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July 1979

Active Voice

by Livingston Biddle

More Treasury Funds

The budget the Arts Endowment has submitted to Congress for fiscal 1980 would mean a major shift in Endowment funding categories. While the Treasury Fund would increase from \$7.5 million to \$20 million, challenge grant funding would decline from \$30 million to \$26.9 million and regular program funds would drop from \$102 million to \$97 million. We recently asked Endowment Chairman Livingston Biddle to explain the reasons for the change.

First, I should explain how the Treasury Fund and the Challenge Grant Program are different. The Treasury Fund, set up in the 1965 law that established the Endowment, is a method of funding specific projects under the Endowment's regular discipline programs. Treasury funds are available to any organization which has been notified by the Endowment that it will receive a regular one-year program grant.

Established in 1976, challenge grants fall under a separate program with its own legislative authorization, goals, and budget. Through three-year challenge grants, the Endowment supports projects not supported through our regular appropriations. These include starting or adding to an endowment fund, supporting capital improvements, or building up a cash reserve fund. In contrast to Treasury Fund grants, challenge grants support institutional development—that is, they are aimed at enabling an arts organization to reach a higher plateau of financial stability and a higher plateau of community outreach and service. Challenge grants go to arts organizations that have passed through a separate application and judging process, a highly competitive one that screens applicants for artistic quality, the soundness of their management, and their fund-raising capability. Finally, unlike treasury funding, challenge grants are conceived as one-time grants. I'm looking into the possibilities of change, so that within perhaps five years an arts group could reapply for a challenge grant, but at the moment, they are one-time grants.

The matching requirement is the point where treasury funding and challenge grants are most often confused. Under the terms of an ordinary Endowment grant, Endowment support may not exceed more than 50 percent of the total project costs, or a matching ratio of one-to-one. In order to capture one federal dollar, however, a challenge grant, under existing guidelines, requires an arts organization to come up with three more dollars from new donors or from increased giving by past donors. (The average challenge grant, in fact, has been matched at a level of more than four-to-one.) The Treasury Fund also requires a minimum of a three-to-one match, but the nonfederal matching money does not have to be "new." As a result, the Treasury Fund match now is more flexible and, I think, more appropriate to year-in, year-out support for an organization's regular programming.

Our request for a \$12.5 million increase in treasury funds is something we worked out with the budget examiners in the Office of Management and Budget and the Administration; they were looking for ways to maximize the use of the federal dollar. At our Senate hearings on March 13, it was pointed out that our agency is one of the very few to request an overall budget increase this year. In this time of limited government spending, we have to justify that increase—even though it's a small one of not quite \$5 million—by spending it in a way that would stretch it the farthest. To the extent that Treasury Fund dollars replace program funds, the Endowment funding next year would stimulate more private giving to the arts.