

Response of the  
National Endowment for the Arts  
to the March 22, 1979  
Report of the  
Surveys and Investigations Staff  
House Appropriations Committee

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## I. General Assessment of Investigative Report

The new administration of the Arts Endowment welcomed the opportunity a year ago to cooperate with the Surveys and Investigations Staff in its review of the operations, policies and procedures of the Endowment. We earnestly seek to be better understood by the Congress.

It was the assumption of the new administration of the Endowment that an outside, objective, and fresh review of the Endowment would be useful in supplementing the Endowment's own internal review which has already resulted in major policy changes.

The National Endowment for the Arts does not claim perfection or infallibility.

However, we are deeply distressed by the report presented to us and contend unequivocally that it represents a most serious disservice by consistently misrepresenting our mandate and operations. Although hundreds of hours were spent by the Investigative Staff in their interviews and research, as well as by Endowment staff, panelists and others cooperating in their every request, we find the report is so flawed both conceptually and technically as to be almost without merit.

In tone we find the report reproving without basis and accusatory through the use of misleading innuendo. In its method of analysis, we find that from particular examples, often insubstantial and unsubstantiated, the report has drawn large, damaging, and unfounded conclusions. In addition, there are frequent statements of "fact" which even minimal questioning, on the part of the investigators, would have been shown to be totally false. This is not to suggest that the report has not raised matters of concern, that the Endowment has already



been addressing, is addressing, and will continue seriously to address. But we are convinced, however, that the manner in which proper matters are raised is so prejudicial as to jeopardize the basis for reasonable discussion and to complicate the problem of extricating worthwhile criticism from innuendo and misinformation.

We find the report misinterprets our legislative mandate; draws sweeping conclusions based on supposed facts that are breathtakingly inaccurate; generalizes from the most insubstantial examples; gives almost no recognition to the many administrative reforms undertaken within a very tight budget during the very time of the investigation and, finally, is haphazard, unprofessional and often reliant on gossip and hearsay in its methods and reporting.

The many flaws in this report were avoidable had the Investigative Staff interviewed key senior staff of the Endowment. However, with the exception of an entry interview with the Chairman and his deputies, none but the Deputy Chairman for Intergovernmental Relations was subsequently interviewed in any greater depth than a very occasional and brief conversation in passing. Of the 15 Program Directors, fewer than half were interviewed. An investigative methodology which relies almost exclusively on information developed from lower level staff interviews may be valid under certain situations. But we find it inappropriately applied to an agency undertaking many changes endorsed by the National Council on the Arts and senior management in its first year in office. Hence, we are compelled to question the credibility of the statement that the Investigative Staff's "interviews ranged from interns to the Chairmen of both Endowments." (P. 1). We further question this methodology since the report complains, in its section on "Personnel Utilization" (P. 65) of "a lack of expertise and experience in program administration" staff.



It is characteristic of the report that it relies for its information on secondary sources of information. It is the opinion of the Endowment that quality research should be based on primary sources of written or oral information.

We find it astonishing and indeed incomprehensible that the Surveys and Investigative Staff has almost wholly misrepresented a major focus of the past year at the Endowment: the complete reorganization of the panel system which is so central to our mission. The report does briefly mention the Endowment's panel study but provides nothing of its specific recommendations, of its successful implementation. We believe that a careful comparison of criticisms raised in the report and the specific components of the new peer review panel plan will most clearly demonstrate that the Endowment was fully aware of difficulties in the past and was already vigorously moving to resolve them.

Finally, to emphasize another matter relevant here, we believe the prejudicial attitude which we find permeates the report results from a selective interviewing or "listening" process. One comment made at a panel meeting or at a meeting of the National Council on the Arts serves as the basis for many damaging conclusions. Comments made by anonymous observers of the Endowment are frequently embraced as if they were fully representative. On one level, of course, this amounts to judgment through innuendo. On another level, it does violence to and portrays misunderstanding of the democratic processes at work at the Endowment.



The Endowment is involved in the very delicate business of judging artistic quality. To insure that the process will be fair and informed, beyond the purview of any one individual, the Endowment relies on the judgment of the National Council on the Arts and on the peer review panel system. Both the Council and the panel system are discussed in much greater detail later. The point we would wish to make here is that decisions on grants -- which is the fundamental business of the Endowment -- are reached by careful consideration of a variety of judgments, first by a panel and later by the National Council. It is characteristic of the investigative report to give too much credence to a single comment on or single opinion about an organization purposely structured to prevent giving undue weight to any one point of view.

#### Allegations of Conflicts of Interest

The report raises the possibility of abuse of the Endowment's conflict of interest regulations. The Endowment's General Counsel has completed a thorough investigation of the allegations involved and has found them to be insubstantial. Hence, we shall not elaborate on these matters further in order to protect the names and reputations of those individuals referred to us by the Investigations Staff. We believe this an appropriate procedure, and also the approach used by the Investigative Staff. As the report indicates, a preliminary memorandum on these alleged conflict of interest matters was made available to the Endowment by the Chairman of our appropriations subcommittee. We have supplied



a copy of our General Counsel's report to the Committee, but, to reiterate, believe it would be a breach of confidentiality to discuss the matters in detail here, since to do so would be tantamount to naming particular individuals.

We should add that in the case of one conflict of interest matter discussed at an Endowment panel meeting, even though the issue was dispatched by the panel in question, we agree with the report that all allegations of conflict of interest, however unsubstantiated, should be brought to the attention of the Chairman and his conflicts of interest counselor.

#### Legislative Mandate Misread

A most glaring misinterpretation of law and fact is the report's contention, on its first page, that "the NEA is charged, with the advice of the National Council on the Arts, to develop and promote a National policy for the arts." This statement is vastly misleading. Public Law 89-209, the National Foundation on the Arts and the Humanities Act of 1965, states, that the purpose of the Arts Endowment is "to develop and promote a broadly conceived national policy of support for . . . the arts," (Sec. 4 (b) ). (emphasis added). The fundamental point that the Endowment's role is one of support for the arts, and not control of the arts, appears totally missed by the investigators despite the fact that it has been central to the Endowment's management since its first days. When the basic legislative mission of the Endowment is misunderstood, it is little wonder that so much else is misunderstood and hence, misrepresented.



The report alleges that the Endowment has "abrogated" its leadership role "and allowed various project applications submitted from the field to become a surrogate national policy." (P. 41). Again, "The Investigative Staff could not find compelling correlation between the initiating legislation, a 'national policy,' and individual projects funded. [The Endowment attempts] to be all things to all persons, and as a result, fails to define [its] leadership role for fear of dictating culture." It is reassuring to us that the investigators could find no evidence that we were carrying out a mission that the Congress and the Endowment have consciously rejected for 14 years.

Only in the past year has the Endowment undertaken to formulate a comprehensive five-year plan. But that plan does not and shall not "dictate culture." Here the Investigative Staff is quite correct. But we emphatically contend that the Endowment's authorizing statute clearly urges it to recognize the broadest range of artistic activity throughout the Nation. Over the 14 years of the Endowment's life, its Chairmen, with the advice of the National Council on the Arts required by the statute, have established and carried out "a program of contracts with, or grants-in-aid to, groups, or, in appropriate cases, individuals of exceptional talent engaged in or concerned with the arts . . . " (Sec. 5 (c) ). Program policies and guidelines to which applications respond, have been approved by the Endowment's Chairman in close consultation with the National Council.

The Arts Endowment reaffirms its mandate. It is entirely consistent with the Declaration of Purpose of the enabling legislation, which states in the beginning paragraph that "The encouragement and support of national progress" in the arts is "primarily a matter of local and private initiative," Sec. 2(1) and further:



"That it is necessary and appropriate for the Federal government to complement, assist and add to programs for the advancement of the . . . arts by local, state, and regional and private agencies and their organizations." Sec. (2) (4).

The role of the Endowment has always been as a catalyst, not as an arbiter of taste, not as a dominant or domineering entity. The Endowment is a partner in the development of the arts. Its funding encourages other support. The greatest fear of Congress, in the days when the enabling legislation was evolving, was that it might one day create a "cultural czar." The entire thrust of the legislation was counter to such a possibility. The involvement of a private citizen council to guide the Endowment's work, the involvement of private citizen experts to serve on peer review panels, the whole concept of partnership with the states, emphasize this point. Only within this fundamental framework does the Endowment have leadership responsibilities. Its creation is uniquely American. It recognizes the validity of partial support unlike agencies which fully subsidize the arts in other countries.

In mid-1978, as the first step in formulating a five-year plan, the National Council issued a "Statement of Goals and Basic Policies." Two sections of that document are very relevant here. First, in its preamble, the Council stated:

"It is not the intention of this statement to define 'art.' The term is to be understood in its broadest sense; that is, with full cognizance of the pluralistic nature of the arts in America, with a deliberate decision to disclaim any endorsement of an 'official' art and with a full commitment to artistic freedom."

Secondly, there follows this basic declarative language of the Statement of Purpose:



"The goal of the Endowment is the fostering of professional excellence in the arts in America, to nurture and sustain them, and equally to help create a climate in which they may flourish so they may be experienced and enjoyed by the widest possible audience."

It is this avoidance of Federal dominance, particularly in an area as sensitive as the arts, which has always been such a guiding principle of the Endowment's work. In this regard the statement of the report, that "an expressed fear of becoming a 'Culture Baron' or 'Arts Dictator' or violating the principles of academic freedom . . . contribute to the Endowment's failure to achieve its legislative mandate," (P. 42) seems to us so extraordinary.

It is worth noting that the report never refers to or describes the 12 artistic disciplines which are the essence of the Endowment. We make this point to further indicate that the report does not grasp the manifold differences in the many art forms served by the Endowment or the need for the agency to be sensitive to our Nation's diverse culture.

Another example of this basic misrepresentation of our mandate is found in the section which treats the Endowment's Federal-State Partnership Program under the subheading: "Inequity of Funding." (P. 38). In the first paragraph of this section, the report claims to see an "inequity" because the total amount of funds received by the State Arts Agencies and other individual direct grantees of the Endowment were not rigidly standardized. Use of phrases like "more funds were channelled into" (P. 38) a given state than to another state leaves the impression that a conscious decision has been made by the Endowment to provide additional aid to one area over another, implying a disregard for the law.



The Federal-State Program is, and has been since 1965, a matter of law. The enabling statute specifies that 20 percent of the Endowment's program funds be set aside for State Arts Agencies and, that each such agency, which has a plan approved by the Chairman, must be allocated basic grants in equal amounts. No one has ever suggested that total NEA funds be distributed by some formula that would ignore artistic quality and be based solely on political jurisdiction. Finally, the State Arts Agencies are, and are intended to be, in the main, independent of the Endowment. The requirements placed on them are that they join with the Endowment in the development of quality in the arts, that they use Federal funds to promote the broad purposes of Section 5(c) and 5(g) which set forth the scope of the Endowment's work, and that they submit quality plans for the arts within their states. The Endowment's Federal-State Program prescribes governance requirements for State Agency administration, but does not, and should not, attempt to dictate to state agencies what specific art projects are worthy of support within their respective areas.

#### National Council on the Arts

Another basic flaw in the report is its misrepresentation of the appropriate roles and activities of the National Council on the Arts. Although at the outset of its discussions of the Council the report quotes the law, which clearly states that the first responsibility of the Council is to advise the Chairman on policies, programs, and procedures; and that the second responsibility is to make recommendations to the Chairman on grants, the report reverses the dictates of the law by focusing almost exclusively on grant review.



The report also ignores a history of evolving concerns, procedures, and discussions regarding Council review of applications. A couple of highlights: In October 1973, a Council Task Force report stated: "The task force recommends that the Council spend more time on policies, objectives, performance and accomplishments, and that there be greater reliance by the Council on the recommendations of the Panels." By May 1975, a new procedure of Council "application review groups" was instituted; it continued until May 1977 when, again at the request of the Council, the procedure was refined still further. It is basically the one in use today.

This current procedure requires Council members to review all application material in large volumes sent to them prior to the meeting. Questions are generally submitted in writing by all Council members as they arrive at the meetings. Program Directors and other appropriate staff respond personally and directly to the questioning Council member(s). Any issues on applications not satisfactorily dealt with in these responses can be and are raised by Council members in full session.

Despite these efforts to streamline the process, another Council Committee in November 1977 stated ". . . it is clear that an overwhelming and perhaps unwarranted amount of time and energy is devoted to the second duty (application review). . . The Council does not wish to shirk its legally required responsibility in making recommendations to the Chairman regarding funding of grant proposals, but we urge that all possible ideas be explored to allow the Council to discharge this responsibility in the most time-efficient way possible. We urge this attention



so that the Council will have greater opportunity to carry out its other vital function - '. . . advise the Chairman with respect to policies, programs and procedures . . .'" The same Committee expressed total confidence in the Panel system.

No procedure is perfect, and even the one currently in effect needs continuing assessment and adjustment. It is, however, a procedure arrived at with great care and concern, a procedure which maximizes panel expertise and Council participation, and a procedure which takes relatively few hours of full Council deliberation while insuring a full and fair review of the 18,000 - 20,000 applications per year.

Although the report lists the number of hours spent at each of two Council meetings on grant review (and this in full session only), it makes little effort to represent the full picture of Council involvement; further, no similar analysis is provided of the remaining agenda items pertaining to "policies, programs and procedures," the Council's principal responsibility. The report further complains that Council members receive only "one-or two-sentence abstracts" of grant applications approved by the panels. The report seems to assume that the National Council, meeting for two and a half days, four or five times a year, should be intimately familiar with 18,000 - 20,000 applications which result in 4,500 grants.

This is absurd. First, the Council members are widely respected for their knowledge of arts activity in America, hence shorthand descriptions can suffice, and secondly, the Council respects the advice of the panels and has reaffirmed (in its 1978 Statement on Goals and Basic Policy) its confidence in "the tested principle of review by peer panels" as the



fairest method by which a government agency concerned with the arts can make decisions on grants. In its many years of effective operation, the panel system has proven itself an appropriate mechanism which complements the Council's work and is basic to the minutely detailed review process needed.

In this regard, the Endowment's grants decision making system is analogous to the Congress, which could not function as well if appropriate delegations of legislative authority to Committees and Subcommittees were not undertaken or allowed. To pursue the delegation question further, it is critical to note that the report mentions only in passing and fails to elucidate on the creation during the preceding 14 months of three subcommittees of the National Council, and one Task Force. These four were: Policy and Planning; Budget; the National Assembly of State Arts Agencies/National Council on the Arts Committee; and the Task Force on Education, Training, and Development of Professional Artists and Arts Educators. These are demonstrably policy committees, which work very hard and very productively, and clearly and consciously have major impact on policy matters. They are the first such committees in the Council's history. They involve the Council far more deeply than before in the work of the Endowment. The report also ignored the continued involvement of Council members in examining whether the Endowment should create a separate Opera-Musical Theater Program. The report cites as a signal example of "the failure of the Advisory Council [the report repeatedly refers to the National Council incorrectly as the Advisory Council] to provide policy input and the assumption of the NEA staff that it will not do so. . ." (P. 21) that the new Opera-Musical Theater



Program guidelines presented and explained at the February Council meeting were at the printer and any suggested changes would have "to be submitted quickly." The report never mentions the lengthy issue paper circulated in March 1978 for review and comment to the Council and several panels; the continuing involvement of the Council in the development of the new Program, including a full two-hour discussion at their May 1978 meeting at which creation of the new Program was approved; the discussions after that session between the staff of the new Program and members of the Council; nor the fact that the program would willingly have revised the guidelines had the Council wished to make changes. The Council took such a great interest in this policy question that one of its members flew at his own expense by Concorde Saturday night from a conflicting engagement in London, spent two hours in heated debate on the future of the Opera-Musical Theater Program at the Sunday morning Council meeting (May 1978), and returned to Europe by Concorde on the Sunday early afternoon flight, in order to fulfill his Council responsibilities and urgent personal arts business abroad.

This misrepresentation of the Council's role in creating an Opera-Musical Theater Program is to the Endowment a prime example of the sweeping generalizations drawn from ignorance, misperception and incomplete research by the Investigative Staff.

A final example of the slanted analysis which characterizes this approach: Great weight is placed in the report on the question of appropriate time spent reviewing regular program grants by the Council (and even that time is misrepresented), while absolutely no mention is made of the pivotal role of the Council in the determination of Challenge



Grant recipients. The Chairman and the Council decided that the individual program panels would nominate the most deserving candidates from applications in their fields and that the Council would choose from among these competing nominations which have to date always exceeded total available funds. This practice was instituted for a number of reasons, not the least of which was the relatively small number of grantees involved, the relatively large dollar amounts and potential long-term impact on the arts of these grants. For the second round of Challenge Grants, the Council deliberated for two and a half days over two Council meetings in June and August of 1978 as well as responding to a lengthy ballot preparatory to these meetings. Out of 125 applications for \$48.4 million nominated by the program panels, 102 grants for \$30 million were recommended by the Council.

We argue that the Endowment has not "abrogated" leadership nor allowed applications to dictate policy as the report construes. The report has completely mistaken the panel role and responsibility, which is to recommend grants based on policy guidelines set forth by the Council. All applications which come before a panel respond to policy leadership, provided by panel-developed and Council-approved guidelines. No applications are reviewed by panels or Council which do not respond to guidelines established by the Council.

The Council's role in relation to the nearly 20,000 applications which the Endowment now receives annually continues under discussion. The Council, in its work before and during meetings, spends at least equal time on review of applications as in the past -- but its involvement with matters dealing with policy, budget and overall issues far exceeds time previously expended.



The activity of the National Council on the Arts at its regular meetings is being increasingly augmented by the work of Council committees and task forces. Over the past eighteen months, three Council committees and one task force have held twenty-three meetings for a total of 255 hours, separate from the meetings of the full Council. In addition, committee and task force members, and especially their chairmen, have spent many long hours conferring with Endowment staff and others, between meetings of their committees.



Major Factual Errors

In the report, major errors of fact were made which we argue are so incorrect and so central to the arguments which undergird large sections of the report that we must indicate them for special attention in this response.

a. Three year policy of rotation for all staff

In numerous places throughout the report, the Investigative Staff states the "present Chairman" has "expressed a 'policy' of all staff moving on after three years." (P. 66). This is an unadulterated misstatement of fact. Neither the present Chairman, nor any other senior staff member has ever expressed or implied any such policy. We are gratified that the report commends the Chairman for his policy of rotation of program directors after a five year period. (P. 68). But this is the only NEA rotation policy.

It further confounds understanding how the Investigative Staff could place the responsibility for a supposed policy of intended or unintended three year staff turnover on a Chairman who took office in November of 1977 when they are analyzing historical data assembled in an August 1978 NEA report indicating, according to the investigative report, that "75 percent of the permanent competitive career employees have been with the Endowment less than three years." (P. 65).

In this context, another major contradiction occurs within this same section which is worth noting. While faulting the Endowment for its lack of experienced staff, the report then turns 180 degrees and criticizes the Endowment for recognizing the considerable talent of one



individual who entered the Endowment's employ as an intern and who five years later had risen to be a program director, which the Civil Service Commission deemed "valid." (P. 67). Is the government to penalize exceptional talent or call its reward "convenience?" (P. 67).

b. 20 Percent of the Budget of the National Endowment for the Humanities supports the performing arts

On Page 30 of the report, there is a very clear example of why we feel the report cannot be trusted. At the bottom of that page the following sentence appears. "Research supported by NEA estimates that 20 percent of NEH's budget in selected years is slated for the performing arts."

This sentence alone, if true, would be cause for great concern. It would indicate that the two Endowments had lost all sense of their respective missions. The fact that the report can include such a sentence without pointing to its alarming implications suggests again a failure to grasp important issues.

We assume that the research quoted is the as yet unpublished study by Louis Harris and Associates on arts institutions based on Fiscal Year 1976 data. On Page 38 of the Harris draft report which summarizes the study there appears a table showing patterns of government support to arts and museum institutions. One column indicates that \$5.4 million from the Humanities Endowment went to the institutions covered by the study. Of the \$5.4 million, ten percent went to performing arts institutions, seven percent to visual arts institutions and three percent to arts councils and service organizations. Accordingly, it is accurate only to say that ten percent of the \$5.4 million fund reported went to support performing arts institutions. Presumably, the investigative staff authors lumped the seven percent for visual arts institutions and



the three percent for arts councils into a "20 percent for performing arts" claim. The important point, however, is that by no stretch of the imagination does the Harris report show that 20 percent of the Humanities' budget goes to the performing arts. It simply shows that 20 percent of the \$5.4 million reported went to institutions which apparently the Investigative Staff chose erroneously to describe as "performing arts."

c. Advisory Council Misled

The report devotes a section to the contention that the National Council on the Arts, repeatedly referred to as the "National Advisory Council," is "being intentionally misled through inaccurate data that could significantly affect funding policy." (P. 32). Only one example is cited by the Investigative Staff and the reference is so inaccurate as to clearly warrant the charge on our part that the report is slanted and the product of the most casual investigative practices.

Under the section entitled "Advisory Council Misled," (P. 31) it is stated that Stephen Sell (the report misspells his last name -- Sill) presented misleading facts to the National Council on the Arts. The report uses this alleged instance of misstatement as "an example of the Council's being intentionally misled through inaccurate data that could significantly affect funding policy." (P. 32).

Since Mr. Sell is one of two individuals mentioned by name in the whole report, we would expect that allegations casting doubt on his presentation -- and his integrity -- would be well founded in fact. They are not. The report of the Investigative Staff is as egregiously in error as it claims Mr. Sell to be.



In his speech to the National Council on the Arts on February 9, 1979, the report alleges that Mr. Sell claimed that "non-Federal appropriations by the SAAs (State Arts Agencies) for the Arts in Fiscal Year 1979 were \$107.8 million." (P. 31). The Investigative Staff learned that "Mr. Sill's [sic] figure of \$107.8 million included as state contributions among other things the funding provided by the NEA Federal/State Partnership program to the States. Total state appropriations to SAAs for Fiscal Year 1979 were \$82,080,482, as previously mentioned in this report. Total state appropriations increased 18.5 percent from Fiscal Year 1978 to Fiscal Year 1979, not 43 percent as Mr. Sill [sic] suggested." (P. 32).

It is crucial to note here that Mr. Sell was quite clear in his presentation that his aggregate figure includes the contributions to the State Arts Agencies from the Arts Endowment. Further, Mr. Sell stated that state appropriations to the arts increased by 23 percent between Fiscal Year 1978 and Fiscal Year 1979, not the 43 percent increase attributed to Mr. Sell by the report. (A tape of his presentation is available to corroborate these matters.)

Mr. Sell's aggregate figure of \$107.8 million is in error by \$3 million -- Sell inadvertently made the state appropriation figure \$85 million instead of \$82 million. The inadvertency accounts for the claim that state appropriations climbed 23 percent, rather than the proper 18.5 percent figure mentioned above. But a member of the Investigative Staff was given the proper figure by the head of the Federal-State Program, though these accurate figures are not reflected in the report.



The report goes on to state that "of the \$82,080,482, appropriated to the SAAs, a considerable portion is intended for programming Humanities projects." This assertion, that a considerable portion of state appropriations for the arts is diverted for humanities programming is, simply, untrue, and reveals a seemingly careless review of State Arts Agency plans, though the investigators take some pride in their claim of a thorough review.

Further, the investigative report suggests that Mr. Sell is misleading the National Council because he omits mention that a substantial share of total state appropriations for the arts is provided by New York State alone. Yet even those with a cursory knowledge of state giving to the arts are well acquainted with the large amount provided by New York to its arts council. What appears, then, to the investigators to be dissembling really reveals their own lack of knowledge and broad perspective about the very issue on which the Investigative Staff speaks with such authority.

Nonetheless, the large amount of money provided by New York State has no bearing on Mr. Sell's point that the total amount of programming money available in the states exceeds the regular programming money in the Endowment's current budget and that the states are enthusiastic and important partners, with the Endowment, in supporting the arts.

The Endowment is particularly concerned that Mr. Sell is cavalierly offered up for attack through specific charge and innuendo when no basis for such attack exists in fact other than a faulty news account.



The Washington Star, which carried a report on the Sell speech in its February 10 edition, the only newspaper to do so, misspells Sell's name as "Sill" and also states that the aggregate increase in state appropriations from Fiscal Year 1978 to Fiscal Year 1979 was 43 percent. These same mistakes are made in the report, and suggest that, at least in part, the investigators relied on this unconfirmed newspaper account of events for their data.

Mr. Sell is general manager of the Atlanta Symphony Orchestra, former chairman of the National Assembly of State Arts Agencies and chairman of the Endowment's Federal-State Panel.

It should also be noted that this accusation against Mr. Sell is apparently used in the report as a principal means of suggesting that misinformation is regularly provided to the National Council on the Arts. (P. 42). Thus, it is damaging not only to an individual who has achieved distinction in the arts but implies a serious derogation of Council procedures.

d. Challenge Grants to Become General Operating Support

"The Investigative Staff learned the NEA is considering changing the emphasis of the Challenge Grant Program from a one-time fundraising effort to a continuous program that would provide Federal dollars on a matching basis to organizations to assist in general operating support." First, it would be of considerable interest to know from whom this supposed fact was "learned." (P. 74).



This statement misrepresents Endowment policy. In our private and public discussions of the reauthorization of our enabling statute, needed for Fiscal Year 1981, Endowment officials have discussed: (1) requesting reauthorization of the Challenge Program of the Office of Management and Budget and the Congress, and (2) suggesting that previous Challenge grantees be permitted to apply again after a period of five or more years.

e. Artists-in-Schools Program and NEA Policy

The "Investigative Staff believes" the Artists-in-Schools Program "is at the extremity of the Congressional legislative mandate to the NEA and not in keeping with the stated purpose and goals of NEA." (P. 52).

First, our enabling statute states that the Arts Endowment is authorized to support "projects . . . that will . . . assist artists . . . to work in residence at an educational . . . institution" (Sec. 5(c)(3)); and that the Endowment is also authorized "to support . . . workshops that will encourage and develop the appreciation and enjoyment of the arts by our citizens." (Sec. 5(c)(4) ). Workshop is defined by the law as "an activity the primary purpose of which is to encourage the artistic development or enjoyment of amateur, student or other non-professional participants . . ." (Sec. 3(f) ).

In furtherance of this, the National Council's Statement of Goals and Basic Policy, in its pivotal "Statement of Purpose," says, "the goal of the Endowment is the fostering of professional excellence of the arts in America, to nurture and sustain them, and equally to help create



a climate in which they may flourish so they may be experienced and enjoyed by the widest possible public." (emphasis added). Further, under Policy V., Leadership in the Arts, the Council statement calls on the Endowment "to provide leadership on behalf of the arts: . . . (d) through enlargement of the public's knowledge, understanding and appreciation of the arts."

Hence, we would contend that the report has drawn a conclusion about our educational and A-I-S activities and then proceeded to build a case against them which is based upon inaccurate assumptions about law and policy.

An additional point bears mentioning here concerning the report's discussion of education. The Investigative Staff cannot have read the report of the National Council's Task Force on Education, Training, and Development of Professional Artists and Arts Educators or they would not have made the statement that "the further broadening of the NEA role to include basic primary and secondary education was further discussed at the November 1978 Council meeting and was the subject of a . . . report favoring NEA entrance into education areas not yet explored." (P. 53).

The principal, if not exclusive, purpose for this report was appropriately distilled in its title: "The Education, Training and Development of Professional Artists and Arts Educators." The Task Force felt it must address the broader issue of educating audiences and building an educational network that would encourage artistic talent, as well as



the more immediate question of training professional artists and educators of artists. But by no stretch of the imagination did the report suggest that NEA undertake a "broader" financial involvement with general education. Some Council members were upset that the report implied NEA financial assistance in these non-professional areas, but were assured by the Task Force members that they felt it responsible to address the issue of need, but did not imply expanded NEA involvement other than advocacy with other more relevant agencies like the U. S. Office of Education.

Further, it should be noted that the Task Force report is discussed in two sections of the report: "Education Division/Artists in Schools" (PP. 52 and 53), and also in "Future Requirements" (P. 71). In that later section, the Task Force report, a task force of the National Council specifically called into being to examine the questions noted above, is described as "a self-described advocacy report recently released by the Education Division" of NEA "and presented to the NEA Council." (P. 71). It is flatly in error to imply that the Education Division prepared this report.

Additionally, on the one hand, the Investigative Staff easily makes its own assertion that A-I-S "should rather be an Office of Education activity" (P.52), an assertion apparently proper within its purview, while on the other hand derogating the authors of the Education Task Force report because, in the Investigative Staff's words, they "did not hesitate to instruct and give unsolicited guidance to other agencies, such as the National Endowment for the Humanities, the



U. S. Office of Education and the National Institute of Education."  
(P. 71).

It should be noted that the Task Force worked in close consultation with the Office of Education in the lengthy work of developing the report, and that one result has been a closer and coordinated relationship developing between the Office of Education and the Endowment to emphasize the values of arts education.

Further, the report recommends "that the advice of the Federal Council on the Arts be solicited by NEA in reference to its proposed efforts in the field of arts education." (P. 72). A working group of the Federal Council has been at work for months on this subject with the NEA Chairman and the Commissioner of Education most deeply involved. A memorandum of understanding was issued by the two agencies months ago. This memorandum has led to the development of increased cooperation and coordination of effort mentioned above.

And, finally, the report states that, "the task force was not endorsed by the NEA Council but was the subject of a debate that questioned even the wording of a motion to receive the report. Despite this, the NEA's Chairman, on January 31, 1979, advised the Federal Council on the Arts that the National Council on the Arts 'endorsed' the report, portraying, in the opinion of the Investigative Staff, a strong sense of direction that does not exist." (P. 72).

Here we take issue with more than inaccuracy.

First, the report was the subject of debate -- healthy, heated and lengthy. But the Task Force report was endorsed by the National Council on the Arts in two separate motions offered by Council member Theodore



Bikel. (A tape of the proceedings is available.) It is deeply disturbing to the Chairman of the Endowment that his latter reporting of these facts is held suspect in the report.

It would be difficult to find a more complete misrepresentation or a more inaccurate portrayal of these matters. And again, it is not simply the inaccuracies which cause the Endowment concern, it is the conclusions drawn, even to the Chairman's integrity and veracity.

The two resolutions passed unanimously by the Council at its December 1978 meeting follow:

"Recognizing that the training of professional artists is a major concern of the National Endowment for the Arts, the National Council on the Arts endorses the principles and concepts contained in the Task Force report which deal with the training of professional artists and the training of teachers of artists, and recommends that it be referred for implementation to the appropriate committees of the National Council on the Arts, the National Endowment for the Arts, the Office of Education, the Federal Council on the Arts and the Humanities and other appropriate organizations."

(Passed unanimously by the Council)

"The National Council on the Arts endorses the principles and concepts contained in the Task Force report which deal with the arts component of general education and with audience development, and recommends that it be referred for implementation to the appropriate committees of the National Council on the Arts, the National Endowment for the Arts, the Office of Education, the Federal Council on the Arts and the Humanities and other appropriate organizations."

(Passed unanimously by the Council)



## II. Response to Recommendations

The first section of the investigative staff's report singles out seven recommendations -- four addressed to the Endowment and three addressed to the Committee -- to give them greater prominence with respect to a number of others contained elsewhere in the report. The Endowment will respond to these seven at this point and will deal with the others in appropriate sections of our response. (In some instances, where the recommendation was unclear or where it seemed of minor consequence, we have not included a response at this time, but will prior to the Endowment's House hearings.)

The Endowment's comments on the investigative staff's four recommendations directed to it are as follows:

1. The NEA policy statement should be made a visible part of each NEA review panel process.

We agree with this recommendation. In the nine months since the approval of the policy statement it has been introduced increasingly into the agency's collective consciousness. It was a part of our OMB presentation, part of the long range planning effort and a major part of the Endowment's work in preparing the Congressional budget request.



A next logical step would be to introduce it more forcefully into the panel process, as well as to give it special recognition in all of our published guidelines and Endowment publications. This will be done.

2. Establishing a graduated rating system for each review panel's use in rating applicants.

The Endowment has had an excellent experience in using a standard graduated rating system for use in reviewing Challenge Grant applications. Both the panels and the Council have used rating systems, although not the same one. In each instance the system worked well.

We are somewhat reluctant to impose an arbitrary system on all of the panels because of the significant differences which exist among programs, and because rigid procedures seem somehow antithetical to the effective functioning of a group of creative people.

However, it may well be that a system can be developed which ensures a necessary degree of uniformity across the panels, leaves room for the differences which exist among programs



and does not interfere with the deliberative process which takes place in a panel meeting. We will begin to explore alternatives for such a system and will be reporting our progress to the Committee in 6-8 months.

3. Implementation of a tiered award/rejection letter system similar to that used by the National Endowment for the Humanities to provide feedback to grantees and define specifically panel rating decisions.

At the February meeting of the National Council on the Arts, before the investigators' report appeared, Council Member J.C. Dickinson requested that we explore this system. The matter was immediately given close examination by Endowment staff. Each of the program areas has already responded to Council Member Dickinson's query. Some programs were already using the tiered award/rejection letter system; some will be adopting it; while others find it inappropriate at this time. (Memos available)

4. Initiation of a grants and contracts management training course for all NEA staff to provide basic skills necessary for grant review and management.

We agree with this recommendation and will put it into effect beginning in FY 80. Unfortunately, there are no training funds



remaining in the FY 79 budget for this purpose. (We assume that the investigative staff really does not mean all Endowment staff, but means to include only those staff members whose work requires grants and contract management proficiency.)

The Endowment's comments on the investigative staff's recommendation to the Committee are as follows:

1. Maintenance of current NEA funding levels until an adequate system is developed by NEA for resolution of on-site review of applicants and the Committee is provided with cost estimates for the necessary review.

As was abundantly apparent from the Endowment's examination of the panel review system in the past year, prior to the arrival of the investigative staff, there is full agreement that the level of on-site review has been inadequate to ensure that panel decisions were made with the full measure of knowledge that is desirable. A major feature of the revised operating procedures for panels is a clear separation of policy and grant review activities and an enhanced capacity for the panels to deal effectively with each. Those programs where



site review is appropriate have already initiated on-site review systems which address the panel's need for current and accurate information. We are confident that we can fulfill a Committee request for a description of an effective on-site review system, together with cost estimates, prior to its acting on the Endowment's FY 80 budget request.

At this point, the Endowment would like to comment on a related issue raised in the body of the investigative staff's report on page 19. The suggestion is made there that the Endowment's budget has grown beyond the level where it can be effectively managed. For reasons spelled out over and over throughout this response, the Endowment rejects the investigative staff's assessment of its management capabilities. But, even if one assumes that the Endowment is stretched too thin administratively, reversing the Federal Government's commitment to the arts is no solution.

Whether or not our budget grows, applications grow. That is to say, 1,000 neighborhood arts organizations are going to apply for



assistance whether 100 or 400 or 800 receive grants. And the on-site evaluations remain essential regardless of exact amounts available for grants.

An alternate approach which would not penalize the arts in America, would require basically an increase in staff ceiling and an increase in administrative funds. We are convinced that the Endowment has the skills and the will to strengthen itself where strengthening is required. Unfortunately, the investigative staff has chosen to take a negative approach rather than a positive one. The former can hurt the arts, the latter help the arts. The right choice seems clear to us.

2. Designation of on-site or applicant review costs as "program" funds and transfer of administrative funds identified for these activities to program funds.

The identification of on-site review activity as "program" for budget purposes would be acceptable to the Endowment. A more straightforward way to solve the problem would be to increase the administrative budget. However, we would be agreeable to any plan which made it possible for the Endowment to do more on-site work.



3. Requesting GAO to conduct an indepth audit of all NEA contract activities and an evaluation of the Challenge Grant Program.

We would be pleased to cooperate with GAO on either, or both, of these activities.

As is apparent from the Endowment's comments regarding these key recommendations of the investigative staff, there seem to be no substantive differences with them regarding what should be done next. Similarly, the Endowment's comments on other recommendations throughout the study are often favorable to what is being suggested. Where disagreement over specific recommendations exists, the disagreement springs from basic differences in role perceptions and are within the bounds of where reasonable people can disagree and neither be wrong.

It is unfortunate that the investigative staff's report is so flawed by misinterpretation, error and innuendo that we can take little solace in the fact that we and they agree on a number of ongoing and recommended improvements.



### III. Panel Review

Serious misrepresentations of fact and history occur throughout the Investigative Staff's discussion of the peer review panels.

Major initiatives had already been taken by the Endowment to strengthen the panel system by the time the investigators set foot in our offices. As noted in the Endowment's budget justification document, submitted to the Congress in January of this year, a draft report on the Endowment panel system had been issued in August 1978, which (1) reaffirmed our belief that the panel system is the fairest method by which to enable the Endowment to carry out the very difficult task of making decisions on artistic quality in a government agency, (2) pointed to a number of areas where the panels could be improved and needed to be improved, and (3) made specific recommendations for strengthening the panel system. After extensive consultation with Endowment staff and panels in all Programs, with other experts in the field and with State Arts Agencies, implementation of these recommendations was begun in October 1978 and is currently in progress throughout the Endowment.

We do not quarrel with many of the issues raised in the Investigative Staff's report. It would be nonsensical for us to do so, since we undertook the panel study specifically to deal with such issues. But we do quarrel with the negative and unremittingly pejorative tone of the discussion, which ignores



the many reforms already being implemented. We also protest the frequent, undocumented reference to a "closed circle."

The principal charge here is that the Endowment continually relies on the same individuals, vaguely characterized as "arts administrators," for service on its panels. It is simply not true that the Endowment has relied on the same individuals repeatedly for panel service: 56% of our panelists this year have never served on an Endowment panel; 5% are returning to panel service after an absence of more than four years. The rest -- 39% -- are completing their panel service this year or next year. This degree of overlap from year to year provides necessary continuity. And only 2% of all panelists in these last four years have served on more than one panel, and deliberately so, to provide key linkages.

It must be emphasized that even before the panel restructuring, a regular system of rotation was in effect for all standing panels at the Endowment (clearly demonstrated by an analysis of the calendar years 1976-1979, available on request). One-fourth to one-third of each panel was replaced every year. In some Programs, such as Visual Arts, there has been almost a complete rotation of panel membership each year. On an Endowment-wide basis, between 45% and 55% of all panelists have been rotated off each year, even before the restructuring of the panel system. There is no factual basis whatever for the charge that we are relying on a " 'closed circle' of advisors.'" (p. ii)



The new system, once restructuring is complete, will bring nearly twice as many people from the field into the Endowment decision-making process. Each Program now has a policy panel and grant panels. (Copies of the final report on the panel study of March 1979, describing these changes in detail, are available on request.) Policy panel membership will change completely every three years. Grant panel membership will change completely every other year in most grant panels, and every year on others.

The restructuring of the panel system has been actively under way for several months. New or restructured panels have already met in Architecture, Dance, Expansion Arts, Literature, Media Arts, Museums and Theater Programs. There is no basis in fact for the Investigative Staff's contention that the Endowment is retaining past operational practices.

Heavy with innuendo, the Investigative Staff's report states that the (emphasis added) "staff learned that it is not uncommon for one individual to be chairman of a State's arts agency, a member of an NEA program panel, a contract employee of the NEA, and an advisor to other Endowment functions simultaneously." (pp. ii & 9)

In fact, this combination of circumstances is very uncommon -- so much so that our records on the more than 1,000 individuals who have served on Endowment panels over the past four years reveal only two instances that more or less fit this description,



representing only .2 percent of panelists in this situation. And we would argue that these individuals have uncommon merit.

One is Lida Rogers, Executive Director of the Mississippi Arts Commission and currently Chairman of the National Assembly of State Arts Agencies, elected by SAA membership. She is a member of the Federal State Advisory Panel as Chairman of NASAA, and a member of the panel's subcommittee on the same basis. As Chairman of NASAA, she also serves on the National Council/NASAA Policy Committee. A splendid example of a person widely recognized and respected in the arts field, Lida Rogers brings to the Endowment a special leadership and experience recognized throughout the country.

The other example is Sister Kathryn Martin, S.P. (Sister of Providence), who is currently contracted to the Artists-in-Schools Program as National Coordinator for the theater component. She was recently appointed to the Federal-State panel to provide a link between Fed-State and A-I-S concerns, since the A-I-S activities are, in the main, administered by state arts agencies. Sister Kathryn Martin has been a member of the Indiana Arts Commission, a voluntary post, since 1974 and recently became Commission Chairman. She was also recently elected Chairman of the Great Lakes Arts Alliance, a newly formed regional organization of five state arts agencies, as well as being elected to the Board of Directors of NASAA.



The cases of both these individuals are truly exceptional and uncommon. The Endowment considers itself fortunate indeed in being able to obtain their services for a limited period and to benefit from their exceptional experience.

Beyond these specifics, we are puzzled by the Investigative Staff's inconsistency in its criticism: One part of their report urges us to open up lines of communication between the state arts agencies and the Endowment; "Require the staff and panel of the Federal/State Program to integrate themselves with NEA's other Program areas" (p.40), while another part questions our provisions for accomplishing this communication.

We would like to emphasize that it is our openly-stated policy to include representatives from the state arts agencies (SAAs) on every Program panel, to act as two-way communication links between the state and federal levels, to further their partnership in support of the arts.

The Investigative Staff's report further states that it is "not uncommon" for an individual to be "an NEA panel chairman, a panel member in a different program, and under contract to NEA at the same time to perform other functions." (pp. ii & 9) Again, this combination is very uncommon, and can, in fact, describe only a single individual, Larry Ridley, who was appointed Chairman of the Jazz panel in 1976, and -- by virtue of that



appointment -- also became a member of the Music Planning panel, on which the chairmen of all the Music panels sit. That the Investigative Staff termed the Music Planning panel "a different program panel" suggests that they did not understand the relationship between the various Music panels and the Planning panel (which advises the Council and the Program on issues that affect all branches of music).

Larry Ridley's term on both panels expired in January 1979. In November 1978, after all Ridley's duties as a panelist on both the Jazz and Planning panels had been completed, he was awarded a contract as an A-I-S Coordinator. In Larry Ridley we have again, a most unusual individual, with extensive experience as a creative and performing artist, as a teacher and an arts administrator in the field of jazz, an art form which does not have a surfeit of individuals combining both artistic and administrative abilities to draw on. His contributions to the Endowment in all these capacities have been most valuable.

These isolated instances, not difficult to justify, attest to the absurdity of the Investigative Staff's allegations: There is no "closed circle" at the Endowment. The restructured panel system, now brings even wider representation from the field than was possible in the past, and makes "a closed circle" an impossibility.



The Investigative Staff's report charges that the Endowment's panel study "met with varying degrees of opposition from the panels that it affected. The most vociferous opposition came from panels not consulted" by the NEA contractor who designed the new system. One would expect some criticism of new procedures replacing those in effect for some years. But the report insinuates a heavy-handed silencing of opposition, and misrepresents or ignores these facts: all panels were consulted; and their recommendations were incorporated into the new policies (tapes and memos available) for a more responsive panel system. (p. 7)

The Investigative Staff's report to the contrary, the costs of the new system were analyzed at the time the August 28, 1978 draft report was presented (memo available); the contractor was able to demonstrate that the new system would not be more costly than the old -- and a great deal more cost-effective.

The Investigative Staff which "commends the good intentions of the panel restructuring effort" ends this section by then observing "the results to date to be ineffectual...". (p.12) The efforts to date might be described as incomplete, but hardly "ineffectual." The beneficial effects -- broader representation from the field, substantiated by figures showing percentages of first-time panelists already at work, more people to share the task of application review -- are already being felt throughout the Endowment. It should be kept clearly in mind that the implementation of the new system, the result of a year of most careful preparation, is in its beginning stages.



#### IV. Federal-State Partnership

In its discussion of the Endowment's Federal-State Partnership Program, the report appears to miss a highly important point concerning the historical background of the program and the Congressional intent of mandating grants to State Arts Agencies duly constituted as official agencies by the respective governors of the several states.

While believing that these state agencies must maintain both artistic and fiscal accountability to the Endowment, it was the clear intention of Congress to provide an incentive for decentralized, independent growth of arts support and arts decision making within and among the states.

Hence, these agencies are not "generally part of state governments," (P. 20), as the report contends, they are exclusively so. It is also, then, perfectly understandable that variations in arts support from public, non-Federal sources would occur among states depending upon the priority placed on these activities by the several governors and state legislatures, and that "the growth rate in the BSOG (Basic State Operating Grant) only casually reflects the dynamic growth enjoyed by most of the State Arts Agencies." (P. 26) Two further points here. First, it is logical that the growth in state generated funds would not mirror the relatively smaller yearly increases in the Federal BSOG. (P. 26). Who would want them to? Secondly, the



Federal-State Program has worked painstakingly over the past 18 months to formulate a program which, with funds that supplement the BSOG, will provide additional Federal-State funds on the basis of a formula which takes into consideration state fiscal effort and population.

In this regard we must, then, also seriously question the intention of the reference in the report's section on "Inequity of Funding" that "some of the State Arts Agencies are funding an extremely high percentage of their requests. For instance, one State Arts Agency granted approximately 86 percent of the funding requests submitted to it in the last fiscal year while other states granted less than 40 percent of their requests." (P. 38). This reference stands alone in the report without referring to particular states or their levels of non-Federal support. Thus, it is eminently conceivable that a state with a close ratio of quality applications to funds available would have a high rate of application approval, while states with a ratio of quality applications disproportionately higher than the amount of available funds would have a low rate of application approval. Neither of these situations is within the purview of Endowment control as the report implies.

Further, by what unnamed measure does the report claim "astronomical budget increases are presently being sought by some State Arts Agencies"? (P. 26). Such initiatives are a



matter of states' governors' prerogatives, not the Arts Agencies, just as the Endowment's budget request reflects the Administration's position. Happily, these initiatives show that the executive branches of many state governments are recognizing the beneficial role being played by the arts in their state. This is a cause for joy, not apparent consternation and finger-wagging.

We welcome the discussion of the Endowment's new funding relationship with the State Arts Agencies. This new program, both in the fact that it moves in the direction of recognizing individual state fiscal effort and in its strengthened requirement for more comprehensive planning for arts support within individual states, is a recognition that in recent years, the State Arts Agencies in the main have matured into agencies with firm backing from their governors and legislatures. We are the first to admit that the processes we have begun in full consultation with the states have not been brought to fruition, but again the investigators' discovery of this situation is hardly news.

It is simply wild mininterpretation to imply that all "the State Art Agencies, regional organizations and service organizations have developed 'a wait and see' attitude." (P. 27). The Federal-State Program has been extremely careful to evolve this new effort with the full consultation of all participants mentioned in the above quote. In fact, knowledgeable observers



would probably place the quality of the Federal-State Partnership at its highest level ever at the present time.

We also believe that the report is wrong in contending that "there exists resentment" against planning within the states. (P. 27). Increasingly states are undertaking their own plans. Certainly careful correlations should exist between the Endowment and the states, but the Endowment should never dictate the content of those state plans, other than ensuring, when the plans are involved with applications to the Endowment, that they meet responsibly the broad criteria of our enabling statute and generally accepted planning principles (see above discussion of Public Law 89-209). To do otherwise is to attempt, wrongly, to force on the states a Federally-conceived conceptual framework. We are partners with the states.

Regarding evaluation by the states of their grantees, the overwhelming evidence we have is that the states are painfully concerned about this question and wish, as does the Endowment, that we had the skills and resources necessary to do better.

Regarding the contention that "an actual examination by a state auditor is extremely rare," (P. 28), we cannot believe this is the case. It is our information that State Arts Agency audits are frequent occurrences across the country.

On pages 28-29 of the report, the investigative staff bases its case regarding a lack of State audits on a newspaper report



of a situation, which the Endowment believes is truly exceptional, concerning the Delaware State Arts Council. It is our contention that the information provided is incomplete, misleading, and that it is based on a media account rather than on original sources. It neither accurately nor fairly represents the situation (a summary of our findings is available on request).

Further reinforcement for our contention that the Investigative staff misunderstood basic tenets of our Federal-State Program comes in the discussions of "wide disparity in SAA growth (p. iv) and of state funding by the New York State Council on the Arts (NYSCA). (PP. 30 and 31). We are confounded in our attempts to understand what point is being made when the report notes that total NEA funding in New York State, both that from Federal-State and other NEA programs, is nearly identical to the appropriations of the NYSCA. Individual grant applicants from New York are not required to seek the approval of the NYSCA. They are not controlled by the NYSCA. The Endowment does not control the allocation of NYSCA funds. The Endowment does not control the appropriations or allocations of funds by New York City or any other city or state. What is the point? Is the Federal-State Program to control all Endowment funds and equalize them across the country? Is the Federal-State Program or the Endowment to penalize New York State for its efforts?



## V. Regional Organizations

The investigative staff presents a point of view on Regional Organizations which the Endowment finds is based on nothing more than a cursory review of applications and heresay. Nowhere in the discussion of this important multi-state arts support program does this report describe Endowment and State Agency purposes, programs, operations, or the impact on the arts and on the communities served by this effort. The report conveys little or nothing to inform the Congress on what Fed-State's "Regional" funding program is all about.

Rather, the Endowment finds that the paragraphs put forward contain gossip, and truly misleading items, ignoring substance and misrepresenting the situation through a focus on exceptional rather than generally held views and opinions.

Specifically, we note that no Regional Organizations have received the kind of official "designation" from the Endowment, as reported. Such organizations may be considered "designated" by their member State Arts Agencies only insofar as those agencies have the right to "designate" an R.O. as the legal recipient of Endowment funds made available for multi-state programming. Further, the alleged "plethora" of "unofficial" Regional Organizations leaves us mystified. Fed-State has always funded "ad-hoc" regional projects, always representing



multi-state ventures, many of which have, indeed, completed their mission and terminated. The fact that such efforts reflect geographic and management changes appears to us a healthy reassurance that such organizations and efforts are not funded on a continuing basis merely for institutional survival.

Further, the Arkansas criticism cited (p. 33) in the report is an unrepresentative response by one individual to an earlier statement which had been made, as publicly reported by Fed-State, in error. The Arkansas position is clearly, in the Endowment's opinion, not representative of the point of view held by either the Endowment or by the State Arts Agencies generally. Fed-State knows of no case in which institutional maintenance was the overriding factor in grantmaking as alleged here. In fact, one of the Regional Organizations cited in the report is, this year, in the final stage of a planned, two-year terminal phase-out. We cannot understand why a conclusion was drawn to accept one state's views over the rest, leading the "Investigative Staff to concur with the Arkansas view." (p. 34)

Finally, where and when did the Endowment ever state it was a "junior partner" to State and regional arts agencies? On many occasions the Chairman has described the Endowment as a "full partner" with other governmental agencies, all of which provide arts support grants and programs which are matched with local dollars! The description of Endowment support of regional arts



efforts as "90 percent of their (R.O.'s) funding" does not appear to take the matching requirements basic to the enabling statute into account.

In fact, the current year in Fed-State is designated as a period of "Transition". A major element of that "Transition" is the Endowment's commitment to decentralize to the State Arts Agencies more decision-making authority on the future funding and development of Regional Organizations which serve those agencies. As of 1976, the funding recommendation was made exclusively by the Federal-State Panel. As of 1979, more than two million dollars of a total budget of \$2,638,500 was made available for State Agency planning and State Agency decision making (\$40,000 per State) for regional, multi-state programming. By the fall of 1979, remaining regional funds may be made available on the basis of a formula, contingent upon Council approval, which recognizes State and private sector effort, as well as other appropriate variables. We know of no policy or procedure which would encourage a State Arts Agency to "surrender its grant to an RO." (P. 25), as suggested by the Investigative Staff and find the suggestion truly extraordinary.



Recommendations For Federal-State Partnership Clearly, it is misleading to put forward a series of recommendations without acknowledging that in the main, substantial commitment and significant progress have been made in virtually each item! It is, frankly, incredible to the Federal-State Program that the investigative staff appear to have missed such a fact.

(1) Standard Planning Format

Specifically, the first recommendation addresses an area which has been literally thousands of hours of professional work by many people over the past eighteen months. Present efforts, in fact, go well beyond the recommendation to "develop and standardize" State and Regional plan applications.

(2) Standard Criteria For Application Review

As reported to the investigative team when they visited Fed-State, the Program is fully committed to the second recommendation and has a plan and timetable for completing its work concerning evaluation procedures against standardized criteria, begun more than a year ago.

(3) Audit of Subgrantees

The third recommendation suggests required State compliance on audit procedures of their grantees. The recommendation may have merit, and will be given serious consideration.



This was the first year in which Fed-State asked each State Agency to provide information on audit and evaluation procedures for grantees. The question represents information gathering to assist in Program deliberations on future guidelines. We hope the investigative staff is aware, however, that audit regulations and procedures vary widely among State governments, that such regulations are subject to State authority, and that such variables present the Endowment with very complex legal and fiscal questions. Given staff and other support functions presently unavailable to the Endowment, Fed-State would welcome the opportunity to address this recommendation.

(4) Research Projects and Contracts

The fourth recommendation can only result from lack of information on the part of the investigative staff. Fed-State would welcome all research and contract support available. However, the premise of the recommendation seems to misrepresent the situation. Fed-State does not now, and does not intend in future to do scientific research. No "survey" or other information-gathering activity from the Fed-State office claims to be "research". As the investigative staff advises, the Program is focused on policy development and grantsmaking. Both functions require, and are supported by, information of many types.

(5) Panel Selection

The fifth recommendation reveals that the investigative staff missed the very essence of the Fed-State Program. Unlike the



discipline programs of the Endowment, peer review in Fed-State means review of administrative, governance policies and procedures of State governmental arts agencies. That means: arts administration is the essential subject of review in the grants-award process. How are we to follow the principle of peer review for applications that are essentially about arts administration if we seek to remove the most accomplished and widely-respected arts administrators from the Fed-State Panel? Taken at face value, the recommendation makes no sense. This is not to ignore, however, the fact that over the last three years, the Fed-State advisory panel has included artists, college professors, private businessmen, private philanthropic foundations executives, elected State and local officials, and a truly representative array of private citizens. (Documentation available)

(6) Open Panel Meetings

Again, unlike the appropriate needs of the discipline programs, the sixth recommendation describes an already-operational procedure which follows logically from State "sunshine" laws, which was developed with careful planning and extensive consultation, including the assent of the Endowment's General Counsel.

(7) Appraisal of Regional Organizations

The seventh recommendation also reflects past and current activity by the staff, a Regional Task Force, and the Panel. We are planning to include the National Council in such an examination in the near future.



(8) Private Sector Funding for RO's and SAA's

The eighth reflects current activity and commitment in developing a new funding procedure for Regional Organizations. It would be entirely inappropriate and in some cases illegal, however, for the Endowment to encourage private sector fundraising by State governmental agencies.

(9) A Training Program For Federal-State Staff

The Federal-State staff is currently involved in a management training effort, and training in planning, automatic data systems, and other critical areas is either planned or in progress.

(10) Integration of Federal-State with other NEA Programs

Finally, we are most bewildered by the tenth recommendation. From the start of his administration, Chairman Biddle has pledged "full Partnership" - meaning the integration of State Arts Agency efforts with Endowment efforts in Policy, Planning, Programming, Research and Evaluation. In February, 1979, the Chairman announced that the first national "Partnership Meeting" would occur in Spring 1980. Moreover, the Federal-State Partnership and its director is currently located directly within the Chairman's office, so it can be fully integrated into all Endowment activities, including program, policy and planning areas.



## VI. Policy

As pointed out above, there seems to be a basic confusion throughout the report between the Endowment's statutory responsibility to "develop and promote a broadly conceived national policy of support for the . . . arts" and what the investigators cite in their summary (P. i) as a responsibility to "develop and promote a national policy for the arts." The two are quite different things.

The report appears to confuse policy for support of the arts with policy for the arts by implying that recognition of the artistic merit of a project is equal to official endorsement or approval of the aesthetic point of view embodied in the project. And that, even further, because projects embodying differing or even antithetical aesthetic perspectives are approved, the Endowment is somehow giving poor direction to the arts community about what it wants. The truth is that there is not, nor should there be, anything that might be identified as the "Endowment Style" in art, or "Endowment Content," even though categories of support are clearly delineated.

It is clear from its authorizing legislation that the Endowment was not intended to dictate or direct culture. The Declaration of Purpose of the Act says the Federal Government should "complement, assist and add to programs for the advancement of the humanities and the arts." (Sec. 2 (4) )



Also, it says that the Federal Government should "help create and sustain not only a climate encouraging freedom of thought, imagination, and inquiry, but also the material conditions facilitating the release of this creative talent." The law does not say "direct the release of this talent."

Furthermore, in the Sec. 4 (c), a very strong injunction is included:

"In the administration of this Act no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the policy determination, personnel, or curriculum, or the administration or operation of any school or other non-Federal agency, institution, organization, or association."

Where the Endowment is to exercise leadership is not in dictating what direction the arts are to travel, but leadership to develop support for the arts in all their diversity, to help create a climate in which the arts may flourish and to encourage in all appropriate ways a greater sense of priority for the arts.

Another confusion is prominent in the report, confusion over the extent to which the Endowment is a need-oriented agency.

It is true the Endowment has talked at times about the needs of the arts, or the needs of the field. The report says these needs are better termed "wants or desires," that they do not reflect "needs that are requisite or extreme."

(Pg. 41)



There is a sense in which art may be called a human need, although different in character perhaps from the need for shelter, food and clothing. It is demonstrably clear that increasing numbers of our citizens perceive the arts as having a fundamental meaning to their daily lives. What can be more easily assessed in the arts, however, are needs as related to goals and objectives. It is possible to determine with some reliability that financial assistance of a given magnitude is needed to accomplish a given objective such as regular access for a community to live theatrical performances of quality.

Still, the Endowment was not formed to satisfy exclusively, or even predominantly, needs in either of the senses quoted above.

The legislation, as noted in the report, is replete with references to support for "projects and productions which have substantial artistic and cultural significance, giving emphasis to American creativity and the maintenance and encouragement of professional excellence," "projects and productions that will encourage and assist artists and enable them to . . . achieve standards of professional excellence," etc., in Sec. 5 (c).

It was clear that the Congress intended the Endowment to be in large measure an achievement-oriented agency with the further responsibility to make the benefits of that achievement and excellence in the arts it stimulated available to the widest possible public.



Hence, also in Sec. 5 (c):

"Projects and productions, meeting professional standards of authenticity, irrespective of origin, which are of significant merit and which, without such assistance, would otherwise be unavailable to our citizens for geographic or economic reasons;" and "projects and productions that will encourage and assist artists and enable them to achieve wider distribution of their works;" and "workshops that will encourage and develop the appreciation and enjoyment of the arts by our citizens."

Because the Endowment is an achievement-oriented institution operating in the realm of the creative imagination, standards of evaluation and of performance appropriate to primarily need-oriented agencies are not necessarily applicable to the Endowment. Perhaps it is the attempt to make them so that led the investigative staff astray.

The report states it found the role of the National Council on the Arts in grant and policy review to be limited. It was a role which the new Administration at the Endowment has taken steps to expand, however.

Recognizing the need and opportunity to employ the expertise represented on the National Council for the purposes of policy formulation and planning, the Chairman of the Endowment appointed a Policy and Planning Committee of the Council expressly for these purposes shortly after he took office.

The report notes that the National Council for the first time in 14 years developed a Statement of Goals and Basic Policies. The statement was approved after considerable discussion and comment by the Council and its newly-created



Policy and Planning Committee on June 17, 1978 (not August 1978 as the report says), just four months after the first meeting of the Policy and Planning Committee, just eight months after the new Chairman was installed at the Endowment, and at the third Council meeting after the formation of the Committee. It is hard to see how the new administration could have reasonably moved more quickly in facilitating the drafting, deliberation and adoption of the statement which the report cites as a "significant and necessary step in achieving the Endowment's legislative mandate." (p. vi)

That Policy and Planning Committee has continued to shepherd the drafting of a five-year plan for the Endowment which is structured on the goals and policy statement.

A copy of the policy statement was sent to members of all Endowment panels on July 31, 1978 (not December 1978 as indicated in the report (Pg. 45) along with a memorandum from the Chairman elaborating on the document.

The report says the Endowment "fails to define its leadership role for fear of dictating culture" (Pg. 41). In fact, the agency did define its leadership role in the goals and policy statement, but deliberately did so in such a way so as not to dictate culture.

As the Chairman said in the accompanying memorandum, the policy statement "makes explicit the leadership role of the Endowment within clearly defined areas."



To quote from the goals and policy statement:

"V. LEADERSHIP IN THE ARTS

With responsiveness to the needs of the field, to provide leadership on behalf of the arts:

(a) through advocacy and cooperation with other governmental agencies, on all matters relating to the arts;

(b) through advocacy and cooperation with private institutions to stimulate increasing support for the arts from the private sector;

(c) through exploration of effective ways in which the arts may be used to achieve desirable social ends; and,

(d) through enlargement of the public's knowledge, understanding and appreciation of the arts."

These activities are all supportive in nature, and the Endowment has vigorously engaged in them with increasing emphasis in the past year.

It should be noted that nowhere in the statement does it say that the Endowment's leadership role entitles the agency to interfere in or give artistic direction to the arts community. Nor would it be a good thing if it did.

The Endowment must not say to artists: "Do it this way, and you will get a grant." That is what stifles creativity. What the Endowment should and does say is this: "We are making financial support available for the goals outlined broadly in the policy statement and in categories described in greater detail in the guidelines toward objectives soon to be articulated in the long-range plan. Now, you tell us what you plan to do within the guidelines, and if your peers agree



that your project in competition with those of other applicants has merit, you will receive a grant." That is more likely to stimulate creativity.

It may well be, as the report states (Pg. 26), that some grant seekers claim they shape their applications to conform to what they believe is the prevailing aesthetic viewpoint of the Endowment. Yet it does not follow, and certainly it should not be the case, that the Endowment -- as distinct from individuals who may be on its panels at any given time -- does in fact have such a viewpoint. Grantsmanship is hardly peculiar to applicants for Endowment grants. It should not be encouraged however, by giving directions to applicants on what is aesthetically acceptable, particularly when there is not and should not be any such policy.

The report cites criticisms from certain segments of the arts community of "a growing welfare attitude especially among arts organizations engendered by Endowment programs such as ROs..." (Pg. 41). Yet it fails to indicate that the goals and policy statement and the Chairman's accompanying memorandum, cited in the report, make it quite clear that while the Endowment is not insensitive to social welfare issues, the agency does not view such issues as a major responsibility.

To quote the Chairman's memo of July 31, 1978, on the goals and policy statement:

"...it focuses on the arts as art, on their intrinsic value. It indicates that the arts need not be tied to traditional social welfare



programs to be worthy of Governmental concern and support. Although the use of the arts for other 'desirable social ends' does command the interest of the Endowment, the agency's responsibility in this area is limited to exploring how the arts may be used for other purposes, and then to advocate that those public and private agencies with primary responsibility take on those programs. We look upon the Endowment as a resource on the arts for the Federal Government. But that is not the same thing as saying we have, or will have, the resources ourselves, to carry out all programs with significant impact. That is why we have very strongly advocated the use of the arts to help revitalize neighborhoods in the urban program of the Department of Housing and Urban Development. The arts component of that proposal borrows the name of one of our own programs, Livable Cities. But its main objective is neighborhood and community revitalization."

The report alleges that program directors failed to provide data for preparation of the five-year plan, and attributes the failure to management indiscipline (Pg. 46). While it is true that there was tardiness in meeting deadlines, it would be highly unfair not to point out that the directors were in the process of being changed at the time, that the artistic discipline programs were also burdened with panel reorganizations of a comprehensive nature and with a huge application load -- all in a time of stringent administrative budgets to say nothing of staff unfamiliarity with a comprehensive planning process, for none had been put into effect in the past.



VII. Evaluation

The Endowment is in essential agreement with the report when it points out that our evaluation efforts need to be improved. We believe that the peer, panel review system does well in evaluating the past and potential performance of individual artists or arts organizations. We are not so successful in evaluating the impact of our total program activities. At present we are undertaking two studies of individual funding categories to determine whether or not we can obtain useful program impact studies through competitive contracts. In addition, we will commission a third study to determine whether or not the methodologies used to evaluate programs in the non-arts sectors can be utilized by the arts. From these three studies we hope to obtain a necessary base of knowledge before committing to more major expenditure of evaluation funds.

In the meantime, we have reduced the Evaluation staff from five positions to three positions because of the urgent personnel needs in other parts of the Endowment.

We disagree with the investigators' recommendation that the Endowment drop its audit liaison function. Our experience clearly shows that grantees need assistance in dealing with the audits produced by the Endowment's audit staff. Our auditors produce standard government audits



designed to highlight any and all questionable expenditures or activities by the grantee. The emphasis is, quite properly, on a thorough, rigid examination of the grantee's conformance with the very letter of Federal regulations.

Often an item in the audit report can be corrected if someone works carefully with the grantee, and the grantee becomes a strong, more viable organization as a result.

This is the task of audit liaison. To ask the same person who conducted the audit to help resolve the audit puts the auditor in a very awkward position.

To eliminate the audit liaison function would be to give the Endowment a punitive role, rather than a helpful one. We are convinced that we provide this help while at the same time provide full protection for government funds. We know of no instance whereby audit liaison did not recommend the recovery of Federal funds whenever it was clearly appropriate, and we know of many instances when audit liaison's work led directly to a higher degree of administrative efficiency in a grantee organization.

The fact that audit liaison exists in the Evaluation Division is simply a historical coincidence. It could report to the Director of Administration, as does the audit staff, without any problem, although the benefits from such a change may not be large. (It should be noted that the Audit staff reports to the Director of Administration rather than directly to the Deputy Chairman for Policy and Planning as erroneously stated in the report (P. 61)).



### VIII. Research

We concur with the investigators' recommendation that it is crucial to establish the Research Division as an essential element in the decision-making process at the Endowment. In fact we believe that substantial progress has been made towards that objective in the four years during which the Research Division has existed.

We are puzzled by the investigators' use of the word "allegedly" in the first paragraph on page 50 and in the statement that the "times series" research will not meet the minimum data requirements necessary for the formulation of policy.

One of the major reasons why it has been difficult to plan in the arts world is an absence of data which accurately describes what that world is and what changes are taking place in it. One of the main topics of discussion at our House hearings in 1977 and again in 1978 concerned the Endowment's difficulty in being precise about the size and composition of its universe.

Roughly half of the Endowment's funds go to the support of arts institutions. While we have knowledge of what is happening to individual institutions, we have less information on what is happening to them collectively, especially from one year to the next.



We simply must be able more fully to describe a key part of the arts universe in terms of the number of diverse institutions involved and the basics of their individual and collective economic conditions.

To describe as peripheral a research effort which will provide that information (Pg. 50) is to miss totally what the Endowment envisions as an orderly method for securing and developing information for the future and for establishing valid foundations for an information retrieval system--shared with the states and all concerned.

Finally, we are astonished that the investigators learned so little about our research efforts as to accept someone's assertion that even "flawed research" is accepted as the truth if it comes from the Arts Endowment. Our efforts are aimed at eliminating flaws and establishing a solid base for accuracy.



IX. Artists-In-Schools

The investigators seem quite obviously to have missed the point that the Artists-in-Schools Program has been viewed by the Arts Endowment from its very earliest days as essentially a demonstration project. The objective of the Program has been and is to demonstrate to public and private bodies at Federal, state and local levels that the systematic and conscious use of artists in classroom situations is highly beneficial to the education process. We have never felt that our efforts should do anything more than create a climate of support for significantly larger amounts for such activities.

It seems quite irrelevant whether or not students and teachers know that this is a Federal program or that "real" artists are involved (page 52, third paragraph). The real point is not who gets credit, but that the experience demonstrates to both students and teachers the value that the arts have in education.

The assertion by the investigators which disturbs us most about the Artists-in-Schools Program is that the program is outside the boundaries defined by the Endowment's policy statement. Such is simply not the case. The Endowment's statement of purpose (included on page 43 of the report) includes the phrase "and equally to help create a climate in which they (the arts) may flourish so that they



can be experienced and enjoyed by the widest possible public." A principal way of carrying out this purpose is to build appreciation of, sensitivity to and involvement in the arts for a broad cross section of the American public. Obviously, the periods spent in primary and secondary education are especially important in determining one's adult attitudes, especially towards the arts. An activity which promotes the incorporation of genuine arts experiences in the school system is very clearly in keeping with our mandate as we have described it here and earlier.

The investigators chose to define the Endowment's "primary role" (page 53, top) in a way which ignores the full meaning of the statement of purpose adopted by the Council. To again quote from that statement:

"The goal of the Endowment is the fostering of professional excellence of the arts in America, to nurture and sustain them, and equally to help create a climate in which they may flourish so they may be experienced and enjoyed by the widest possible public." (Emphasis ours)

The two parts of this sentence are inseparably connected. To neglect this connection leads to inaccuracy and misrepresentation and a flawed conclusion.

The investigators report that the National Council and the Endowment are "gradually assuming" responsibility for activities which properly belong with the Department of Health, Education and Welfare. This is not true and, in fact, is precisely opposite of what our recent actions



would indicate our intent to be. We have an agreement with the Office of Education to jointly appoint a senior person who will deal with arts education in both the Arts Endowment and the Office of Education. The intent is to ensure that the Office of Education has a strong and articulate spokesman on behalf of arts education. In addition, the presence of this person at the Arts Endowment will ensure that our programs reflect an understanding of how the training of artists (as opposed to arts education for the general public) can be enhanced through the activities of the Office of Education.

The Endowment is fully aware that its responsibilities do not include those of the Office of Education. However, we do feel that it is perfectly appropriate for us to use our "good offices" in helping other Federal agencies, such as the Office of Education, make full use of the arts in achieving their own respective objectives.



## X. Contracts

We agree with the investigators that there is a need for a tighter reign on the Endowment's contracting activities. Too often in the past the pressures of time and the need to complete projects by fixed dates has led to cutting procedural corners.

Recently the Endowment has taken organizational steps which will provide closer supervision of the contracting process and provide additional staff resources to handle the workload. The supervision of the contracting process will be the responsibility of the Director of Administration rather than the Grants Officer -- who by the nature of his principal responsibility for the grants operation could spend too little time on contracts. In addition, formal training on contracts management has been provided for the members of the Director of Administration's staff most closely involved in the process.

We would welcome the professionalism of a GAO audit of our contracts should the Congress wish to request it.

We know of a few instances in recent years where a contract was used in effect to "hire" a person to do Endowment work. When done in this manner it has generally been an attempt to benefit from a future employee's work prior to the completion of the civil



service formalities. We think it unfair to confuse these isolated instances with cases where contractors so impressed the Endowment with their capability that as a natural result of our knowing them and their work, we asked them to apply for vacant positions at the Endowment. There is certainly nothing wrong with encouraging people in whose work one has confidence to apply for and be selected for, positions at the Endowment.

The investigators suggest that federal restrictions were avoided by using a contract to serve lunch to a thousand federal employees attending a meeting on Federal Design matters. There is no question but that the contractor served lunch to the attendees, but the purpose of doing so was simply to avoid "losing" many of them had they been forced to leave the meeting premises for lunch. In view of the magnitude and importance of the meeting (it was the Fourth Design Assembly) it seemed "penny wise and pound foolish" to break the continuity of the session with a protracted lunch hour break.

We are puzzled by the investigators' comment that the Endowment routinely uses the "cooperative agreement instrument" rather than a contract as a means of avoiding Federal regulations. A reading of Public Law 95-224, dated February 3, 1978, (Federal Grant and Cooperative Agreement Act of 1977) makes it very clear that the cooperative agreement is the preferred instrument for the Endowment to use when the purpose is to "accomplish a public purpose of support or stimulation



authorized by Federal statute" and when "substantial involvement is anticipated between the executive agency . . . and the recipient during performance of the contemplated activity."

Because of the apparent importance to the investigators of our contract with Cultural Resources, Inc., we have provided a more lengthy explanation of the relationship between the Endowment and that organization. This explanation follows.



XI. Cultural Resources, Inc.

The Endowment finds that the report reflects an incomplete understanding of the history, purposes and work of Cultural Resources, Inc. and its predecessors, the Bicentennial Resources Development Project (1974-1976) and Cultural Resources Development Project (1976-1978). Originally established in 1974 and regularly reviewed since that time by the National Council on the Arts, these endeavors have provided a substantial number of vital services to the arts, cultural institutions and arts organizations, and the Endowment, running well beyond those mentioned in the report. All have been of limited duration in response to specific needs and opportunities within the Council's and the Endowment's mandate from the Congress, particularly with respect to strengthening cultural institutions and encouraging financial and management support of the arts and cultural institutions by other agencies of the Federal government, by state and other parts of the private sector -- activities that exceeded the range of regular Endowment program responsibilities and the capacities of regular Endowment staff.



From a management standpoint, the contract relationship with the Cultural Resources group provided a flexible capacity to draw on the versatile skills of a variety of experts for particular mandated tasks, limited in time, without incurring long-term commitments. The renewal of the contract from year to year was not automatic, but based on detailed performance review and the identification by the Council and the Endowment of particular responsibilities to be fulfilled and work to be undertaken.

From time to time, activities developed and proven by the Cultural Resources group and deserving continuation have been transferred to regular Endowment staff. This process was continued in Chairman Livingston Biddle's reorganization of the Endowment early in 1978, when the group's responsibility for work with other Federal agencies, major associations of state and local public officials, arts unions, Washington, D. C. cultural institutions, and the problems of arts management were all transferred to Endowment staff. At that time, the group was re-focused entirely on the private sector -- independent foundations, business, non-arts unions, trade and professional associations, and individual donors. Coincident with this, in



order to make the group's relationship with the Endowment more orderly and strengthen its capacities, it was reorganized on June 23, 1978, as an independent, non-profit, tax-exempt corporation, Cultural Resources, Inc., governed by an independent Board of Directors. The Endowment also reduced the contract for this group from \$329,000 in 1978 to \$269,000 in 1979.

It does not, as the report states, duplicate the efforts of the Business Committee for the Arts, which works only with a portion of the business community, or of any other organization.

Finally, note should be taken of the fact that the report appears to contain additional mistakes. For example, the Cultural Resources group has not been responsible for the CITY SPIRIT Program, nor has it engaged in lobbying for CETA funding or any other Federal expenditure.

The report of the Investigative Staff states that Cultural Resources projects included: "facilitating the establishment and ensuring the initial funding of a



Metropolitan Cultural Alliance in the Washington, D. C. area and 'assisting in their successful efforts to obtain additional Federal assistance from the Congress, among others.'" (P. 55). We assume that the Investigative Staff is basing this statement on a memorandum sent to the Endowment staff by the Chairman on July 7, 1978 (although the above mentioned internal quote does not appear there and no reference to "Federal assistance from the Congress" is therein contained). The memorandum announced a reduction of the Cultural Resources efforts, and reviewed its past work on behalf of the arts, also mentioning Cultural Resources' work with the Cultural Alliance of Greater Washington and with the "Consortium" of major Washington Cultural Institutions.

The Investigative staff report appears to confuse the two groups and appears to assume that the two are actually only one.

Cultural Resources provided assistance to both organizations as part of its mission to help private arts organizations develop their own sources of support and to become more proficient in presenting their cases to potential



fundes, including the National Endowment for the Arts, which has given particular attention to the needs of the D. C. arts groups. The Endowment is informed, as a result of detailed review that Cultural Resources did not make representations to the Congress on behalf of either group nor did it "lobby" the Congress in any way. The Consortium, itself, did make its presentations to the Congress, quite appropriately, but such activity was undertaken on its own initiative without participation by Cultural Resources. The full text of the July 7, 1978 memorandum is available for the Committee's review.



## XII. Service Organizations

The Endowment agrees with the investigators that there is a need to analyze its relationship to the many organizations that provide support services to various parts of the arts world. For the most part, our relationship with service organizations developed on an ad hoc basis rather than as a result of a conscious policy decision which outlined our objectives with regard to service organizations. Such a study will be begun by the Policy and Development staff as part of its ongoing assessment of Endowment policies.

However, we certainly dispute the implication in the report that arts service organizations are wholly or largely dependent on the Endowment for their existence. A quick survey of 58 such organizations which received grants from the Endowment in FY 78 indicate only one totally dependent, three others at above 50% and the rest at less than 50%. Twenty one received less than 10% of their operating budget from the Endowment.



### XIII. Inter-Endowment Communications

There is broad recognition throughout both Endowments that the level of communication between one another is too low. In the past year, however, there have been regular structured meetings of senior officials from both Endowments. And the first of what will become a series of meetings between program staff of the two Endowments was held on March 30, 1979. It should be noted that the meeting was scheduled prior to receipt of the investigators' report, and it followed efforts by both Chairmen to progress from a past separation of programs to greater complementary purpose. Among mutual projects discussed for development are: folk arts programs, crafts scholarships and museum activities.



#### XIV. Audit

The Endowment agrees with the investigators that our responsibility for auditing grantees is now only barely being met. Unfortunately, without additional staff positions, it is unlikely that our audit capability will increase significantly.

We also agree that the Audit staff could be of help to Endowment management by conducting internal audits. However, the demands for auditing grantees always seem to preclude internal audit work.

We also agree that grantee administrative procedures, including accounting methods, are often inadequate measured by either private sector or federal sector standards. We disagree, however, with the investigators concerning the relative importance of this aspect of an organization's activity with respect to whether or not the Arts Endowment should fund that organization. An Endowment funding decision should clearly be predominantly based on artistic considerations. If an organization simply does not meet the highest administrative standards, but can function administratively, we would favor making funding decisions which emphasize artistic merit.

We would welcome the investigators' view on whether or not the Endowment has an obligation to provide significant funding for grantees to improve their administrative, as opposed to their artistic capabili-



ties. Such an undertaking would require very substantial amounts of money. At the present time, the Endowment provides technical assistance, often through support of service organizations, with a greater stress on this form of assistance for developing organizations which need managerial skills to survive.



## XV. Personnel

We agree with the investigators that "personnel" problems reduce the Endowment's ability to carry out its mission fully. However, we believe that the basic problem is one of inadequate numbers of staff, and to a lesser extent applicable civil service regulations make it somewhat difficult to shift personnel from their current positions. In recent years we have made some progress in reducing the number of staff who are inappropriately positioned within the Endowment. However, we have made no progress towards increasing the agency's ceiling and, in fact, we have been reduced by 10 positions from a peak reached two years ago.

We agree with the investigators that some areas of the Endowment are more adequately staffed than others. Unfortunately, we find that the skills available in the areas of relative abundance are often not those required in the areas of scarcity.

We would have welcomed the investigators point of view regarding the adequacy of our present staff ceiling and specific suggestions as to how we could reallocate present staff in a more equitable fashion without compromising present Civil Service regulations. We are not helped at all by the suggestions made on page 67 of the report because the 23 positions listed there have been steadily reduced over the past 6-8 months to 13 positions. We are very puzzled as to why the



Investigative Staff used an August 1978 NEA staffing pattern for their work. If they had asked about it at anytime during their stay through February 1979, we could have given them updated information.

As pointed out earlier, the existence of a "three year limitation" is a figment of someone's imagination. However, we do experience relatively high turnover among our younger "non-career" program staff. As the Investigative Staff notes, these people are generally well educated, ambitious and committed to developing meaningful careers in the arts -- either as artists or arts administrators. Given that this is the kind of person that is attracted to us -- and we to them -- it is not surprising that our turnover is high, because they are frequently enticed away from the Endowment by greater opportunities than the Endowment can offer. There is a positive side to this situation, however, and that is that the Endowment is blessed with a dedicated, hardworking, committed staff -- especially at the levels where most of the "real work" is done.

We agree with the investigators that our program staff, with the exception of the Program Directors and Assistant Directors, could benefit from specific training in grants and contract matters and hope to be able to start such a training program in Fiscal Year 1980. However, we certainly disagree with the notion that the Endowment would be better served if it employed in its programs people whose skills were exclusively administrative. In fact, we feel that heavy reliance on generalist career government administrators



would be a serious mistake. We continue to believe it is better to have a staff grounded both in the artistic substance of a program, as well as arts administration, than it is to have one grounded in the ways of bureaucratic administration.

While recognizing that the staff is often overworked and that its skills can be improved in certain administrative areas, we find unacceptable and again misleading that the result is "chaos" as suggested in the report (page 66). Certainly the investigators spent sufficient time at the Endowment to realize the word "chaos" does not do justice to the level of high productivity achieved by our program staffs, nor does it describe the atmosphere which exists on a daily basis.

For many years we have attempted to develop rational numeric criteria for assessing workload and determining personnel needs among the various Endowment program offices. We have done enough work to know that the relative numbers of applications or the number of grants are not adequate standards to measure needs, as suggested. Each program presents its own patterns and funding problems, its own profile. Architecture is in many ways an advocacy program, relying on relatively small outlay and large staff; in performing arts areas, the program requirements are sharply contrasted.

The investigators suggest desk audits be performed at the Endowment. A thorough audit of personnel practices was conducted by the Civil Service Commission about three years ago. In the year and a half



following the audit, the Arts Endowment worked to come into full compliance with its recommendations. We doubt that a similar audit conducted today would show any significant discrepancies, although we certainly have no objections to having one performed.

We are puzzled as to why the investigators selected for comment the very successful career progress of one of our Program Directors. It would seem that an assessment of his experience prior to joining the Endowment, his performance in the several years he as served as an Endowment employee, the great enthusiasm with which his appointment as a Program Director was received by his discipline field, and the fact that he gladly gave up career status to become a Program Director would be far more deserving of comment than the fact that he accomplished this progress in five years at the Endowment.



## XVI. Future Requirements

In the "Future Requirements" section of the report the investigators single out for negative comment two of the Endowment's present efforts to develop sound policy guidance for its future activities. Each effort is simply that -- an attempt to develop alternatives to enable the Endowment's management and the National Council to make intelligent decisions regarding two areas of major interest. In both instances, the investigators have presumed to know the outcome of these efforts when in fact each is still very much in a beginning stage. It appears as if the investigators in both instances listened to only one side of the issue and assumed, wrongly, that that side spoke for the Endowment and the Council. No attempt was made to determine the views of the Endowment management on either issue. Each of the issues is discussed in more detail below.

Arts Education and the Training of Artists      The Task Force on Education, Training and Development of Professional Artists and Arts Educators was made up of leading artists, arts administrators, National Council members, interested members of the public and representatives from state and local arts agencies. It addressed a subject of far greater concern than that which would apply to the Arts Endowment alone. Its deliberations, conclusions and recommendations were meant to be of interest to a very wide audience. It was an attempt,



in our view a successful one, to grapple with an issue of significant importance to the American public: i.e., what steps should the education and arts constituencies, both public and private, take to improve the training of artists and the quality of arts education.

The investigators view this activity with alarm even though the issue dealt with seems clearly legitimate, timely and important. Ignoring the issue, when it does in fact exist, would be a far worse alternative than dealing with it openly and constructively. In any event, it would be impossible for the Arts Endowment to implement any major change in its relationship to education without the prior and express approval of both the Office of Management and Budget and the Congress.

The Arts Endowment does not yet know what its ultimate role in education should be. However, there is no question, and never has been, that our eventual role will preclude funding of general arts education activity on anything other than a "demonstration" basis.

On the other hand, we believe it appropriate to work closely with the Office of Education because that agency is clearly responsible for education, including arts education. By summer 1979 we expect to be sharing a jointly appointed Special Counsel for Arts Education with the Office of Education. Each agency will share the cost of the appointment and each will



benefit from the Special Counsel's advice on how the two agencies can complement one another's activities. Contrary to the implication contained on p. 72 of the report that this joint appointment circumvented the coordination role of the Federal Council, it has, in fact, worked out under the Federal Council's auspices and was first announced at a Federal Council meeting, as reported above.

Community Arts Organizations It is difficult to respond to the report on the community arts organizations issues. The problem is not only that they have already presumed the outcome of the Task Force's work and the Endowment's decision regarding its recommendations, but also that they have confused the relationship of two separate and individual projects, only one of which addresses the questions of the Endowment's relationship to community arts organizations.

On the first, the Investigative Staff presumes that the Endowment will want to suggest major direct funding of community arts organizations. A decision on this question has not been made and will not be made prior to, first, the completion of the Community Arts Task Force's work and, second, a full and complete discussion of the matter by the Endowment leadership and the National Council.

At present there are strong opinions on both sides of the issue of taking the action that the Investigative Staff considers inevitable. In fact, in the five year plan which will be presented to the Congress, there is no provision yet for a



program of direct funding to community arts agencies except for those which have existed for years as part of other approved program activities. The five year plan may be amended in this respect as we continually refine and develop implementation.

The second problem with the report on this subject -- i.e., the separation between two distinct contracts -- seems to be a result of their failing to understand that one contractor is directing two separate activities. On the one hand, the contractor provides administrative support for the Community Arts Task Force whose function is to review relationships between the Endowment and local arts organizations and agencies, and to recommend an overall Endowment policy for community based programs to the Chairman of the Endowment and the National Council on the Arts.

On the other hand, the same contractor provides, by means of a newsletter and personal contact, information to local officials and arts groups and advice on how they can take advantage of non-Endowment Federal programs which can be utilized on behalf of the Arts.

The language quoted by the report: "resource bank on non-Endowment public support of the arts and (offers) information, assistance and consultation on such programs" (p. 73) is from the second contract, which had no bearing on the Task Force on Community Programs. The Arts Endowment closely supervises the contractor to insure that the intent of the contract is being fulfilled, not some conspiratorial agenda which does not have Endowment approval.



XVII. Museum Programs

The Investigative Staff's concern that there is overlap between the Museum Program of the NEA, the NEH, the Institute of Museum Services, and the National Museum Act administered by the Smithsonian Institution seems to overlook the fact that all of these agencies were created by Congress, each with specific functions to perform in the service of this nation's museums. The Museum Program of the Humanities Endowment supports interpretive exhibitions, the emphasis here on the humanistic, didactic content of the work. The National Museum Act provides support for professional and staff development in the museum field. The Museum Services Institute provides general operating support to museums. The Museum Program of the National Endowment for the Arts is unique in its focus on project support for a variety of endeavors such as exhibitions, museum outreach, and the acquisition of works by living American artists.

In response to Congressional concern, the Federal Council on the Arts and the Humanities (FCAH, incorrectly referred to as the "Federal Advisory Council" by the report) has been charged with developing a suitable method for avoiding duplication of services and funding among the four



agencies. In other words, contrary to the Investigative Staff's claim, the FCAH addresses precisely the question of the jurisdictional overlap of the agencies. The members of the FCAH, profoundly knowledgeable in the needs of the museum field, have devoted considerable time to the study of this question and believe that continued involvement of each of the four agencies is essential. Rather than resort to simplistic solutions such as transferring large portions of one agency's program to another agency, the FCAH has focused on the "grey areas" between agencies. As a starting point, a system has been devised whereby each of the agencies will share information about museum applications with the others prior to application review. In this way duplicate requests have been clearly identified, and are handled so as to avoid duplicate funding.

On another point, the Staff's concern that the "perceived hegemony" of the Endowments in the museum field be eliminated raises two questions: 1) Why, or even how, with four federal agencies each with programs serving different needs, any one agency could dominate the life of this country's museums, and 2) Why remedy the alleged problem with a plan that would create a hegemony of one federal agency.

Finally, when the Investigative Staff maintain that the plan will provide clarity to the field, they reveal a



grave misunderstanding of the interdisciplinary nature of the arts: for museums touch on all facets of the arts, and are integrally involved with the visual and performing arts. Isolating support to museums to a great extent in their own Federal agency would then be a disservice to the field. Rather than clarify, such a move would distort the nature and purpose of museums, as well as the purpose of Congressional intent as expressed in the report language for both House and Senate bills creating the IMS long after the two Endowments came into being. A review of legislative history proves most instructive in this regard.

It should also be noted that in answer to Congressional concerns, the Federal Council, with the related agencies which assist museums, continues to clarify responsibilities and areas of maximum service. A further resolution to a well-coordinated Federal pluralistic approach to museum needs is expected shortly.