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William H. Oliver

ANALYSIS OF THE FUNDING FORMULA FOR ALLOCATION OF FUNDS TO STATE PROGRAMS AND A PROPOSED REVISION

by

William H. Oliver

Executive Director

Washington Commission for the Humanities

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OF FUNDS TO STATE PROGRAMS AND A PROPOSED REVISION

(See page 10 of Pl 94-462, Part 4, 4A, and 4B of Section 7f.)

In FY79, the NEH allocated $22.1 million to state programs or 20.36% of the total definite appropriation.

The Endowment originally allocated those monies to the states according to the following interpretation of the attached funding formula:

1a) Each program (56 states and territories) was provided with a minimum of $200,000 (part 4 of Section 7f) plus $96,000 which represented an equal share of the amount left over after one-fourth of the entire allocation was reserved for the Chairman's grant making (part 4B of Section 7f). Thus, each state program was entitled to $296,000 as a minimum and three-fourths of the entire allocation was used up (.75 x $22.1 million ÷ 56 = $296,000).

The remaining one-fourth of the allocation ($5.525 million) was, as provided in part 4A of Section 7f, reserved for the Chairman to make grants according to his discretion. If programs were judged to have merit, they received an additional per capita portion of the $5.525 million.

A provision limiting reductions to individual states to 15% of their current level and a later decision by NEH to limit reductions to about 7% ameliorated serious cuts that this formula would have caused in fourteen states.

The problems with the present formula are:

1) The minimum guaranteed for all programs is too high. Many programs apparently cannot use $296,000 at this time. That amount of money should not be awarded as an entitlement.

2) Neither equity nor quality is served by an equal division of three-fourths of the allocation. Equity is not served because populous states end up with a few cents per person, while sparsely populated states end up with nearly $1.00 per person. Further, the Endowment is precluded from making judgments about the differences in availability of other resources in the humanities and the quality of programs in the various states.

3) The last one-fourth of the allocation, awarded on a per capita basis, neither adequately addresses the need to recognize differences in population, nor does it provide the Endowment the necessary latitude to reward imaginative and effective efforts in various states.

To remedy these defects, a different formula is suggested that would consist of two parts:

1) All programs which comply with the basic requirements would get $250,000 with the exception of the programs in the territories, which would get a total of $400,000 for all four programs.

Part 1 would use up $13,400,000 and leave $8,700,000 rather than $5,525,000 to the Chairman.

2) The Chairman would award the remaining amount ($8,700,000) based on four basic considerations:

a) the population and needs in the state for enhanced humanities resources;

b) the history of accomplishment of the program in the state;

c) the competence of future plans for the state program as expressed in the proposal to NEH;

d) No state's award could be reduced below prior levels unless: 1) the need for the higher level of funds could not be adequately substantiated, 2) the NEH judged the quality of program plans or accomplishment was inadequate, or 3) all state programs were being reduced because of a reduction of funds allocated to the State Programs Division or to NEH.

Part 2 provides enough additional money for the Chairman to provide substantial increases for populous states or states which lack other humanities resources to draw upon. It also allows for recognition of quality in the accomplishment and protects state programs from reductions unrelated to qualitative judgment.

Even more latitude could be given to the Endowment if the minimum amount to be awarded upon fulfillment of the basic requirements of the present law could be further reduced.

If the amount awarded under Part 1 was $200,000 then $10,800,000 would be used for the minimum award, with $11,300,000 remaining to be distributed according to the considerations suggested in Part 2 of the proposed formula. A minimum award below $250,000 but above $200,000 would improve the proposed formula if quality programming and efficient use of funds are the most important goals.

The proposed changes offer:

1) a more realistic minimum that corresponds to the amount that can be well used by all programs;

2) more latitude for the Endowment in its effort to achieve equity and encourage quality;

3) more opportunity for the exercise of judgment by NEH, thus justifying its involvement as an intermediary between the Congress and the programs in the states, and distinguishing this program from mere revenue-sharing.

EXAMPLES OF THE EFFECT OF FUNDING FORMULAS
FOR ALLOCATION OF FUNDS TO STATE PROGRAMS

① Using $22.1 million as the amount to be divided among 56 programs and assuming that $400,000 is the total amount to be given to the 4 programs in the trust territories, the present NEH application of the funding formula contained in P1 94-462 gives each program:

A) A minimum of $296,000 for all programs that meet the basic legal requirements ($200,000 plus an equal share of the amount left over after one-fourth of the $22.1 million is reserved for the Chairman to distribute).

B) A maximum of $296,000 plus the states' per capita share of the one-fourth of $22.1 million reserved for the Chairman.

The effect on three programs is as follows:

1) A state with .55 percent of the national population or less (1.1 million) could get a minimum of $296,000 and a maximum of $296,000 plus $30,400 (per capita share) for a total of $326,400.

2) A state with about 2 percent of the national population (4 million) could get a minimum of $296,000 and a maximum of $296,000 plus $110,500 (per capita share) for a total of $406,500.

3) A state with about 10 percent of the national population (20 million) could get a minimum of $296,000 and a maximum of $296,000 plus $552,500 (per capita share) for a total of $848,500.

Looking only at per capita allocation it is clear that this formula has deficiencies. State number one gets 32.6 cents per person, state number two gets 20.3 cents per person and state number three gets 4 cents per person.

② Using $22.1 million as the amount to be divided among 56 programs and assuming that $400,000 is the total amount to be given to the 4 programs in the trust territories, the proposed revision in the funding formula would give each program:

A) A minimum of $250,000 for all programs that meet the basic legal requirements.

B) A remainder of $8,700,000 to be divided among about twenty states that need more than the minimum award based on the four considerations suggested in Part 2 of the proposed formula. That would be an average of $435,000 more per state to be added to the minimum.

The effect on three programs might be as follows:

1) A state with .55 percent of the national population or less (1.1 million) could get a minimum of $250,000 and would get no more unless the NEH was convinced that more funds could be well used (rather than returned) and the lack of other humanities resources in the state and the quality of the proposed plan suggested a need for more funds.

It is probable that some, but not all small population states would get as much as or more than the $326,400 maximum provided by the existing formula. A few small population states could get a total substantially more than $326,400.

2) A state with about 2 percent of the national population (4 million) could get a minimum of $250,000 and would probably get (depending on NEH judgment based on the four considerations in Part 2) about $435,000 (the average of the amount remaining to be allocated) for a total of $685,000. There would be a variety of total funding levels in the middle range of states, based on the four considerations in Part 2.

3) A state with about 10 percent of the national population (20 million) would get a minimum of $250,000 and would probably get about $800,000 or more from the amount remaining to be allocated for a maximum total of $1,050,000.

The revised formula thus offers the NEH an opportunity to more adequately respond not only to differences in population but also to different levels and kinds of need and accomplishment, as demonstrated by each state program.

STATES THAT BENEFITTED FROM
"HOLD HARMLESS" PROVISION RELATING TO FY79 APPROPRIATION

ALASKA	$62,607
CALIFORNIA	$48,900
IDAHO	$ 7,700
ILLINOIS	$53,033
IOWA	$30,866
MICHIGAN	$ 9,350
NEW JERSEY	$ 3,750
NEW MEXICO	$14,450
NEW YORK	$42,650
OHIO	$64,433
PENNSYLVANIA	$16,400
TEXAS	$17,900
VIRGINIA	$14,566
WASHINGTON	$151,166

(4) Of the sums available to carry out this subsection for any fiscal year, each grant recipient which has a plan approved by the Chairman shall be allotted at least $200,000. If the sums appropriated are insufficient to make the allotments under the preceding sentence in full, such sums shall be allotted among such grant recipients in equal amounts. In any case where the sums available to carry out this subsection for any fiscal year are in excess of the amount required to make the allotments under the first sentence of this paragraph—

(A) the amount of such excess which is no greater than 25 per centum of the sums available to carry out this subsection for any fiscal year shall be available to the Chairman for making grants under this subsection to entities applying for such grants;

(B) the amount of such excess, if any, which remains after reserving in full for the Chairman the amount required under subparagraph (A) shall be allotted among the grant recipients which have plans approved by the Chairman in equal amounts, but in no event shall any grant recipient be allotted less than $200,000.