Civic Center, knowing that they not only constitute the future audience, but are the offspring of taxpayers and will one day become, themselves, taxpayers. Nearly 50,000 children a year are drawn to the Civic Center from 15 counties for School Day

shows, Saturday shows, film series, creative dramatics and acting classes, and workshops in dance, mime and stage production.

- (d) As an additional rationale and justification for the taxpayers' annual investment in Civic Center operations, economic impact studies have been carried out to indicate the generous financial return the community enjoys as a direct result of events at the Center and the crowds the events generate.

In sum, an "arts center," although difficult to define accurately, fulfills a singularly humane role: It is the mirror of a community's (or a country's) best image of itself. It can be -- at the local, state and national level -- a catalyst for reversing much of the negativism and hopelessness that muffle the spirit of many communities.

To earn their keep and be worthy of increasing public support, arts centers must ruthlessly maintain professional standards of teaching, performance and exhibition; they must also, at the same time, become the open gateway to excellence for the uninitiated, the arts novice and the amateur.

CIVIC CENTER OF ONONDAGA COUNTY
SYRACUSE, NEW YORK

OPERATING COSTS
CY 1978

	<u>Center Operations</u>	<u>Program</u>	<u>Total</u>
Personnel (Salary and benefits)	\$ 174,337	\$ 143,762	\$ 318,009
Outside Professional Services (artist fee, stagehands and housestaff...)	9,133	175,284	184,417
Publicity and Promotion	3,474	46,807	50,281
Repairs and Maintenance (cleaning, heat, lights, telephone, preventive maintenance and small repairs...)	305,048	20,550	325,598
Depreciation and Debt Service	235,616	-	235,616
Other remaining operating expenses	35,540	35,670	71,210
TOTAL	\$ 763,148	\$ 422,073	\$ 1,185,221
 Number of Square Feet	 105,000		
Cost per Square Foot	\$ 7.27		
No. of CRC Program Attendees		91,578	
Cost per Attendee		\$ 4.61	
Total No. of Center Attendees	325,000		
Cost per Attendee	\$ 2.35		

96TH CONGRESS
1ST SESSION

S. 1532

To amend the John F. Kennedy Center Act.

IN THE SENATE OF THE UNITED STATES

JULY 17 (legislative day, JUNE 21), 1979

Mr. MOYNIHAN (for himself and Mr. DOMENICI) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

A BILL

To amend the John F. Kennedy Center Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act shall be termed the "John F. Kennedy Center
4 Act Amendments of 1979".

5 SEC. 2. As of October 1, 1980, section 6(e) of the John
6 F. Kennedy Center Act is amended to read as follows:

7 “(e) The Secretary of the Interior, acting through the
8 National Park Service, shall provide (1) security, information,
9 interpretation, grounds maintenance, and structural repair
10 services necessary for the operation of the Center, and (2) 50

1 per centum of the annual costs of building maintenance, utili-
2 ties, janitorial, interior renovation, and other services neces-
3 sary to the operation of the Center, provided that the Secre-
4 tary is also authorized to provide toward the services listed in
5 this clause an additional sum that is equal to $33\frac{1}{3}$ per
6 centum of those sums that are credited against the Center's
7 indebtedness in the preceding fiscal year under section 9(b) of
8 this Act."

9 SEC. 3. Section 9 of the John F. Kennedy Center Act is
10 amended by inserting after the section number "(a)" and
11 adding at the end of section 9 the following new subsections:

12 "(b) For the purposes of this section, any tax-exempt
13 contribution made to the Center following the enactment of
14 this Act shall be also credited against the bond principal and
15 accumulated interest due under this section when such con-
16 tribution is provided to the Center solely and specifically to
17 support (1) cultural events financed wholly or in part by the
18 Center and held anywhere in the United States outside the
19 grounds of the Center; (2) public broadcasts of performances
20 from the Center; (3) performances held at the Center or at
21 any location in the city of Washington where no admission
22 fee is charged and where such performance is open to the
23 general public, or (4) performances at the Center where the
24 schedule of ticket prices is one-third or less of the average

3

1 schedule of prices charged during the preceding year for simi-
2 lar types of performances at the Center.

3 “(c) To retire the debt of the Center to the concession-
4 aire of the parking garage, the Center is authorized to issue
5 revenue bonds to the Secretary of the Treasury in the
6 amount of \$1,500,000: *Provided*, That all future parking rev-
7 enues received by the Center shall be devoted solely to the
8 retirement of the bonds and interest remaining due under this
9 section. The bonds issued under this subsection shall mature
10 in not more than forty years and shall carry such other terms
11 and conditions as the bonds issued pursuant to subsection (a)
12 of this section.”.



