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12-7-1979

## State Humanities Committees (1979-1982): Correspondence 14

Betsy K. McCreight

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# Federation of Public Programs in the Humanities

15 SOUTH 5th STREET • SUITE 720  
MINNEAPOLIS, MINNESOTA 55402  
(612) 332-2407

*EL*

December 7, 1979

DEC 10 1979

The Honorable Claiborne Pell  
United States Senate  
325 Russell Senate Office Building  
Washington, D. C. 20510

Dear Senator Pell:

At a meeting this week the Executive Committee of the Federation of Public Programs in the Humanities considered the proposal which we understand that your staff has made for the reauthorization of the state humanities programs. We are, as you know, concerned that the essential factors which have made state humanities programs successful in many states be preserved in any future transition which might be written into the reauthorizing legislation. Therefore we urge that the provisions which are stated in the attached recommendation be included as part of the reauthorizing legislation.

We will be happy to provide any elaboration or comments on any of these provisions which you or your staff might wish. We look forward to the successful completion of the reauthorizing process.

Cordially,

*Betsy K. McCreight*

Betsy K. McCreight  
President, Federation of Public  
Programs in the Humanities

BMC:jle

Enclosures

cc: Senator Jennings Randolph	Senator Richard S. Schweiker
Senator Edward M. Kennedy	Senator Jacob K. Javits
Senator Gaylord Nelson	Senator Robert T. Stafford
Senator Thomas F. Eagleton	Senator Orrin G. Hatch
Senator Alan Cranston	Senator William L. Armstrong
Senator Donald W. Riegle, Jr.	Senator Gordon J. Humphrey
Senator Howard M. Metzenbaum	

# Federation of Public Programs in the Humanities

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MINNEAPOLIS, MINNESOTA 55402  
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## PROVISIONS TO GUIDE PROPOSED CHANGES IN STATUS OF STATE HUMANITIES PROGRAMS

PART A. In any state which elects to establish or designate a state humanities agency:

1. The state must designate the current state humanities council members as the state agency board.
2. The governor should appoint new members to that board as vacancies occur naturally.

(These two points provide for a smooth transition.)

3. The state must provide a sum equal to at least 35% of the total Federal grant to the humanities council in the current fiscal year.

(This provides for proportionate state support, which is particularly important in the case of populous states. It also makes the state contribution bear a stated relation to the Federal grant no matter which changes in amount are made over the years.)

4. The state funds must be newly appropriated for the purpose of the state humanities programs.

(This insures state legislature concurrence with the new agency and prevents funds of existing state agencies from being used to finance the new agency.)

5. All activity of the state humanities agency shall be for the purpose of public humanities programs.

(This safeguards the public purposes of the state program, to prevent its funds from being used for academic or other non-public uses.)

PART B. All other states shall operate under the requirements of Section 7(f)(2) of the 1976 legislation without any action being required of the state government in this case, except that the governor shall be empowered to appoint four (4) members to the humanities council.

(This prevents a governor from allowing a program to die by inaction.)

## CONGRESS AND THE WASHINGTON COMMISSION FOR THE HUMANITIES

The Congress, in its deliberations on the fiscal year 1979 appropriation for the National Endowment for the Humanities took several actions of substantial benefit to state programs, including the Washington Commission for the Humanities:

- ① Increased the NEH definite fund request for the Division of State Programs by \$2 million from \$20.1 million to \$22.1 million. This provided a larger pool of funds to be divided among the 56 humanities programs in the states and trust territories. It also raised the percentage of NEH funds allocated to state programs to slightly above the twenty percent required by law (20.36%);
- ② Prevented "unacceptable reductions" from being imposed on about fourteen state programs by directing that no current allocation to a state could be "reduced more than 15 percent in fiscal year 1979 as a result of any change in the NEH distribution formula." The Endowment, recognizing the concern of Congress, ultimately made no more than a 7 percent reduction in the current allocation of each state. The Washington Commission for the Humanities received at least \$151,000 more than it otherwise would have received;
- ③ Increased the NEH indefinite fund request for gifts and matching for all Endowment divisions by \$2 million from \$7.5 million to \$9.5 million. This enabled the State Program Division to receive \$2 million (21% of total) and WCH to receive \$200,000 in gifts and matching (equal to the amount received in 1977 and 1978).

In the next few months the Congress will be acting on two items of importance to state programs: 1) the appropriation for fiscal year 1980 (begins October 1, 1979); and 2) reauthorization of the National Endowment for the Humanities as an agency, including the state program either as we know it or in some other form (the legislation enacted in 1976 expires in September 1980).

Although appropriation and reauthorization are treated as separate issues, each following a different time table in different subcommittees, the issues to be dealt with are related. Since appropriations for 1980 will come up first, here are the issues that relate to -

### APPROPRIATIONS

- ① The administration (NEH & the President) is requesting an increase of \$5 million from \$145.1 million to \$150.1 million (3.4%). About one-half of this is in definite funds, the other half is in "indefinite" treasury funds used to match gifts received by the Endowment. The requested increase in definite funds for the Division of State Programs is \$400,000 from \$22.1 to \$22.5 million (1.9%).

The Commission's position is to:

A) Support the full NEH request, defend against any cuts, and if cuts must come, try to prevent cuts in the amount of funds for the Division of State programs;

B) Express concern that the requested increase for state programs is only \$400,000 more for the whole country and an average increase only of \$7,100 per state. Moreover, it is a reduction in the percentage of total NEH funds allocated to the Division of State Programs from 20.36% (1979) to 20.25% (1980).

C) Strongly suggest that the amount to be allocated to state programs be increased so the 20 percent minimum required by Congress as a floor does not continue to be treated as a ceiling by the Endowment.

- ② The funding formula as it is now being implemented by NEH will again cause substantial reductions in the current allocation of about fourteen states. A further reduction in FY80 would compound the reductions already received in FY79 (maximum of 7%).

Therefore, the Commission's position is that:

- A) The Washington State delegation should not support an increase in funds for the National Endowment for the Humanities when such an increase could mean a reduction in funds for the program in Washington and other states of up to 40%;
- B) The appropriations committee report needs a "hold harmless" clause that would "prevent the imposition of further unacceptable reductions on some states" by directing that "no current state allocation shall be reduced in fiscal year 1980 as a result of an application of the NEH distribution formula."

This position suggests a need for major changes in the funding formula, and the Commission will request changes in the authorizing legislation.

- ③ The Administration (NEH) request for indefinite funds for gifts and matching purposes is an increase of \$2.5 million from \$9.5 million to \$12 million. The \$9.5 million appropriated last year has been fully committed after only one-half of the fiscal year has passed. The need in FY80 will be more, rather than less.

Therefore, the Commission position is that:

- A) The Congress should increase the amount for "matching project grants" to at least \$18 million with the stipulation that the Division of State Programs receive an allocation of \$4 million (22%) since that is the minimum amount that will be needed in FY80 (in part to provide match for gifts that could not be matched in FY79 and the rest to match new money being raised in increasing quantities. If an increase in the total is not possible, then the Division of State Programs needs \$4 million from that total.
- B) At present, the NEH request does not present a plan or rationale for allocation of gifts and matching funds within the agency. The Congress should have an opportunity to study and approve the Endowment's plan or formula for allocation of gifts and matching funds among the various program divisions. The Division of State Programs needs a specific guaranteed allocation to accommodate the "lag time" in raising gifts. The Congress also might want to be certain that the gifts and matching funds are being used to encourage new money to be given in support of the humanities rather than to match private funds that, in all probability, would have been given in support of humanities enterprises even if the "gifts and matching" funds had not been available. Why, for example, does the Research Division receive more than 50% of the matching funds?
- C) The Congress might want to know the plan or formula for allocation of gifts and matching funds to state programs.
- D) The Congress should encourage NEH in its efforts to speed up and streamline the gifts and matching process. It should be possible for a donor to give directly to the state program, rather than NEH and receive prompt matching for the gift.

The Congress must not only appropriate funds but it must also reauthorize the existence of agencies and their programs. Here are the issues that relate to -

#### AUTHORIZATION

① The Senate may propose a bill that is different from the administration bill in that funds for state programs would go to "designated state agencies" rather than "designated state entities." This could mean that the private, non-profit citizens' committee structure option for state programs would be eliminated. A state program can be a state agency under the existing law. WCH has found the present structure effective. Among other benefits, this structure provides safeguards against inappropriate restraints on programming by state government and encourages the contributions of private dollars.

The Commission position is that:

A) The present structure should be retained because it has not been fully tested. The 1976 legislation mandated new accountability procedures that have only been in place for a year or two in most states. The rules should not be changed until it is clear that they are not working to bring public humanities programs "within the political process" in the states.

B) If more state government representation is to be added, then in addition to substantial contribution of state funds to the program, the state should agree to consult with the existing humanities entities in the state regarding draft legislation and future plans. However, up to four gubernatorial appointees could be accepted, at no cost to the state, if one appointment was made per each class year of representation on the board of the state program for terms that were not tied to the term of the governor.

② The present legislation requires that "no less than twenty percent" of the definite funds appropriated to the Endowment must be allocated to the Division of State Programs. The Endowment has interpreted this minimum to also be a maximum; the floor has become the ceiling. The amount allocated to programs in the states has now leveled off or actually decreased.

The Commission position is that:

A) The Congress should clearly indicate support for substantial growth in the level of NEH support for state programs, or;

B) The Congress should set a higher percentage for the Division of State Programs since this component of NEH most directly involves the public in each state. A 25% minimum would bring a total increase of \$5,500,000 to the State Program (contrasted with an NEH proposed increase of \$400,000 for FY80).

③ The present legislation includes a funding formula that asks state delegations to vote for appropriations to NEH that result in decreases in their state programs and offers inadequate opportunity for the NEH to recognize the difference between states with regard to population, need for additional humanities resources, past accomplishment, and competence of future plans.

The Commission proposes the revised funding formula described by the attached documents.

## LIST OF QUESTIONS

For your convenience, here are some direct questions suggested by the issues raised. There are clearly other ways they may be asked.

1) The state programs have demonstrated an ability to touch the lives of people through effective, attractive, locally supported and initiated humanities programs. Why does the Congressional minimum (20%) continue to be the maximum percentage allocation of NEH funds for the state program?

2) If a Congressman votes for this request, can he or she be confident that the result will be an increase, not a decrease, for the state program in his or her state? (See list of states benefited by "hold harmless" attached to funding formula.)

Why is the Endowment requesting a decreased percentage request for state programs and a very modest actual dollar increase (\$400,000 for the whole national program)?

3) Does the Endowment welcome a "hold harmless" provision that would prevent cuts in state programs resulting from support of this request?

4) What is the need for gifts and matching funds for the Division of State Programs in FY80? Will the Endowment set aside a guaranteed amount (approximately \$4 million) and hold it for state programs?

5) What is the Endowment's plan for allocation of the \$12 million requested for matching project gifts? What does each division get and why? (The request appears to offer no information??)

6) What is the Endowment's plan for allocating gifts and matching funds among the 56 state programs? Is there a need for a formula?

7) What advantages might be gained by a revision of the funding formula now used by NEH to allocate funds to the 56 state programs? Would a revised formula that was better able to encourage quality and recognize merit be useful?

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

(See page 10 of P1 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 ( $.75 \times \$22.1 \text{ million} \div 56 = \$296,000$ ).

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 need in the state for additional 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.
-

(ii) provide, from any source, an amount equal to the amount of Federal financial assistance received by such grant recipient under this subsection in the fiscal year involved.

(C) In any fiscal year in which a State fails to meet the matching requirement from State funds made by subparagraph (A) of this paragraph, the number of members on the governing body of the grant recipient who were appointed by an appropriate officer or agency of such State shall be reduced so that the governing body complies with the provisions of subparagraph (B) of this paragraph.

(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.

(5) (A) Whenever the provisions of paragraph (3)(B) of this subsection apply in any State, that part of any allotment made under paragraph (4) for any fiscal year—

(i) which exceeds \$125,000, but

(ii) which does not exceed 20 per centum of such allotment, shall be available, at the discretion of the Chairman, to pay up to 100 per centum of the cost of programs under this subsection if such programs would otherwise be unavailable to the residents of that State.

(B) Any amount allotted to a State under the first sentence of paragraph (4) for any fiscal year which is not obligated by the grant recipient prior to sixty days prior to the end of the fiscal year for which such sums are appropriated shall be available to the Chairman for making grants to regional groups.

(C) Funds made available under this subsection shall not be used to supplant non-Federal funds.

(D) For the purposes of this paragraph, the term 'regional group' means any multistate group, whether or not representative of contiguous States.

(6) All amounts allotted or made available under paragraph (4) for a fiscal year which are not granted to any entity during such fiscal year shall be available to the National Endowment for the Humanities for the purpose of carrying out subsection (c).

(7) Whenever the Chairman, after reasonable notice and opportunity for hearing, finds that—

(A) a grant recipient is not complying substantially with the provisions of this subsection;

(B) a grant recipient is not complying substantially with terms and conditions of its plan approved under this subsection; or

(C) any funds granted to any grant recipient under this subsection have been diverted from the purposes for which they are allotted or paid.

Funding Formula

The National Endowment for the Humanities Budget Request is \$150.1 million, an increase of approximately \$5 million, broken down as follows:

	FY 79	FY 80
I. Program Funds		
Regular	\$ 98.3	\$ 100.3
Treasury	9.5	<del>12.0</del> 11.4
SUBTOTAL	\$ 107.8	\$ 112.3
II. Challenge	27.0	27.0
III. Administration	10.46	<del>10.8</del> 11.4
TOTAL	\$ 145.0	\$ 150.1

*2 total  
cut  
8 million*

In addition to maintaining existing programs, Endowment goals are to focus attention on the following areas: (1) social history; (2) science, technology, and human values; and (3) expanding access to the humanities.

Among reductions in program funds is a \$250,000 reduction for Special Projects (FY 80, \$2,250,000) which is the category most appropriate for the NEH funded project on the humanities aspect of Washington State resource issues that we discussed a couple of weeks ago.

Also requested is the FY 79 supplemental for the White House Conference (\$1.4 million).

Questions were provided by Bill Oliver, pursuant to the several discussions you and I have had with him over the past six months, and by the woman from Chicago who testified that NEH was competing against her publishing house. Latter FYI only.

Last year the NEH increased the definite fund request for State programs by \$2 million to \$22.1 million. This year an additional \$400,000 is requested for a total of \$22.5 million.

- percentage
- a. Why is this/increase smaller than the increase for the entire budget for NEH?
  - b. Why is the State Program share of the NEH budget only 20 percent, the minimum required by the authorizing legislation?

The funding formula for state programs will again result in substantial reductions for about 14 states. Last year Congress directed that no state be reduced more than 15 percent, and NEH contributed additional funds from other sources to limit reductions to more than 7 percent. Therefore, for example, the Washington State Commission on Humanities received over \$150,000 more than it would have otherwise received.

- a. Why haven't you requested a similar hold harmless provision this year?
- b. Is it still a good idea?
- c. What are the fourteen states which would be affected? Please provide for the record a comparison of the grants made in 1979 with the amounts which would have been awarded under the authorizing formula. Please estimate the same figures using the FY 80 budget request.

*list in Bill's  
memo  
incl.  
Calif., Ohio,  
Penn., W.V.*

Last year Congress provided an increase in the indefinite fund request for gifts and matching of from \$7.5 million to \$9.5 million. This year a further increase up to \$12 million has been requested. The \$9.5 million appropriated last year has been fully committed after only half the year.

- a. Will the \$12 million requested be adequate?
- b. What is the demand?
- c. What is the demand by program area? State programs could use at least \$ 4 million, I understand.
- d. What is the Endowment's plan, if any, for allocating

the \$12 million among the various program areas?

e. If the \$ 12 million is allocated partially to state programs, how will the funds be divided up among the 56 state programs? And on what basis?..

The concern has been expressed that private donations to the Endowment are matched, even though matching funds are not a criterion of the gift.

a. In your opinion. what percentage of the private funds would be donated, if there were no matching funds?

b. Should a percentage of the matching funds be allocated for specific purposes to encourage new money?

What are your recommendations for the reauthorization of the National Endowment?

a. Should the funding formula for state programs be revised to encourage state contributions?

b. Should grant awards be based on merit rather than per capita grants and entitlements?..

An excellent explanation of the funding formula as it currently operates is provided in Bill Oliver's memo.

Last year we discussed the geographic distribution of NEH fellowships. :

a. Have NEH fellowship awards this year resulted in a more equitable geographic distribution?

b. Please provide data for the record comparing FY 79 awards with FY 78.

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 JERSET	\$ 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

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ISSUES RELATING TO FY 1980  
APPROPRIATION FOR THE  
NATIONAL ENDOWMENT FOR THE HUMANITIES

1) The increase requested for NEH is 3.4% or \$5 million. For state programs it is 1.7% or \$400,000; the total increase requested and certainly the amount for state programs deserves the approval of Congress.

For Washington State even this increase means a cut, unless there is a hold-harmless clause similar to 1979. Ultimately we need a change in the funding formula of the reauthorization legislation so that an increase in the NEH budget doesn't continue to mean a cut for Washington State. In the meantime we need protection, probably in the form of a hold-harmless clause in the FY80 appropriation. We question whether the delegation should support legislation that increases the cost of a federal program but decreases the share to many states including Washington.

We further believe that the increase proposed by the administration is too modest, in view of the very small actual dollar increase that would be required to do much more and in view of the increasing demand for quality humanities programs. For example, if Washington State gets a 2% increase that is \$10,000.

2) If an increase for state programs is unlikely as a result of increased total dollars for the NEH, then there may need to be an increase in the proportion of NEH funds allocated to State programs. The 1976 legislation requires that state programs get no less than 20% of the NEH definite fund appropriation. The Endowment has chosen to use this floor as a ceiling (FY79 = 20.36% FY80 = 20.25%). Senator Pell has publicly stated his preference for a higher than minimum allocation to state programs. Why has the Endowment chosen to stick to the minimum?

3) Gifts and matching. There are three issues here. The first is, how does the NEH request for gifts and matching funds relate to the need for such funds? The second is, how much of the total allocation to NEH for gifts and matching is to be earmarked for state programs? The third, is the gifts and matching process itself discouraging private sector participation?

Our concerns relating to these issues are as follows:

A. The Endowment, for whatever reason, has underestimated the need. This will be particularly true now that there is little actual dollar growth in definite funds (whereas in past years there has been a significant increase each year) and now that state programs can offer a much wider range of support. In FY79 the NEH asked for \$7.5 million in gifts and matching, the same amount used in FY78. Congress agreed with the state programs that such stasis was inadequate and increased the request to \$9.5 million. FY80 request is \$12 million. This will be inadequate and at least \$4 million more is needed.

B. In FY79 the state programs encouraged a 2 million dollar increase in gifts and matching and the Congress agreed. The resulting allocation for state programs for gifts and matching in 1979 was two million dollars. It is a curious similarity of amounts, but it is about 20% of the total. Should the NEH receive Congressional guidance regarding allocation of gifts and matching funds among the various NEH divisions? \$4 million is needed for 1980.

C. The gifts and matching process now seems to require a letter from a donor saying that the gift is to the National Endowment for the Humanities, rather than the state program. Some donors do not like this. Nor do they like the idea that it takes three to six months for the project in which they have an



interest to get the match for the gift. It should be possible for a gift to be to the state program and for the NEH to expedite the matching process. The private sector is dubious enough about contributions to government funded programs. We need not make it harder. We understand the NEH is attempting to resolve this problem and urge Congressional support for that effort.

4) The funding formula now in use creates the difficult situation wherein a substantial number of state delegations to the Congress would vote for an appropriation that would have the effect of reducing funds for the state program in their states.

A solution needs to be found and it lies in a revision of the amount of money (three-fourths of the total) that must be divided, in equal amounts, among the states. See the attached paper for an analysis and one solution.

Last year we discussed the geographic distribution of NEH fellowships. :

a. Have NEH fellowship awards this year resulted in a more equitable geographic distribution?

b. Please provide data for the record comparing FY 79 awards with FY 78.

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NEW JERSET	\$ 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

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For Washington State even this increase means a cut, unless there is a hold-harmless clause similar to 1979. Ultimately we need a change in the funding formula of the reauthorization legislation so that an increase in the NEH budget doesn't continue to mean a cut for Washington State. In the meantime we need protection, probably in the form of a hold-harmless clause in the FY80 appropriation. We question whether the delegation should support legislation that increases the cost of a federal program but decreases the share to many states including Washington.

We further believe that the increase proposed by the administration is too modest, in view of the very small actual dollar increase that would be required to do much more and in view of the increasing demand for quality humanities programs. For example, if Washington State gets a 2% increase that is \$10,000.

2) If an increase for state programs is unlikely as a result of increased total dollars for the NEH, then there may need to be an increase in the proportion of NEH funds allocated to State programs. The 1976 legislation requires that state programs get no less than 20% of the NEH definite fund appropriation. The Endowment has chosen to use this floor as a ceiling (FY79 = 20.36% FY80 = 20.25%). Senator Pell has publicly stated his preference for a higher than minimum allocation to state programs. Why has the Endowment chosen to stick to the minimum?

3) Gifts and matching. There are three issues here. The first is, how does the NEH request for gifts and matching funds relate to the need for such funds? The second is, how much of the total allocation to NEH for gifts and matching is to be earmarked for state programs? The third, is the gifts and matching process itself discouraging private sector participation?

Our concerns relating to these issues are as follows:

A. The Endowment, for whatever reason, has underestimated the need. This will be particularly true now that there is little actual dollar growth in definite funds (whereas in past years there has been a significant increase each year) and now that state programs can offer a much wider range of support. In FY79 the NEH asked for \$7.5 million in gifts and matching, the same amount used in FY78. Congress agreed with the state programs that such stasis was inadequate and increased the request to \$9.5 million. FY80 request is \$12 million. This will be inadequate and at least \$4 million more is needed.

B. In FY79 the state programs encouraged a 2 million dollar increase in gifts and matching and the Congress agreed. The resulting allocation for state programs for gifts and matching in 1979 was two million dollars. It is a curious similarity of amounts, but it is about 20% of the total. Should the NEH receive Congressional guidance regarding allocation of gifts and matching funds among the various NEH divisions? \$4 million is needed for 1980.

C. The gifts and matching process now seems to require a letter from a donor saying that the gift is to the National Endowment for the Humanities, rather than the state program. Some donors do not like this. Nor do they like the idea that it takes three to six months for the project in which they have an

interest to get the match for the gift. It should be possible for a gift to be to the state program and for the NEH to expedite the matching process. The private sector is dubious enough about contributions to government funded programs. We need not make it harder. We understand the NEH is attempting to resolve this problem and urge Congressional support for that effort.

4) The funding formula now in use creates the difficult situation wherein a substantial number of state delegations to the Congress would vote for an appropriation that would have the effect of reducing funds for the state program in their states.

A solution needs to be found and it lies in a revision of the amount of money (three-fourths of the total) that must be divided, in equal amounts, among the states. See the attached paper for an analysis and one solution.

## Funding Formula

(See pg. 10 of PL 94-462)

In FY 79, 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. ( $.75 \times 22.1 \text{ million} \div 56 = 296,000$ ).

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 a 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 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 share, while sparsely populated states end up with nearly \$1.00 per person. 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 \$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 three 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 would be reduced below prior levels unless:  
(1) the NEH judged the quality of program plans or accomplishment was inadequate or (2) 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 by reducing the minimum amount to be awarded upon fulfillment of the basic requirements of the present law. That would be an improvement on the proposed formula if quality programming is the desired end.

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 demand for 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.