New Directions in SAA Grant Making

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Introduction

Jonathan Katz: Hello, everyone! I'm Jonathan Katz, and on behalf of the National Assembly of State Arts Agencies, it's my pleasure to welcome you to this web seminar.

State arts agencies play diverse leadership roles: you are conveners, knowledge developers, service providers and policy entrepreneurs. But another important way in which state arts agencies provide leadership is through your grant investments. You use your money, your guidelines and your accountability requirements to cultivate effective practices, to broaden access to the arts and to achieve a variety of policy goals.

For the next hour, we'll discuss different ways in which state arts agencies are approaching these challenges. We'll share profiles of three states—Texas, Georgia and Arizona—to highlight different ways of structuring grants, with a special focus on how grants are adapting to a changing environment.

I'll hand things over to NASAA's Chief Program and Planning Officer, Kelly Barsdate, to facilitate this session.

Kelly Barsdate: This web seminar is part of an ongoing series of seminars and conference sessions that NASAA is offering on the topic of state arts agency change. I can see from the attendee roster that a lot of you have participated in those sessions at our assemblies and leadership institutes in recent years.

This afternoon, we're going to talk about changes in state arts agency grant making. We'll look at catalysts for change and share some examples of strategies, policies and tactics that are being altered. We'll also reflect a bit on the implications of change for state arts agencies and their grantees.

We'll view all of this through a public value lens—looking at ways that states are aligning their grants with broader policy goals and demonstrating the benefits and returns of these investments.
Joining us for this conversation today is a fabulous brain trust of folks from states that are in various stages of retooling their grants: Jaime Dempsey from the Arizona Commission on the Arts, Jim Bob McMillan from the Texas Commission on the Arts and Karen Paty of the Georgia Council for the Arts. Thank you all for being here.

New Directions

Kelly: I'm going to give each one of you the opportunity to describe your new grant programs in a moment. But first, let's set the stage and look at the context precipitating the changes you've made. Karen, why don't you start us off. Why are you initiating a change in your approach to grants right now? Why isn't "business as usual" an option for you anymore?

Karen Paty: The short answer is that it was a long overdue change. The more detailed answer is that fiscal year 2012 was our first year as a part of the [Georgia] Department of Economic Development. The move gave us a platform and an opportunity to shake the snow globe really hard and let the pieces fall again. We felt that in this new position, we were able to really capitalize on and talk about the role of the arts in economic development and community vitality. I was hired as the new director at the same time. Because of this new opportunity, we felt that it was time to take a hard and fast look at our relevance as a state arts agency and our value to the arts community. Obviously, at the core of that was our grants program.

Kelly: How about you, Jaime? What would you say is the headline factor that is prompting you guys to change things in Arizona right now?
Jaime Dempsey: In Arizona, there are three core factors that have driven the change: loss, reauthorization and a change in perspective. Over four fiscal years, the Arizona Commission on the Arts has had its state funding reduced by 70%. But at the end of all these cuts, last fiscal year, we were reauthorized by the governor and state legislature for another 10 years. This was a hard-fought battle, and the win came with a mandate that we would invest the remaining funds more strategically. In addition, we currently work in partnership with a governor-appointed board, which on the whole is ideologically opposed to programs that could be seen as entitlement. They also believe that public dollars are limited now and will also be limited in the future. Our staff and board are in alignment on these topics. Together they wanted to shift the focus from sustaining nonprofit arts organizations to investing in programs and projects that have credible plans to continue evolving in service to Arizona citizens.

In all of the loss, there was scramble to protect what anyone could hold onto in funding, not just on the public side but also the private. After some of the dust settled, it occurred to us, philosophically, that it could not be the arts commission's job to make organizations whole financially. If that is our goal, we are sunk from the outset. We are approaching these changes to maximize benefit by investing strategically.

Kelly: It sounds like in both Georgia and Arizona there is some economic context precipitating the changes, but also some different policy objectives coming into play. Jim Bob, I know that you all in Texas are a few years into your changes; were those your drivers, too, or did you have other ones?

Jim Bob McMillan: Some of them were the same. In 2007, we were coming off of a somewhat unfavorable sunset review, a legislative process that is mandated for all state agencies in Texas. That was one of the reasons we thought we needed change. Another was that our field expressed to us that our grants processes were cumbersome and a lot of work and that the reward, or dollars, that they received from the applications were not worth it. And finally, we had a commission that was really looking for change and had recently named a new executive director and wanted to see some substantive change within the agency.

Kelly: I think a lot of state arts agencies can relate to those. Let's get some more details now on the changes that you all have made. Let's begin with Jaime: walk us through what's new in Arizona.

Jaime: You can see here some of the losses that drove our need for change. Arizona is now ranked 50th in per capita appropriations for the arts. We have reduced our staff by half. We are leaner, definitely
meaner and as our executive director, Bob Booker, always says, "Poor but hard working." I wanted to make a point related to the outreach metric in this graph. We have always had expansive programs and services outside of grant making, because, in truth, our funding was never particularly robust, and so we have always thought that programs and services are one of the best ways we could have an impact on the sector.

Over an 18-month period, our board and staff worked to reimagine our grant making. We were guided by our strategic plan, which was put together with broad public input, our enabling statutes and our mandate from the reauthorization. In all of this, one idea was central to our work: We are here to lead, not simply to fund.

Looking at our guiding philosophy and goals, we wanted to reinforce the idea that our job as a public agency is to serve the Arizona citizen as our primary constituent. It is not our goal to validate or sustain existing models. We are here to fund what works; whether it is new and innovative or old and effective, we will invest in whatever offers the broadest and deepest benefits to Arizona.

We also wanted to focus grantee thinking around personal and organizational responsibility. Recognizing that it is no longer plausible to imagine that more public money is available or will make you whole, what are you doing to improve your fiscal standing? And it is our belief that organizations should continue to broaden and deepen experiences for diverse audiences, to look out the windows at the people all around and ask, “Am I really serving the people of Arizona?”

Ultimately our renovation resulted in changes to several programs, but I am just going to talk about one today. Our largest granting program, General Operating Support (GOS), is no more. In its place we developed the Community Investment Grant (CIG). This new grant focuses heavily on community investment and embeddedness, fiscal ingenuity, plans to improve fiscal standing, and rational plans to engage and diversify audiences. Our GOS program, while it touched on all
these, were more focused on, "Tell us more about your community and your work and how you are going to achieve your goals." In the new CIG paradigm, we are saying, "These are our criteria and mission. How are you positioning yourself for maximum community impact?"

For this program, the deadlines and the cycle remain the same, as does the core constituency: statewide nonprofits, local arts agencies and tribal museums. When we imagined our new grant programs, at first we couldn’t get out of our heads how precious unrestricted operating support is to our constituents, and we kept getting tied up with the question, If we are going to invest in one aspect of their work, what would it be? Finally, we came to understand that we could change the program’s focus and evaluation entirely and still provide unrestricted operating support in our communities.

The largest of our organizations are still required to submit comprehensive arts education plans and they are still going to be matched one to one. There is one thing I wanted to highlight that is new. For decades, our largest institutions, of which there are about 20, were delivered awards based on formulas, and their applications were internally reviewed. Now, all grantees will be panel reviewed and competitively allocated based on that review.

In the past, our GOS grants were paneled forward, but ultimately those scores were applied to formulas that were heavily focused on the organization's annual budget. In the new framework, the entry levels are still based on organizational budget size, but we wanted to create more incentive for success in the application process. The revolutionary change here is that the award potentials are based on flat awards and not formulas, and there is overlapping or tiered award potential and it overlaps between levels. That means that a smaller organization can achieve a larger grant than a slightly larger organization if they are successful in meeting the program criteria.

You will notice that we are still providing small awards. These range from $1,000 to $60,000. We are aware that many of our neighboring states have developed higher minimum thresholds. For Arizona, we have noticed that sometimes the smallest grants have had the largest community impact, particularly in our rural communities, so we decided not to raise that threshold at this time.
We are currently approaching our grants deadline in March and we are notifying our constituents of the changes, including several changes to other programs. Our communications and program staff have developed comprehensive education and outreach strategies that include a dozen statewide workshops, on-line chat sessions, focused technical assistance and one-on-one support. My intrepid colleagues have been everywhere in every part of the state since the announcement of these programs six weeks ago. Although we didn't plan for it to happen this way, we are also rolling out an updated grants applications program, so we are working to educate constituents about that as well.

I wanted to take a moment to talk about the happiness meter—or as we sometimes call it, the crabiness meter—to address the general feeling of our grantees toward these changes. Perhaps unsurprisingly, it has been mixed. Change is hard for some people, and there are certainly some grantees who feel like we are putting up more roadblocks between them and the money that they feel entitled to. We also have had grantees that were effusive in their praise for a process that is more competitive, and some feel confident they will qualify for more money in this paradigm.

I still feel that major criticism, should it happen, will not occur until after the awards are announced. We keep saying that this is all fun and games until someone doesn't get funded. We are doing all we can to ensure that applicants are prepared and have broad access to us as they are preparing their applications.

In closing, the outcomes focus wholly on the guiding principles I spoke about earlier. Above all, these changes are in direct alignment with our mission, which is, We imagine an Arizona where everyone can participate in and imagine the arts.

**Kelly:** Thank you, Jaime. I have a couple of questions before we head on. You mentioned that the change in your grants process grew out of your strategic planning process. During that planning process, did you hear from constituents that these were the type of changes that they wanted made to the grants, or did you see broader needs that then you as a staff and council decided that this change mechanism was the best way to go?

**Jaime:** That is a complicated question to answer because of the free-fall that we have been in for the last five years. Last year we were able to stabilize a bit. Last year was the first that we did not experience massive cuts, unlike the previous four. This [change] was definitely driven by both. We were hearing from our constituency...
about a desire for a more competitive process. It was also driven by our authorizers. And it was driven by our experience and statewide outlook on what is happening out there in the sector.

I don't think that, had we sat a bunch of grantees in a room together and asked them if they wanted a number of changes, they would have said yes. The public and private funding for the arts in Arizona is just so desperate. What has been interesting to us about that is that we expected a lot of trauma during the recession, and it looks like it is now deeper and longer lasting now that we seem to be coming out of recession because the arts funding just doesn't seem to be coming back. I guess my overall answer would have to be that is driven by feedback all around.

Kelly: Are you structuring or training your panels differently to deal with these different criteria and expectations?

Jaime: Absolutely. Our staff is turning their attention to this right now. Our panel process will take place in May and there will be a different framework for grading. We have changed the scoring systems and the criteria are different. We are going to be depending on the panelists to apply more scrutiny to the applications. It is going to be a totally different experience.

Kelly: Keep us posted. I'm sure we will all want to see a copy of your rubrics. Let's move on to Texas. Jim Bob, you have had several changes under way in Texas for a while now. Tell us more about what you have changed and how that has gone.

Jim Bob: In 2006, we had just gone through a sunset review process, and instead of the usual 12-year renewal we only received 6, so we knew we had a short window of time to work on this problem. One of the things that came out of that review was that the sunset commission and the legislature, in the approval of the review, said that we were a grant-making agency and shouldn't be doing programs. So we had a restriction that we needed to discontinue some programs that were ongoing and not begin anything that could be construed as new programming as we moved forward. Our commission had just hired our current executive director, Gary Gibbs, and they were looking for some changes so they did not have to go through another review of the commission that was difficult, so we had that impetus behind us.

These changes coincided with our strategic planning cycle, so the first thing we did was survey our constituents and embarked on a cross-state listening tour and

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Before and After – TCA Grant Programs

**BEFORE**
- 16 grant programs
- simplified application
- reduced attachments
- simplified reporting
- aligned with State priorities
- focus on arts organizations

**AFTER**
- 4 grant programs

![TCA Grant Programs](image-url)
heard from the constituents on how they would like us to operate. What we heard was that our process was labor intensive and required a lot of materials for relatively small grant awards. We also discovered that, in order for them to continue to be contributors to the economy in the state, they were in desperate need of operational support. Up until this time we had been supporting a wide variety of organizations outside of traditional arts organizations, and the consensus of our constituents during this listening tour was that they would like us to pull back in the eligibility as much as possible and only support arts organizations.

With that information in hand, we looked at the 16 categories of grant programs we had and reduced that number to 4. We have about 1,100 arts organizations that we work with on a regular basis, but we have a pool of some 3,000 that had applied to us at some time.

The first new category that we developed, called Arts Create, was aimed at answering the need for operational support for organizations with budgets of $50,000 or more. The way this program works is that we base our awards on the scores that they receive during the peer review. They applying in three basic criteria, which we tweaked during our overhaul: artistic quality makes up 50% of the score, capability 25% and impact 25%. This process, at the time, was a bit unusual for us, in that the applicants did not ask for and justify a specific amount. We asked them to describe the organizations that they worked with and all the programs that they undertake, how they impact their communities, as well as who makes the decisions. The evaluators looked at those materials and made their criteria decisions based on that. They were asked to develop a budget, to be included in their contract for services, following certain parameters on what could and could not be included. In this category we usually offer about 350 grants a year. One other thing important about this category is that it is for two-year grants. They submit applications in odd-number years, but the organization is required to submit an interim report halfway through the grant period in order to receive their second-year award.
The other category that we created is called Arts Respond, and this is a projects category. The other side of our desire in making changes was to become more closely aligned with state government. This program is for all arts organizations of any budget size for project support that takes place in one fiscal year. There are two deadlines each year. They can apply for up to four projects each year. The interesting thing about this program is that it is specifically applied to the priorities of the Texas state government. We do not create this list; it is developed by the governor, the speaker of the House, the lieutenant governor, and the committees in the Texas house and senate.

Prior to making the changes, the staff here at the Texas Commission on the Arts looked at awards that had been given by the agency the previous four or five years to make sure that there were already activities that fit within the priorities being produced by the arts organizations who might apply. In the process of launching this program, we did a lot of webinar training and exchange with the field, in meetings and one-on-one, to get them familiar with the changes that were coming. We look at approximately 400 applications annually in the program. We did end up employing on-line review panels for this process, and I think something that is very important is that we have panels made up of people with expertise in the arts as well as people with expertise in the priority area.

I want to give you little more idea of how we look at these priority areas by walking through them briefly. We look at [the] Economic Development [category] as a way for arts organizations to show how they are turning dollars around in the economy. So there are a lot of tourism activities, marketing efforts and things of that nature that fall into this category. Education projects are aimed at projects that are taking place in the kindergarten through 12th-grade schools, and we use our dollars for those in public schools; additionally, they have to have a tie to our state school curriculum. Health and Human Services is a twofold category, looking at both projects that are helping to improve health and functioning or are serving specific populations like the elderly or those with disabilities. Natural Resources and Agriculture—I have to
admit we did a bunch of head scratching here at first—is for projects in rural areas, and there are a lot of organizations that have taken it to heart and developed projects focused on ecological or agricultural topics. And finally, in Public Safety and Criminal Justice, we look at projects using art to prevent juvenile delinquency and recidivism or dealing with at-risk populations. Because we focus on school based projects in our education area, this is the category where we look at before and after school, summer workshops and weekend workshops more focused on at-risk youth. We have also seen a number of organizations that have, over time, concentrated on incarcerated populations. You can see how that may require a variety of expertise to look at the different types of projects.

The other categories fall under Performance Support. This changed a bit, but not a lot. One thing we did do is try and diversify our roster from strictly performance based to have all of the art forms represented. We have not gotten as far as we would like to with this work—we have fewer visual artists and media artists than we would like—but we are working toward that goal.

This is also where we serve a broader field of constituents. So we have libraries, chambers of commerce and a variety of applicants that use this program. It is a fee-support program that allows us to serve rural areas and spread the work of the agency far and wide in the state. We review these applications on a quarterly basis, and our funding source comes primarily from our license plate sales in the category.

Finally, I wanted to say that with all the work we have done with these changes and the growth of the agency over the last few years, we are going through our sunset review process now and the recommendation that has come out of it is very positive. We are once again recommended for 12 years to continue the agency, with minimal changes to our programming. We feel that our work has created a positive effect in the field as well as the legislature and our commissioners are happy with the direction we are moving in.

Kelly: Thanks, Jim Bob. I'm curious about the Arts Respond category, how do you communicate the impact or results of these grants to your legislature? Do you organize information into those categories? Are there particular legislators keyed into specific aspects, or do they really look at the whole package?

Jim Bob: Every quarter the legislators receive the lists of those projects that were funded in their districts, and then at the end of the fiscal year we do a wrap-up and talk about all of the different projects and the amount of money. In the instance
where a legislator has expressed particular interest in an area, like health and human services, we have deeper conversations with them. We are constantly featuring a couple of projects in webinars and training that we do, and we have a statewide conference where some of the breakout sessions talk about some of the projects.

**Kelly:** So, for certain audiences this becomes a communications frame for your agency and in other cases it does not.

**Jim Bob:** Correct. Another thing that has been a big benefit is that it has helped organizations that we fund open the door to different partners in their community. They may not have been partners with health or human services organizations in their community before. We have a lot of organizations that are now partnering with different agencies and organizations that they did not beforehand. This has helped them improve their community and enlarge their audiences.

**Kelly:** Karen, why don't you walk us through what you have on tap for changes under way in Georgia?

**Karen:** As I mentioned, as of fiscal year 2012, the Georgia Council for the Arts has moved under the Department of Economic Development. That move coincided with our need to start working on a new strategic plan for the agency. We spent all of last year traveling the state holding community forums and meeting with constituents to talk about the Georgia Council for the Arts, where we had come from and where we were now, as well as where we thought we wanted to go in partnership with our constituents. We really wanted a response from them.

What you see on the slide is a set of key questions that we asked of ourselves and the arts community in Georgia, which we define broadly: not just organizations but also patrons, art teachers and anyone that is interested in having a conversation with us, like public officials. The questions we asked were, What is the best way to serve the state? What is the best use of the funds we have? and so on. I want to point out that we asked our constituents to think through these questions with us, not in the context of what the Georgia Council for Arts be or do, but what should we be doing given the resources we have.

Over the years, the Georgia Council for the Arts has taken significant budget cuts and staff cuts. We used to have numerous grants and program managers and now we are down to one, so capacity had to be taken into account and brought to bear
when we had these conversations. The result of that year of traveling and the survey we sent out was a new mission statement for the council, "to cultivate the growth of vibrant, thriving Georgia communities through the arts," as well as a new five-year strategic plan. Once the work was done for the mission and strategic plan, we really focused in on our grants program. While we were traveling and having conversations around the state, we asked our constituents what they would like to see as far as the arts program: more grants of smaller amounts like they were seeing now, or a smaller number of grants with larger financial impact. We received some mixed reviews, but we felt that, generally speaking, the majority wanted fewer grants with more money. Although there are always going to be dissenting voices, the overwhelming majority favored more significant investment from the council.

In fiscal years 2012 and 2013, we have had flat funding, which we have been thrilled about. When the governor's budget came out this past January, we were the only division of economic development that did not have their budget cut. As you can see, however, from 2009 until now we have taken about an 85% budget cut, and we have gone from a staff of 12 to a staff of 4.

As we started thinking through our grants program, we started looking at the size of the grants we were awarding. As you can see, 60% of the grants that we gave were under $5,000, and the average grant size was about $2,500. We took a hard look at how we were awarding the money and started asking ourselves those tough questions about whether grants of this size were really contributing to the vitality and sustainability of the arts in the state of Georgia. And, are the grant processes at least equal to the reward for our grantees? In short, were we truly supporting the arts in the way that is most effective with the limited amount of funds that we have? We thought, no.
We thought that we should reimagine what we could do with the limited resources we had and stop being pigeonholed by where we had come from and what we had lost, but instead focus on moving forward and creating a platform for us to grow. In this new division, with the new attention from the state with a governor that supported the arts, we thought we were in a good position to look forward and wanted to really capitalize on that.

One of the biggest philosophical shifts on the staff was that we wanted to move away from numbers based funding, i.e., you do x number of performances, x number of productions and x number of workshops, and we will give you a grant. Instead, we wanted to move more toward outcomes based funding.

The result was two grant programs for fiscal year 2014, the first being our Partner grant, which is our general operating support grant. There are a few really large shifts in this program. General operating support in Georgia has historically been calculated on a formula, which was a percentage of an organization’s previous-year expenses, so that no matter how high the score of a smaller organization, they were going to receive a relatively small grant. We have changed that so that our Partner grants have a maximum request of $25,000 that is open to all agencies no matter the size of their budget—they all can compete for that maximum award. This grant is only open to arts organizations. In addition, we are asking our Partner grant applicants to think of themselves in relation to their communities; we ask them to submit a strategic plan to us, something we have never done before; and we specifically ask them for their goals, how they measure them, and how they align with the Georgia Council for the Arts strategic plan and our goals for the state. We have created a separate application for service organizations, knowing that some of the questions that we were asking were hard for arts service organizations to fit in. And we are requiring all applicants for this program to submit deficit reduction plans where applicable. We have also changed our criteria, which was a big shift for our grantees as well. The way we have changed the criteria is that we have made community impact an area for point allocation worth 40 points; fiscal and organizational stability are each worth 20 points; and artistic excellence is 20 points.

The second grant program that we are offering is our Project grant. This is a maximum of $5,000, which is an increase from our previous max of $2,500. The shift here, beyond the change in criteria mentioned in the Partner grant, is that these grants are open to nonprofit organizations that are not arts organizations. We have done this because we no longer have a grant program that can specifically get
funding into our smaller, more rural areas of the state that do not have arts specific organizations. We wanted to make sure that organizations in those areas had the opportunity to fund quality programming that has sustainable and deep impacts into their communities.

We also have a third grant program called the Tourism and Product Development grant, but we did not make big changes to it. It was already felt to be aligned with our new strategic plan and mission.

We have spent the last four or five months on the road doing workshops to introduce the grants programs. So far we have had really positive feedback from our applicants. As Jaime mentioned before, we think the reality will hit everyone when we actually start making awards, because philosophically everyone agrees with the direction, but it is different when you are not one of the ones awarded. The last thing I want to say is that, over the years, our significant budget cuts have somewhat been diluted in how they were felt in the field because they were still getting grants. This shift will probably hit harder the actual size of our budget and grant pool, because while those will be significant investments for some organizations, many will feel the impact of the relatively small grant line.

Kelly: Thank you, Karen. Sounds like a big transition. I have a question for all of you; did you consult with or involve your advocacy groups in any way? You have all talked about there being some policy and political realities behind the changes you have made, so there was obviously some consultation with officials in state government and legislators, but what about advocacy groups?

Jim Bob: In Texas, we have a close relationship with Texans for the Arts and the Texas Cultural Trust, both of whom work on our behalf, and we kept them in the loop and took their feedback seriously, so they were helpmates in getting the word out.

Kelly: Jaime, I know you have an advocacy group in Arizona as well. Any contact with them on this?

Jaime: In Arizona, our advocacy group is actually right across the street from us and we share at least one board member, so they have definitely been kept in the loop. I have to say that while we took their feedback seriously and kept them updated, their perspective certainly didn't drive this change. I think they are in alignment, we were close partners in reauthorization, so they were present for the meetings that drove this change and are aware of the issue, but we try to maintain clear lines of jurisdiction in both this and our other program planning because the lobbying at the capital has been so heavy the last few years, we do not want it to even appear as if the advocacy efforts are driving programming.

Kelly: Jim Bob, could you tell us a little bit more about how your board was engaged in deciding what changes to make, and how you got your council's buy-in?
**Jim Bob:** When we initially began our strategic planning listening tour, the board was the first group of decision makers we visited with and got their feedback. They were really instrumental in starting that change, and as the plan developed, we went back to them and got their input. And, of course, we had to have their approval in the end.

**Kelly:** Thanks, Jim Bob. And thanks to you all for sharing your stories with us today.