



Minnesota State Arts Board Grant Administration

While the Arts Board complies with most grant-related policies, some of its practices do not fully meet requirements.

Key Facts and Findings:

- The state of Minnesota funds arts, in part, through the Minnesota State Arts Board and 11 regional arts councils.
- For Fiscal Year 2019, the Legislature appropriated \$31.7 million to the Arts Board from the Arts and Cultural Heritage Fund and \$7.5 million from the General Fund.
- The Legislature designates almost 30 percent of appropriations to the Arts Board for grants to regional arts councils. The board administers these legislatively mandated grants.
- Through its ten Fiscal Year 2018 competitive grant programs, the Arts Board awarded 577 grants totaling just over \$23 million to artists and organizations.
- For the competitive grant programs and grants to regional arts councils we reviewed, the Arts Board complied with most state grant requirements, but we also found opportunities for improvement.
- The Arts Board awards competitive grants through a transparent process, but the process does not comply with the Minnesota Government Data Practices Act.
- The Arts Board's approach to monitoring Operating Support grants may not be sufficient to detect misuse of state funds, and its reviews of Artist Initiative final reports did not include evidence that staff identified and investigated uses of state grant funds that we questioned.

- The Arts Board has developed a plan to measure broad impacts of the arts in Minnesota, but it has not measured the outcomes of its grant programs.

Key Recommendations:

- The Legislature should amend the Minnesota Government Data Practices Act to permit grant applications to the Arts Board to become public earlier than the law currently allows.
- The Arts Board should align its grant contracts, program guides, award letters, and grant-making practices with each other and with state laws and policies.
- The Arts Board should send grant contracts to regional arts councils only after it has accepted their final biennial plans.
- The Arts Board should require recipients of Operating Support grants to provide an annual accounting of how they used state funds, and it should conduct monitoring visits with some of the grantees more frequently.
- The Arts Board staff should document in grant files their questions and conclusions about possible misuse of state grant funds.
- The Arts Board should assess the extent to which grantees' project outcomes align with the board's desired program outcomes.

Report Summary

The state of Minnesota funds arts, in part, through the Minnesota State Arts Board and 11 regional arts councils. Between the board and councils, arts-related grants and services are available to artists and organizations throughout the state.

The Legislature funds the Arts Board through General Fund and Arts and Cultural Heritage Fund (ACHF) appropriations.¹ Board appropriations for Fiscal Year 2019 included \$31.7 million from the ACHF and \$7.5 million from the General Fund. The Legislature designated almost 30 percent of the appropriations for grants to regional arts councils.

The Legislature has reduced General Fund appropriations to the Arts Board. The Legislature appropriated over \$20 million from the General Fund to the Arts Board for the 2008-2009 biennium. More recently, the Legislature appropriated just over \$15 million from the General Fund to the board for the 2018-2019 biennium, a reduction of more than 26 percent, before adjusting for inflation.

Since 2010, the ACHF has provided most of the Arts Board's funding. The ACHF appropriations have increased the board's overall funding, but the funds include more requirements related to their use than do General Fund appropriations. For example, recipients of ACHF monies must identify and measure outcomes from the use of the funds.

The Arts Board administers competitive grant programs and legislatively mandated grants to regional arts councils.

The Arts Board administers ten competitive grant programs. We focused our evaluation on two programs: (1) the Artist Initiative program, which supports individual artists' creative and professional development, and (2) the Operating Support program, which

provides support to organizations that produce, present, and exhibit works of art; provide services to artists; or teach arts to Minnesotans of all ages.

The board also administers legislatively mandated grants to the state's 11 regional arts councils. We focused our review on three regional arts councils: the Arrowhead Regional Arts Council (serving northeastern Minnesota), the Lake Region Arts Council (serving west central Minnesota), and the Metropolitan Regional Arts Council (serving the Twin Cities metropolitan area).

In administering grants, the Arts Board must comply with state laws and policies for grant making. In addition, state law includes requirements for grant recipients. For example, state grant funds must be used only for projects located in Minnesota.²

The Arts Board complied with most Office of Grants Management (OGM) policies for awarding grants, but there is room for improvement.

Consistent with state policies, the board publicized information about the Artist Initiative and Operating Support grant opportunities, established rating criteria, required grant reviewers to disclose conflicts of interest, and executed grant contracts. However, the board did not follow some policies, as detailed below.

While the program guides for the two competitive grant programs we reviewed included extensive information, they were missing some information characterized in OGM's grant procedures as "essential." For example, the program guides did not include a general overview of the composition of the committee that would review applications.

The board's process for scoring grant applications is transparent, but it does not comply with the Minnesota Government Data Practices Act (MGDPA). The board uses volunteer panelists to discuss and score most grant applications in meetings that are

The Legislature has reduced the Arts Board's General Fund appropriations, but has increased appropriations from the Arts and Cultural Heritage Fund.

¹ In 2008, Minnesota voters approved the "Legacy Amendment," which authorized a 25-year, statewide sales tax increase of 3/8 of 1 percent, with 19.75 percent of receipts deposited in the Arts and Cultural Heritage Fund. *Minnesota Constitution*, art. XI, sec. 15.

² *Minnesota Statutes* 2018, 129D.17, subd. 2(f); and *Laws of Minnesota* 2017, First Special Session, chapter 4, art. 1, sec. 25.

open to the public. During the meetings, the board makes copies of the applications available on computers so members of the public can view them. However, the MGDPA classifies most information in grant applications as “not public” until the state agency and grantee have negotiated a grant agreement.

The board also does not fully comply with requirements related to conflicts of interest. Volunteer panelists, board staff who participate in the panel process, and governing board members who award grants disclose conflicts of interest. But the board does not require all staff involved with grant making to disclose conflicts of interest, contrary to OGM policy.

We found some aspects of the board’s Artist Initiative grant contracts unclear or inconsistent with other board documents. For example, the contracts did not identify changes to project budgets or activities that would require a contract amendment. In addition, guidance in the grant award letter about when grantees could begin spending funds was different than, and potentially inconsistent with, the contract language.

Finally, the board’s grant contracts with regional arts councils aligned with most requirements. However, the timing of the board’s administration of these legislatively mandated grants could be improved. Consistent with state rules and with OGM policy for legislatively mandated grants, the board required regional arts councils to submit biennial plans that described their intended uses of state funds. But, the board sent grant contracts to the councils we reviewed before receiving the councils’ final biennial plans.

We recommend the board align its grant-making practices and related documents with OGM policy, state law, and each other. We also recommend that the Legislature amend the MGDPA to allow the board’s transparent application scoring process to continue. Finally, we recommend the board wait to send contracts to regional arts councils until after it has accepted their biennial plans.

The Arts Board did not provide enough oversight of Operating Support grantees.

The board monitors Operating Support grants through reviews of grantees’ final reports and through monitoring visits.

However, the board does not require Operating Support grantees to account in their final reports for how they used state funds. While reviewing Operating Support grants, we found it difficult to determine whether grantees used state funds appropriately. For example, one grantee reported sending performers to Oregon to participate in a festival. Using the information available in the final report, we could not determine whether the grantee used state funds for this out-of-state project. As stated above, state grant funds must be used only for projects located in Minnesota.

In addition, the board did not complete monitoring visits for some Operating Support grants over \$50,000, which is inconsistent with OGM policy. The board did monitor grants over \$250,000 each year, which complies with OGM policy.

We recommend that the Arts Board (1) require Operating Support grantees to account for their use of state funds and (2) complete additional monitoring visits with these grantees.

We did not find evidence that board staff followed up with Artist Initiative grantees whose final reports included questionable spending.

The board monitors Artist Initiative grantees by reviewing their final reports, which include grantees’ accounts of their spending.

We questioned some Artist Initiative grantees’ uses of state funds. For example, some artists reported that all or part of their grant-related public events took place after the grant period. Grant contracts stated that all eligible costs must be incurred during the grant period.

The Arts Board’s approaches to monitoring Operating Support and Artist Initiative grantees may be insufficient.

The Arts Board has identified desired outcomes for its grant programs but has not measured them.

While the total amount of expenses we questioned was less than 1 percent of about \$729,000 awarded for our sample grants, we are concerned that grantees' final reports did not show that board staff identified or investigated the expenses.

The board's executive director explained that board staff document issues they have concluded are problematic. However, we recommend that board staff document in grant files all of their questions and conclusions about grantees' uses of funds.

The board did not ensure compliance with all legal requirements when it monitored grants to regional arts councils.

OGM policy requires that state agencies diligently monitor legislatively mandated grants. The Arts Board reviewed final reports, conducted financial reconciliations, and had monitoring conversations for the legislatively mandated grants to the three regional arts councils we reviewed.

However, the board did not check, for example, whether the councils appropriately acknowledged state funds. We recommend the board ensure councils' compliance with all legal requirements.

The Arts Board has identified statewide goals for the arts, but it has not measured the overall impact of its grant programs.

In 2009, the Arts Board and regional arts councils identified five statewide goals for the arts to which the board and regional arts councils aspire. One goal, for example, is "Minnesotans believe the arts are vital to who we are." In 2018, the board identified indicators to track the state's progress on the goals. However, the goals and indicators will not directly measure the outcomes of the board's grant programs.

Consistent with requirements in state law, the Arts Board requires grantees to identify and measure outcomes of their state grants.³ The board also requires competitive grantees to align their intended project outcomes with the board's desired program outcomes.

However, the board has not ensured that competitive grantees' reported project outcomes are consistent with the board's program outcomes, and it has not measured the outcomes of its grant programs.

We recommend that the Arts Board assess whether grantees' project outcomes align with the board's program outcomes.

³ *Minnesota Statutes* 2018, 129D.17, subd. 2(a), requires recipients of ACHF dollars to identify outcomes and measure results of grant funding. The Arts Board requires all recipients of grants, regardless of funding source, to identify outcomes.

Summary of Agencies' Responses

In a letter dated January 28, 2019, Minnesota State Arts Board Executive Director Sue Gens said that the agency supports, in general, the recommendations in the report. She indicated a commitment to work internally, with regional arts councils, and with legislators to make improvements. Ms. Gens provided context for several of the findings and recommendations, and she indicated the board would need to explore how to address some recommendations.

In a letter of the same date, Mara Hanel, Forum of Regional Arts Councils President, stated the forum's commitment "to work toward all the recommendations" for the regional arts councils.

The full evaluation report, *Minnesota State Arts Board Grant Administration*, is available at 651-296-4708 or: www.auditor.leg.state.mn.us/ped/2019/artsboard.htm