



Memorandum

To: David Hahn
From: Michael Faison, Executive Director
Date: February 25, 2009
Re: Proposed Use of Federal Arts Stimulus Funds, FY2010
Cc: Maria Estrada

C.L. "Butch" Otter
GOVERNOR

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This memorandum presents the recommendations for the appropriation and allocation of federal stimulus funds to the Idaho Commission on the Arts (ICA) by the National Endowment for the Arts (NEA) as a part of the American Recovery and Reinvestment Act, 2009. The memo addresses each of the components of Governor Otter's Executive Order, dated February 17, 2009.

The title and sections of the Act under which the funding is provided.

H. R. 1-57

TITLE VII—INTERIOR, ENVIRONMENT, AND RELATED AGENCIES/ NATIONAL ENDOWMENT FOR THE ARTS/ GRANTS AND ADMINISTRATION

For an additional amount for "Grants and Administration", \$50,000,000, to be distributed in direct grants to fund arts projects and activities which preserve jobs in the non-profit arts sector threatened by declines in philanthropic and other support during

H. R. 1-58

the current economic downturn: Provided, That 40 percent of such funds shall be distributed to State arts agencies and regional arts organizations in a manner similar to the agency's current practice and 60 percent of such funds shall be for competitively selected arts projects and activities according to sections 2 and 5(c) of the National Foundation on the Arts and Humanities Act of 1965 (20 U.S.C. 951, 954(c)): Provided further, That matching requirements under section 5(e) of such Act shall be waived.

a. The amount of federal funding it anticipates receiving under the Act.

The ICA expects to receive a one-time allocation of between \$200,000 and \$250,000 under this legislation. This estimate is based on the language of the legislation, which states that 40% of the funds will be sent to the states and territories through their state arts agencies, and to the nation's seven regional arts service organizations. This was reinforced by preliminary consultation with staff of the NEA.

b. Timeframe for receipt of funds.

It is anticipated that the funds will become available as FY2010 funds during late summer 2009, for distribution during fall 2009. This timeline is based on the precedent of annual funds-distributions of the NEA through its ongoing Partnership Agreement with the ICA.

c. Whether the anticipated federal funding is allocated through an existing or new federal program.

The funds are made available as a one-time event. They are allocated in the context of, but separate from, the existing Partnership Agreements between the NEA and the nation's state arts agencies.

d. Current levels of state funding for the agency that is appropriated, requested or

held in any account by or for the agency that would be impacted positively or negatively by the receipt of federal stimulus funding.

There is no fiscal impact on current state general fund or federal appropriations.

e. Whether additional spending authority would be necessary to expend the federal funds.

Yes. Additional spending authority will be necessary to receive and distribute these funds. The Governor's FY2010 budget recommendations include an increase in federal spending authority of \$153,600. That recommendation, however, is in regard to ongoing federal appropriations from the NEA. Additional spending authority would be required to receive this one-time appropriation.

f. Whether any additional state employees are necessary to oversee or administer the federal funds and if so how many.

No additional staffing is required.

g. Requirements under the Act associated with spending federal funding, including but not limited to state match or cost share requirements, percentage limitations and timeframes.

Requirements- No official guidelines have yet been released by the NEA, nor are expected for at least another month. The language of the legislation and discussions with NEA staff confirm that the funds must be allocated in Idaho to cover revenue shortfalls of Idaho not-for-profit arts organizations, which affect the loss of jobs, reduced salaries for existing jobs, and the loss of artist contracting fees.

Matching- there are no state matching requirements under this legislation.

Administration- the legislation authorizes up to 10% of the funds to be used for the administration of this one-time disbursement.

Timeframe- Funds must be expended during FY2010.

h. When federal funding ends.

This is a one-time appropriation in FY2010. It is unrelated to the ongoing Partnership Agreement that otherwise exists between the ICA and the NEA.

i. A plan detailing how the funds will be spent and how the agency will address the absence of federal funding after it ends.

The Plan

Intent- The ICA proposes to apply these funds on a one-time basis during FY2010 to address short-term losses of Idaho's professional not-for-profit arts organizations, directing the funds to mitigate the loss of jobs, salaries, and artist contracting fees during the current economic recession, as per federal guidelines.

To Whom Funds Would be Disbursed- Professional not-for-profit arts organizations in Idaho that employ staff, pay artists, and provide public programs in the arts. Such a group of organizations exists, represented in the PPA/Entry Track grant program, all of which are verified to deliver quality public programs in the arts to Idahoans. There currently are 51 organizations meeting this description.

How the Funding Would Be Determined and Disbursed- In order to get an accurate picture of the financial position of these organizations and establish a fair allocation-

regimen across the field, the ICA would obtain the cash flow data from the organizations to identify their budgetary shortfalls, with attention paid to staffing and artist-contracting budget items.

To obtain this cash flow data, ICA would implement the Cash Flow Forecaster, bundled with the publication *Cash Flow Strategies: Innovation in Nonprofit Financial Management*, by Richard and Anna Linzer (published by Jossey-Bass.) It is the intent of the ICA to distribute this financial management tool in FY2010 to these organizations as a business service within the FY2010-14 ICA Long Range Plan.

In the context of this plan, the organizations' staff would fill out the Forecaster, providing month-by-month cash revenues and expenses for the previous and current fiscal years. The results would provide comparable data across two fiscal years and between each other. By comparing the cash flow picture of the previous year with the current year, the ICA would get an accurate picture of the change in financial position of the organizations as the recession took hold. The ICA would look for this change in position as it affects personnel budgeting and artist contracting. The organizations would identify the jobs and artist contracts that are affected by the current economic climate, explaining with footnotes any layoffs, salary reductions, and withdrawals of artist contracts. These combined figures would demonstrate the total consequences of the fiscal actions organizations currently are taking and comprise the extent of the shortfall in terms of cash flow. With all the organizations working on a cash basis (income and expenses absent capital depreciation and amortization), the ICA also would have a comparison that yields fair allocations of the available funds across the field.

The ICA staff and organization administrators using the Forecaster would have graphical and numerical methods to spot differences and trends in revenues and expenses. This information could be compared across all the organizations, regardless of budget size. The information, backed by the organizations' prior-year financials, would be clear, uniform, and predictive. Funding allocations would be distributed in full or on a percentage basis, depending upon availability of funds.

How the agency will address the absence of federal funding after it ends.

This is a one-time event. It is imperative that our constituents should not see this as anything more than a one-time event. As such, these funds would *not* be directed through any existing program (e.g., PPA/Entry Track). They would be disbursed separately as a one-time, not-for-profit arts stabilization payment. Each recipient organization would file a narrative report upon the expenditure of these funds, documenting their specific use.

Reinforcing the FY2010-14 ICA Long Range Plan- As a one-time event separate from ongoing ICA programs and services, it must not jeopardize the agency's long-term strategy to support public programs in the arts in partnership with Idaho's professional not-for-profit arts organizations. That long-term strategy stresses reliability and ease of administration in relation to grants and emphasizes delivery of practical business information and professional services to arts organizations. The administration of this one-time event would support these concepts and not hinder them.

The proposed method of disbursement, consistent with the agency's long-term strategy reinforces fundamental fairness by basing the allocation upon cash-based, quantifiable measures that address actual staffing and contracting shortfalls. By telling organizations how much they would receive— instead of entertaining requests unlikely to be met—the ICA reinforces the clarity and reliability that is represented by the PPA/Entry Track program. ICA, simultaneously, would begin its work with organizations in cash flow forecasting concepts, already identified as a key business service in the FY2010-14 Long Range Plan.