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6-23-1989

## Sub-Grants (1989-1990): Correspondence 07

Hugh Southern

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**NATIONAL  
ENDOWMENT  
FOR  
THE ARTS****WASHINGTON  
D.C. 20506**A Federal agency advised by the  
National Council on the Arts

June 23, 1989

Congressman Sidney R. Yates  
Chairman, Subcommittee on Interior  
and Related Agencies Appropriations  
B-308 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Yates:

I am writing to follow up our meeting earlier this week, in which you asked us to provide you with a discussion of the impact of your proposed amendment prohibiting the Endowment from awarding funds to organizations for subgranting. We are grateful for your continued concern for improving the Arts Endowment grantmaking process and are eager to work with you on ways to improve our process to insure that it is fully effective and accountable.

It is my understanding that this prohibition would not apply to state and local arts agencies and regional arts organizations. Given my present understanding of the scope of your proposal, this discussion focuses on all other subgranting activities of the agency.

First, an overall context. Subgranting is a mechanism which has been successfully used by the Endowment almost since its inception. While the Arts Endowment's enabling legislation does not explicitly provide for subgranting, except for the 20 percent set-aside grant program for state arts agencies and regional arts organizations, use of this mechanism can be inferred from the language and purposes of the Endowment's basic grant-making authority.

**Programmatic Impact**

In the brief time that we have had to review the Endowment's subgranting relationships we find that under the proposed amendment three outcomes are likely based on FY 1988 grants: some activities could be continued by the Endowment with additional administrative resources (approximately 16 projects); for some activities, part of the current role of the grantee organization could be assumed by the Endowment (approximately 35 projects); and some activities would be eliminated entirely (approximately 27 projects). The following discussion provides examples of these three clusters:

1. Activities for which the Endowment could assume direct granting given additional resources.

EXAMPLE: Regional media arts fellowships. Currently seven regional media arts centers in different parts of the country review 1,100 applications annually from film and video artists.

IMPACT: Artists "daunted" by the Federal government may not apply to the Endowment. Matching funds would be lost. Access to equipment provided to fellows by the centers would be limited or lost. Artists' perception of the value of their centers could be gravely diminished.

2. Activities for which we could assume some of the role played by subgranting groups; but much would be lost.

EXAMPLE: Stage Directors: Currently the Theatre Communications Group (TCG) manages a complex process that screens early career stage directors, selects the most promising, and provides them with funds while placing them with companies.

IMPACT: The Endowment, given resources, presumably could select the best directors; but it would be extremely difficult -- and perhaps inappropriate -- for the Endowment to "make the match" between directors and companies. Thus the most important element of this program would likely be damaged or lost.

EXAMPLE: Dance presenters network. Currently the Dance Theatre Workshop organizes and operates a National Performance Network that matches small dance companies, and solo dance artists, with specialized presenters in various parts of the country. Unusual work, avant garde, ethnic artists are offered opportunities not otherwise available.

IMPACT: The Endowment might be able to support the presenters; but it is not in a position to find and develop them; nor to develop bridges between presenters in different regions and between them and the artists. Most of this is extremely sensitive and important work would be lost. Also substantial amounts of private sector funding (Ford Foundation, Pew Charitable Trust, Wallace Funds) could be lost if the Dance Theater Workshop were no longer in a position to operate the Network.

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**EXAMPLE: Small and emerging arts organizations.** Currently grants are awarded to community foundations which must be matched 2:1 for the purpose of establishing permanent endowments for the support of small and emerging arts organizations. Matching money goes into the permanent trust fund; the Endowment's money is subgranted to small and emerging arts organizations with an emphasis on minority (expansion arts) organizations. Presumably some, though not many, of the subgrantees could apply to the Expansion Arts Program directly.

**IMPACT:** Lacking the incentive of the Endowment's grant to spark fundraising efforts, it is likely that, community foundations would not move to establish permanent endowment funds and a panel review funding process for the arts of the type currently resulting from this initiative. To date these matching grants will produce more than \$7 million in permanent endowment funds for the arts. Also, many subgrantees may not feel "sophisticated" enough to apply to the Federal government for support.

**EXAMPLE: Regional regranting for interdisciplinary artists.** Currently arts centers in ten regions of the country provide funds for artists in their areas working in different disciplines. Intended to supplement and complement the Inter-Arts Program's New Forms category, and to help artists who are without ready access to the Endowment to strengthen their work and their exhibition/performance potentials, this category exists in partnership with the Rockefeller Foundation.

**IMPACT:** Presumably the artists could apply to the Arts Endowment, whose application load would increase substantially. But our experience is that many artists, particularly minority artists and those from smaller, more isolated communities, would not even try; since available funds would be cut more than 50% without the Rockefeller contribution, many more artists would be rejected; and these artists' exhibition/performance potentials would be greatly diminished as the links between them and their centers would be broken.

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3. Activities that the Endowment could not assume directly and that could, therefore, possibly end.

EXAMPLES:

OPERA America's program to enhance senior citizen and disabled individuals' access to opera. This involves not just subgranting but a level of nurturing and hand-tailoring and encouragement that the Endowment would not be able to do.

Meet the Composer's many imaginative programs to serve a wide range of individual composers needs -- for special commissioning efforts, for residencies in communities nationwide, etcetera. There is substantial private foundation money committed, along with the Endowment's, in these endeavors. The Endowment does not have the close-to-the-ground, composer-sensitive, fine-tuned-over-years expertise of Meet the Composer, and could not do what it does. The existence of Meet the Composer could be jeopardized if Endowment (and matching) funds were withdrawn.

Affiliate Artists' programs for performing artists in a range of disciplines. Over many years, Affiliate Artists has developed programs that offer funds and special opportunities for performers (for young conductors, for community residencies, et cetera). Auditions are required here; and substantial technical assistance for artists is provided, in connection with these grants. And the Endowment simply could not play this complex role. The existence of Affiliate Artists could be jeopardized, and many artists and many communities would be the poorer.

The National Institute for Music Theatre (NIMT) is probably the only existing organization that provides special attention and funding for young singers on a national level. NIMT auditions singers, provides them with grants, helps them with coaching, nurtures their careers. The Endowment couldn't do live auditions, and certainly couldn't provide the area-specific expertise. NIMT, too, could be jeopardized.

The American Symphony Orchestra League's Management Fellowship Program also involves live interviews, personally tailored match-making between young managers and symphonies, and professional, hands-on, training experiences. The Endowment could not assume this program and would have to reject this grant.

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The American Academy in Rome's fellowships, Harvard University's Loeb Fellowships, and other subgranting in the Design Arts would have to be rejected as the Endowment could not and should not select artists for other organizations in this manner.

The New York Philharmonic/Music Assistance Fund Orchestral Fellowship program places gifted young string musicians from minority communities in special arrangements with orchestras in different parts of the country. The Endowment could not replicate this effort and would have to reject this grant.

It should be added that many of these programs were created and are "owned" by the organizations we are now supporting. Does the Federal government really have the right to detach from them a tried and true selection process as a condition for Federal support? Many of them also would have to maintain a duplicate, parallel selection process in order to determine expenditures of non-federal monies, public and private, a wasteful and cumbersome way to proceed.

Many of these programs also extend the Endowment's "reach" toward individual artists and groups across the country, and were often designed to extend services and support that cannot easily be deployed from a centralized, Washington-based operation. In addition, the expertise of staff and institutional memory of the organizations conducting these programs could not be duplicated in the staff the Endowment would have to engage to substitute for them.

#### "Unintended Consequences"

Because of the exemption for state and local arts agencies and regional arts organizations, some categories would be fully fundable, while others would be partly fundable, partly not. For example, while Visual Arts Regional Fellowships would be totally fundable (because they go through the regional arts organizations), while Folk Arts Apprenticeships would be fundable only in those states where the program is run through the state arts agencies (left out would be South Carolina, Texas, Massachusetts, Wyoming, and West Virginia), until we could find some other method of carrying out the program in those areas.

Another example is the Theater Presenters category, funded primarily but not solely through the state and regional arts agencies; an important exception is a group called Alternate ROOTS, which tours high-quality theater, including work indigenous to the region, throughout the southeastern part of the country. Many smaller and rural communities are reached through ROOTS. We would need to find some alternative to ROOTS or lose the ability to support that type of theater touring.

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Also, Challenge grants that are designed to generate new non-federal support for subgranting would be prohibited; a current example is the \$800,000 grant to the New York Foundation for the Arts in behalf of grants to artists in an seven-state consortium.

### Administrative Impact

At present, our grantees absorb much of the cost of administering the subgranting process. Therefore, if the Endowment were to take over a substantial amount of the grant-making which is presently subgranted, our Administrative costs would increase by over \$1.1 million. This sum would cover: personnel compensation for additional staff people (mostly program specialists and clerical employees); additional panelist days (some existing panels meetings would be lengthened and new panels and more meetings would be needed); increased costs for staff travel and site visits; and, the development and printing of new program guidelines. In addition, increased general administrative costs attributed to an expanded application load and personnel complement would be incurred in the following areas: postal, telephone, grants and information management systems, personnel management, equipment and supplies, public information materials and rental of additional office space). In addition, because the Agency is presently staffed at its ceiling of 262 full-time-equivalent (FTE) employees, the Endowment's FTE ceiling would have to be increased to accommodate increased personnel.

### Timing

A critical factor impacting on the implementation of this amendment is timing. Many application deadlines for FY 90 funding have passed and FY 90 applications are presently under review by Endowment staff and panels. In most instances, the earliest the prohibition on subgranting could be included in Endowment guidelines would be for FY 91.

### National Council on the Arts

In our meeting, you also asked us to insure appropriate involvement by the National Council on the Arts in the grant review process. Quite apart from these recent events, I had promised the Council that we would discuss, at its August 1989 meeting, a range of matters involving the Council's role in the review of applications. Such a discussion is scheduled.

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It may be helpful to summarize the system we currently have in place, which involves a series of steps:

- o Council members review every Program guideline developed/disseminated by the Endowment. Guidelines spell out program policies, eligibility requirements, review criteria for judging applications, etcetera. Guidelines are not printed unless the full Council has reviewed and recommended them.
- o Council members are encouraged to attend any panel meetings they wish, and an updated schedule of upcoming panel meetings is given to the Council members at every Council meeting. However, in practice, very few Council members have chosen (or been able) to attend.
- o At least two weeks prior to each Council meeting, books are mailed to each member with about 1/2 to 2/3rds of the book devoted to applications/grants. Organized by Program (e.g. Dance, Polk Arts, Music, Theater), the material usually includes a) lists of panelists that reviewed the applications; b) summary write-ups of panel deliberations, issues raised, statistics on applications/grants, etcetera; c) a listing of each application recommended for funding, with name of applicant, location, brief description of grant, amount requested and recommended, et cetera. Also included are lists of recommended rejections with name, location, and amount requested.
- o Council members are asked to review these materials before the meeting and write down, on sheets provided in every Council book, any questions or concerns they have about any of the recommended grants or rejections.
- o These questions are collected when Council members arrive for the meeting, and distributed to the relevant Program staffs.
- o Program staff does whatever research may be necessary and provides responses, either verbally or in writing, to the Council members during the course of the meeting. Council members who are unsatisfied with the Program response, or who feel that they would nonetheless like the application in question to be discussed by the full Council, are encouraged to raise the particular application during the portion of the Council meeting devoted to application review (which usually ranges from three to six hours).
- o During the application review session, then, Council members raise whatever questions or issues they may wish to have discussed, and that discussion is open.

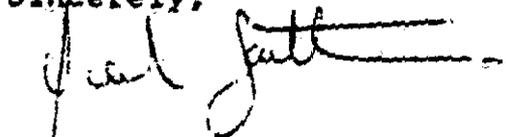
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Historically, the National Council's role in application review has shifted slightly over time, sometimes responding to Council concerns about too much detail and involvement in application review, sometimes concern about too little. The Endowment and the Council have tried various approaches over time, including breaking into small committees, and the current method which was developed in response to the then-perceived "down sides" of that earlier system. It should be noted that the Arts Endowment handles about 18,000 applications annually, and awards approximately 4,500 grants. We have agreed to review the system again, as has been done periodically over the past twenty-four years. This discussion will occur, as previously mentioned, at the August Council meeting. I will be in touch with you regarding the outcome of these discussions. Whatever system evolves, it needs to be sensitive, realistic, and responsible, and the Endowment, its panels and its National Council are devoted to that end.

At this time the Endowment recommends against the adoption of the regranting prohibition. We do not believe that such a prohibition addresses the issue at hand and are concerned that it would serve to severely undermine or eliminate many excellent, sometimes irreplaceable, arts activities across the country. At the same time, I want to express the appreciation and gratitude of all of us here at the Endowment for your deep and abiding concern for the agency and its programs. We will continue to work with you towards a satisfactory resolution of these difficult issues.

I hope that this discussion responds to your questions with regard to these matters. Please feel free to contact me on my direct line at 682-5414 if you would like to discuss this further.

Sincerely,



Hugh Southern  
Acting Chairman