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SPECIAL TRUST FUND

PROPOSED AMENDMENT: Provide legislative authority to establish a special trust fund to provide grants to arts organizations to build their endowments.

EXPLANATION: Our nation's arts organizations face multiple challenges in generating financial support and must balance competing concerns in the allocation of their meager resources: their artistic mission, responsibilities to the community and funding levels. Tension among these concerns often lead arts organizations into long-term financial instability. One practical solution lies in the ability of arts organizations to establish and maintain income-producing endowments. Because so many of arts organizations are severely undercapitalized, endowment building is often a low-priority.

HOW IT WOULD WORK: The special trust fund would receive its allocation through annual appropriations ($2 million to $4 million annually) and through funds donated by taxpayers. When the principal of the proposed Endowment reaches a pre-determined level, earnings from the fund would be used to support matching grants to arts organizations to build their endowments. This grant program would be open to any organization eligible to receive Endowment support through the Endowment's discipline and public partnership programs. A federally chartered not-for-profit corporation would be established to manage and distribute the special trust fund.
Section 959 (a) of the National Foundation on the Arts and the Humanities Act, as proposed for amendment (new language indicated by underscore).

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(2) in the discretion of the Chairperson of an Endowment, after receiving the recommendation of the National Council of that Endowment, to solicit and receive money and other property donated, bequeathed, or devised to that Endowment with or without a condition or restriction, including a condition that the Chairperson use other funds of that Endowment for the purposes of the gift, except that Chairperson may receive a gift without a recommendation from the Council to provide support for any application or project which can be approved without Council recommendation under the provisions of section 955(f) and 957(f) of this title, and may receive a gift of $15,000, or less, without Council recommendation in the event the Council fails to provide such recommendation within a reasonable period of time, and to use, sell, or otherwise dispose of such property for the purpose of carrying out sections 954(f) and 956(c) of this title;

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In any case in which any money or other property is donated, bequeathed, or devised to the Foundation (A) without designation of the Endowment for the benefit of which such property is intended, and (B) without condition or restriction other that it be used for the purposes of the Foundation, such property shall be deemed to have been donated, bequeathed, or devised in equal shares to each Endowment and each Chairperson of an Endowment shall have authority to receive such property. In any case in which any money or other property is donated, bequeathed, or devised to the Foundation with a condition or restriction, such property shall be deemed to have been donated, bequeathed, or devised to that Endowment whose function it is to carry out the purpose or purposes described or referred to by the terms of such condition or restriction, and each Chairperson of an Endowment shall have authority to receive such property. For the purposes of the preceding sentence, if one or more of the purposes of such a condition or restriction is covered by the functions of both Endowments, or if some of the purposes of such a condition or restriction are covered by the functions of one Endowment and other of the purposes of such a condition or restriction are covered by the functions of the other Endowment, the Federal Council on the Arts and Humanities shall determine an equitable manner for distribution between each of the Endowments of the
property so donated, bequeathed, or devised. With respect to money or other property donated to the National Endowment for the Arts in accordance with this section, the Chairperson is authorized to transfer such gifts and other money or property to a trust fund which shall be established for the purpose of holding and investing funds by a non-profit corporation chartered in the District of Columbia. For the purpose of the income tax, gift tax, and estate tax laws of the United States, any money or other property donated, bequeathed, or devised to the Foundation or one of its Endowments and received by the Chairperson of an Endowment pursuant to authority derived under this subsection shall be deemed to have been donated, bequeathed, or devised to or for the use of the United States.