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INCREASING THE PERCENTAGE OF ENDOWMENT FUNDS GOING TO THE STATES WILL RESULT IN A SUBSTANTIAL REDUCTION OF FUNDING TO ARTISTS AND ARTS ORGANIZATIONS FROM BOTH THE PUBLIC AND PRIVATE SECTORS.

o The Arts Endowment's grant matching requirements are an effective tool to generate funding from non-federal sources.

o Most National Endowment grants require the minimum match of \$1 of non-Endowment funds to every \$1 of Endowment grant. Some Endowment programs require greater matches.

o The assumption that increasing the amount of Endowment money required to be passed through to the states will increase the dollars going to artists and organizations in their own state is not supportable. Artists in each state are, in fact, assured greater total funding as a result of the Endowment's matching requirements. The Endowment's matching requirements have a "multiplier effect," increasing the amount of funds going to support artists and arts organizations.

o One of the Endowment's funding policies is to support "programs that by their nature and design generate non-federal funds beyond the legislatively required one-to-one match so that grantees do not become dependent on the federal government for a major portion of their budgets."

o Not all states have matching requirements or matching requirements as high as those for grants in some of the Endowment's programs.

o The Challenge Program, for example, which has a matching requirement of three-to-one, is a very important and successful program. Its purpose is to complement the work of the other Endowment programs by offering major one-time grants for activities that look beyond current needs and programming.

o Further increasing Endowment money going to state arts agencies may, in tight budget times, encourage some states to reduce their own support for the arts.

o The recent reauthorization of the Endowment increased Endowment funds allocated to the states.

o That was followed by an unprecedented cut of 7.7 percent in state arts appropriations. A much larger cut is likely in several states for FY92.

o In tight budget times, another increase of the state set-aside could encourage states to reduce further their support of the arts.

- o The federal taxpayer could become a "patsy" if state legislatures use the increase in the states' share of Endowment funds as a reason to cut state appropriations for the arts. Yes, state budgets are tight, but the federal government should not encourage states to diminish their responsibility for providing access to the arts for their own citizens. Increasing the state set-aside even further could encourage this abandonment of state responsibility.
- o A larger allocation to states would even further reduce funds for the discipline programs, which are unlikely to be fully recovered.
 - o The increase in the amount of Endowment funds going to the states in FY91 as a result of reauthorization legislation required cutting \$12 million from the discipline programs.
 - o The discipline programs provide direct federal support for projects in dance, design arts, folk arts, literature, museums, music, opera-musical theater, theater, visual arts, media arts and interdisciplinary arts, in the form of competitive grants. These programs would suffer even more severe reductions should there be a further increase in funding to the states.
 - o The discipline programs provide fellowships to support the projects of individual artists. Some states are prohibited by law from directly supporting individual artists. And no corporations and few foundations award individual fellowships. As a result, a further shift of funds to the states would result in a severe reduction in funding for individual artists.
 - o Also, reducing support for competitive grants through the discipline programs would result in major losses for less institutionalized art forms such as folk arts, design arts, literature and film, which do not always receive high priority at the state level. With the exception of a few states, state agencies simply do not have the infrastructure to support the media arts.
- o A larger allocation to states will fund more "administration," not more art.
 - o Decentralizing federal support of the arts by increasing federal dollars passed through to the state agencies possibly will go to larger state agency administrations, not to arts projects and artists.
 - o The fact that there are no restrictions on the use of the increased allocation to the states for administrative costs further increases the possibility that funds that would have gone to artists and arts organizations through the discipline programs would be swallowed-up by a second bureaucracy.

o An increased state allocation could undermine the plurality of funding sources.

o The arts in America have benefited from a plurality of funding sources.

o With access to federal, state, and local funds, artists and arts organizations have been able to avoid overdependence on any single source of public support.

o A plurality of funding sources also give artists and arts organizations a greater range of opportunities for support.

o Thus, shifting a greater share of funds to the states would undermine one of the major strengths of the plural system of arts support.

o An increased allocation could undermine support from the private sector.

o In determining the priority for arts funding generally, and in selecting specific grantees, many corporations and foundations follow the lead of the National Endowment. It is improbable that corporations and foundations will develop a selection process comparable to the National Endowment's or that they will go to each of the states' arts agencies for guidance to the extent they look to the Endowment for leadership.