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Reauthorization: State Grant Formula (1990): Memorandum 01

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March 19, 1990

TO : Senate Subcommittee on Education, Arts and Humanities
Attention: Sandy Crary

FROM : Susan Boren
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : **Formula for Allotment of Basic State Grants for the National Endowment for the Arts and the National Endowment for the Humanities**

This memorandum is in response to your request for a description of the allotment formula for basic State grants for the National Endowment for the Arts (NEA) as compared to the National Endowment for the Humanities (NEH). This memorandum briefly describes the formula as it appears in the National Foundation on the Arts and the Humanities Act (P.L. 89-209, as amended) and outlines some of the similarities and differences in the two distribution systems.

National Endowment for the Arts

At least **20 percent** of the total appropriation for **program funds**¹ for the National Endowment for the Arts (NEA) is set aside by law for State arts programs. With these funds State arts agencies and regional groups support projects which address arts priorities specific to their States and regions. These State arts programs are supposed to be in keeping with the Endowment's mission to foster "artistic excellence" and "diversity."

Of the **20 percent** reserved for State programs, **75 percent** is distributed to basic State grants (including a \$200,000 minimum grant to each State) and **25 percent** is given to the chairperson to use at his/her discretion.

With regard to the **75 percent**, basic State grants are awarded annually to 56 State and special jurisdiction arts agencies (including Puerto Rico, Washington, D.C., Guam, American Samoa, Northern Mariana Islands, Virgin

¹Twenty percent of the appropriations authorized under section 11(a)(1)A of the National Foundation on the Arts and the Humanities Act, P.L. 89-209, as amended, i.e., program funds, is set aside for State grants.

Islands) upon the approval of an application and plan for support of the arts. The basic State grant allots a minimum of \$200,000 to each State. (Generally, the amount allotted may pay no more than 50 percent of the cost of State arts projects.) Any amount remaining from the 75 percent after the minimum is met is distributed in equal amounts. If appropriations are insufficient to make the minimum allotments, then sums will be allotted among States in equal amounts.

With regard to the 25 percent, this percentage is reserved for the chairperson of NEA for making grants in additional amounts to States and regional groups. Although not specified in statute, the NEA's policy² has been to distribute 12.5 percent or half of the discretionary chairperson's funds to regional groups and the other 12.5 percent to be divided among the States on the basis of total population size. Beginning in FY 1988 the amount distributed by population was frozen at the FY87 level and any additional funds were used for collaborative initiatives developed by the States with endowment programs in various disciplines.

A limited amount of funding "over and above" the mandatory total amount going to State programs is used to support special projects and to help pay for State support services, arts management assistance, and information services provided at a national level to State arts agencies. Support for the National Assembly of State Arts Agencies (NASAA), for example, comes from these "over and above" funds. NASAA informs State arts agencies on current arts policy issues and developments in the arts. Support of this organization is matched with member agency dues.

According to the State Program office at NEA, the following amounts were distributed to State agencies and regional groups in FY 1989:

NEA Funds to State Programs FY 1989^a

Basic State grants	\$21,498,500
Regional grants	3,220,500
Special projects	464,882
State support services	362,300
	\$25,547,182

^aThis table is preliminary information to be published in the annual report of NEA in April 1990.

²Source: National Endowment for the Arts. Appropriations Request, FY 1991. Submitted to the Congress, Jan. 1990.

According to the State programs office at NEA, in FY 1990 the total appropriation for the States program was \$26,000,000 and the budget estimate is \$26,100,000 for FY 1991.

National Endowment for the Humanities

Of the total appropriation for program funds for the National Endowment for the Humanities (NEH)³ specifies that **20 percent** of the program funds must go to State grant programs.

Grants for State programs are made annually to the State councils that in turn support on a competitive basis locally initiated humanities programs. Each State humanities council (private, volunteer organizations now operating in all States) determines its own program objectives and conducts its own grant competition. State councils may use Federal funds to pay half the cost of projects, matched by local contributions.

Under the basic State grant program, NEH allots a minimum grant of **\$200,000** to each State. If the sums are insufficient to make the minimum allotments, then sums will be allotted among States in **equal amounts**.

When appropriations are in excess and can finance more than the minimum \$200,000 grant, then these funds are distributed as follows:

34 percent of the excess amount would be available to the **chairperson** for making grants to States and regional groups;

44 percent of the excess would be allotted in **equal amounts** among the States and grant recipients with approved plans;

22 percent of the excess would be allotted among the States by the ratio of that State's population to national population.

In FY 1989 an estimated \$25,000,000 was appropriated for the NEH State programs. In FY 1990, \$25,637,000 was appropriated and the FY 1991 budget estimate is \$26,000,000 for State programs.

Similarities:

- 1) Both NEA and NEH use 20 percent of their program funds appropriation for State programs.
- 2) Both NEA and NEH give a minimum State grant of \$200,000.

³ Twenty percent of the appropriations authorized under section 11(a)(1)A of the National Foundation on the Arts and the Humanities Act, P.L. 89-209, as amended, i.e., programs funds, is set aside for State grants.

- 3) In the event that there are insufficient appropriations, both NEA and NEH would distribute funds "in equal amounts" to the States.

Differences:

- 1) The method in which the State grant funds appropriation is distributed is different for each Endowment. With the NEA the chairperson's discretion is 25 percent of the 20 percent of State grant funds, whereas the NEH the percentage for chairperson's discretion is 34 percent of only the excess amount after the minimum \$200,000 grant is met. Therefore, the NEA's 25 percent of the State grant program (\$6,500,000 in example below) is probably a larger figure than NEH's 34 percent of the excess (\$5,032,000 in example below). See the following sample calculation.

**EXAMPLE I--Distribution of Funds for NEA and
NEH State Grants programs**

Assume total program funds appropriation at \$130 million for
both NEA and NEH. The calculation would be as follows:

NEA	NEH
20 percent of program funds for State grants \$26,000,000	20 percent of program funds for State grants \$26,000,000
25 percent for chairperson's discretion \$6,500,000	\$200,000 to each State and territory \$11,200,000
half of chairperson's discretion for regional programs \$3,250,000	34 percent of excess (.34 x \$14,800,000) \$5,032,000
half of chairperson's discretion distributed by population \$3,250,000	44 percent of excess (.44 x \$14,800,000) distributed in equal amounts to States \$6,512,000
75 percent for State grants \$19,500,000	22 percent to States on basis of population \$3,256,000
Minimum grant to States (\$200,000 x 56) \$11,200,000	
Remainder of State grants distributed in equal amounts \$8,300,000	

- 2) The NEA's allotment of funds to the States appears to be less specific in law than for the NEH. **NEA has the freedom to make policies with regard to how much funding goes to States on the basis of population and how much goes to regional groups.** The NEA however, has developed its own policy and has chosen to further restrict the chairperson's discretionary amounts.

In conclusion, the basic State distribution formulas are different for the NEA as compared to the NEH. Under NEH, the **chairperson's discretion** is 34 percent of excess amounts of funding after the minimum (\$200,000) State grant is met as compared to the NEA's 25 percent of the State grant program as a whole. The statute is prescriptive for NEH about the amount of funding distributed on the basis of a State's population. The language for the NEA in statute does not specify that funds have to be distributed by population although the NEA, as a matter of policy has espoused the population method of distributing a small portion of funds.

We hope this material is helpful to you.