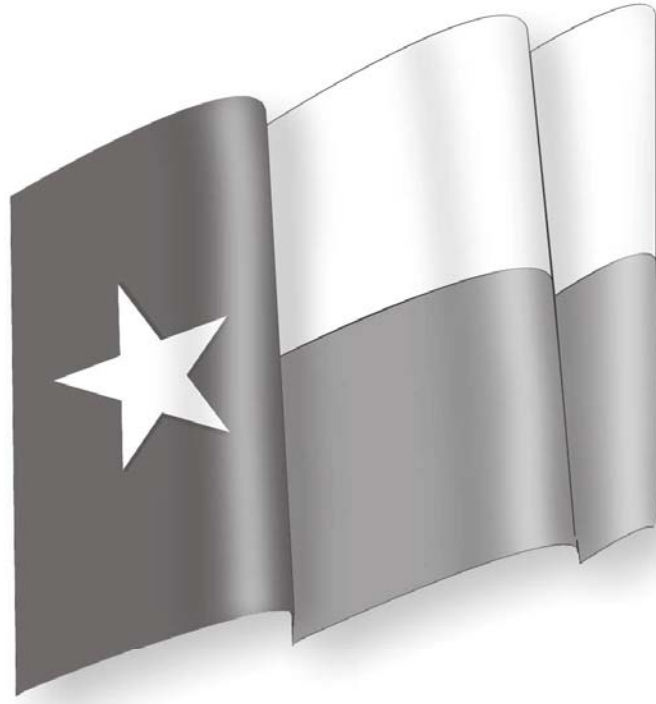


# *Summary of Sunset Commission Recommendations*



**Texas Commission on the Arts**

**February 2007**





# Texas Commission on the Arts

## Agency at a Glance

The Texas Commission on the Arts (TCA) helps develop a receptive climate for the arts through the support and development of arts and cultural industries in Texas. The Legislature originally created the agency in 1965 to receive federal arts funding, and encourage an interest in fine arts in Texas. Today, to accomplish its mission, TCA:

- ◆ provides grants to nonprofit arts, educational, and governmental organizations to help make arts accessible to all Texans;
- ◆ promotes arts and cultural events to increase participation in the arts and encourage tourism; and
- ◆ markets and raises funds to support the agency's programs.



*For additional information,  
please contact Ginny McKay  
at (512) 463-1300.*

## Key Facts

- ◆ **Funding.** The agency operates with an annual appropriation of about \$5 million and expends the majority of this funding on arts and cultural grants. A little more than half of the agency's funding comes from General Revenue. The other half comes from a blend of federal funds from the National Endowment of the Arts, revenue from the sale of the *State of the Arts* license plates, interagency contracts, and fundraising.
- ◆ **Staffing.** The Commission has 19 staff, including one employee at the agency's satellite office in McAllen.
- ◆ **Grants.** TCA distributes about \$3.3 million in grants each fiscal year to arts and cultural organizations and other nonprofit entities. The agency funds 96 percent of all grant applications submitted, with grantees receiving about 26 percent of the grant amount requested. In fiscal year 2006, the agency awarded 980 grants and the average grant amount was \$3,063. TCA has had a fully automated online grants application system since 1998.
- ◆ **Texas Cultural Endowment Fund.** In 1993, the Legislature established the Texas Cultural Endowment Fund outside the State Treasury to create a stable source of funding for the arts in Texas. At the end of fiscal year 2006, the Fund had a balance of about \$13.7 million.
- ◆ **State of the Arts License Plates.** TCA markets its license plate, the best selling specialty plate in Texas, to raise funds to help support its grant programs. In fiscal year 2006, the sale or renewal of 18,879 license plates raised \$415,332.
- ◆ **Texas Music Project Music CDs.** TCA collaborates with other organizations to market music CDs containing songs from well-known and emerging Texas musicians. Sales from four CDs have raised \$115,000 for grants to schools to support music education in K-12 classrooms.

## **Commission Members (17)**

Victoria Hodge Lightman, Chair (Houston)  
David Garza, Vice Chair (Rancho Viejo)  
Dorothy E. Farrington Caram, Ed.D., Treasurer  
(Houston)  
Billye Proctor Shaw, Parliamentarian (Abilene)  
Alphonse A. Dotson, Secretary (Voca)  
W.C. “Abby” Abernathy, Jr. (Archer City)  
Nelson H. Balido (San Antonio)  
Patty A. Bryant (Amarillo)  
Susan Howard-Chrane (Boerne)  
William W. Collins, Jr. (Fort Worth)  
Loren O. McKibbens (Dallas)  
Cobie Russell (Dallas)  
George R. “Bob” Snead (El Paso)  
Polly Sowell (Austin)  
Mary Teeple (Spicewood)  
Norma Helm Webb (Midland)  
Mildred Knape Witte (Tyler)

## **Agency Head**

Ricardo Hernandez, Executive Director  
(512) 936-6561

## **Recommendations**

1. Continue the Texas Commission on the Arts for two years, and require a follow-up Sunset review focused on how the agency spends its funds, particularly its expenditures on administration and overhead.
2. Require the Commission to adopt rules to govern the acceptance of private funds to ensure that the use of the funds supports the agency’s key functions.
3. Require the Commission to adopt rules to ensure accountability of TCA’s special initiative grants.
4. Request that the Legislature, through the appropriations process, authorize TCA to expend the annual interest income earned on the Cultural Endowment Fund for grants only.

## Issue 1

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### ***While Texas Has a Continuing Need for the Texas Commission on the Arts, the Agency's Administrative Costs Require Additional Follow-Up.***

#### **Key Findings**

- ◆ Even though people may question the need for public support of the arts, Texas benefits from limited state support of the arts.
- ◆ TCA accomplishes its mission and makes the arts accessible to Texas communities, but expends a significant percentage of its funds on administration.
- ◆ While other agencies could perform TCA's functions, these alternatives offer no clear benefits over an agency dedicated to the arts.

The Texas Commission on the Arts' responsibilities – supporting and developing the arts – continue to provide some benefit to the State. The arts help stimulate economic development and tourism in Texas, and TCA grants assist arts organizations in leveraging other support. However, with limited funding available, TCA's expenditures need to be focused on its grants and promotion efforts, not on administration and overhead. In fiscal year 2005, TCA expended approximately 26 percent of its budget on central administration, 6 percent for marketing and promotion, and 68 percent for grants.

#### **Recommendation**

##### **Change in Statute**

- 1.1 Continue the Texas Commission on the Arts for two years, and require a follow-up Sunset review focused on how the agency spends its funds, particularly its expenditures on administration and overhead.**

This recommendation would require Sunset staff, prior to the 81st Legislative Session in 2009, to perform a follow-up review on TCA's overall expenditures, focusing particularly on costs associated with administration and overhead. The Sunset Commission would also coordinate with the Senate Finance Committee, House Appropriations Committee, and the Legislative Budget Board to determine whether the agency's expenditures are in accordance with its appropriations.

## Issue 2

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### ***TCA Continues to Operate Programs That Do Not Fit With Legislative Efforts to Narrow the Agency's Focus.***

#### **Key Findings**

- ◆ In 2005, the Legislature narrowed the Texas Commission on the Arts' focus.
- ◆ Despite legislative efforts to the contrary, TCA continues to directly administer arts education programs.
- ◆ To accept private funding, TCA created programs outside its main functions that require considerable staff effort to administer.

The Legislature, through the appropriations process, has recently narrowed the Texas Commission on the Arts' functions to focus on providing grants, promoting arts events, and raising private funds to support its grants and promotion work. While arts education is valuable, TCA continues to go beyond its primary function of grantmaking, and uses limited resources to directly administer costly arts education programs as well as other privately supported initiatives. Additionally, the Commission has created some of these programs as a condition of accepting donations in order to satisfy private interests.

## **Recommendations**

### **Change in Statute**

#### **2.1 Require the Commission to adopt rules to govern the acceptance of private funds to ensure that the use of the funds supports the agency's key functions.**

This recommendation would require TCA to focus on its primary mission of arts promotion and grants rather than creating and directly administering additional programs to satisfy the requirements of private donations. The Commission would develop and adopt rules to guide the acceptance and use of private donations given to TCA to ensure that the funds support the agency's primary functions. At a minimum, the rules should require staff to fully evaluate any gift, grant, or donation to determine if its purpose supports the agency's priorities as set by the Legislature. TCA would also evaluate what obligations the agency would have to meet to accept the donation, including matching funds, staff time and effort, and any other additional costs. This information should be presented to the Commission for consideration before the acceptance of any donation. The rules should also ensure against TCA creating and directly administering additional programs just to receive private funding.

### **Management Action**

#### **2.2 The Commission should evaluate the agency's programs and initiatives to ensure compliance with the legislative direction to focus on arts promotion and grants.**

Under this recommendation, TCA's Commission should evaluate the agency's programs to see if they comply with the legislative directive to support, not directly administer, programs, other than grants or arts promotion efforts. Any directly administered program that does not meet these requirements should be eliminated, and any staff or other resources from the eliminated programs should be re-directed towards the agency's primary functions – providing grants, promoting the arts, and raising private funding to support these functions.

#### **2.3 TCA should close its Fort Worth satellite office.**

With the legislative directive to support arts education solely through its grants program, TCA should close its Fort Worth satellite office. The arts education programs and initiatives administered through this office do not support the agency's grant or arts promotion functions, and take limited resources away from the agency's primary functions.

## Issue 3

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### **TCA Awards Special Initiative Grants With Limited Review, Oversight, and Commission Approval.**

#### **Key Findings**

- ◆ Special initiative grants have no set funding limit and often represent some of the largest individual grants TCA awards.
- ◆ Unlike its other grants, TCA has no clear review process or criteria for evaluating special initiative grants.
- ◆ The Executive Director awards and monitors special initiative grants with limited Commission oversight or approval.

TCA spends about 17 percent of its biennial grant budget on special initiative grants. During the 2004-2005 biennium, TCA awarded 182 special initiative grants totaling \$1.18 million. These grants help fund unique opportunities that advance the arts in Texas, particularly projects related to cultural tourism and arts education, but TCA awards the grants outside its normal requirements and procedures. The Commission's limited oversight or approval of these grants jeopardizes the accountability of these funds.

#### **Recommendations**

##### **Change in Statute**

##### **3.1 Require the Commission to adopt rules to ensure accountability of TCA's special initiative grants.**

This recommendation would ensure greater accountability of TCA's special initiative grants by requiring the Commission to develop rules governing the review, approval, and oversight of these grants. The rules should clearly address Commission approval of special initiative grants, but the Commission could opt to provide for an expedited approach in cases requiring more immediate action.

The rules should also address the amounts awarded for special initiative grants, and criteria used to review and evaluate the grant applications. This information would improve the Commission's ability to make informed decisions about which projects to fund and at what level.

##### **Management Action**

##### **3.2 TCA should provide regular updates to the Commission on all of the agency's grants.**

This recommendation would improve the Commission's ability to oversee the grants by ensuring the Commission members receive key information on all of the grants. The agency should provide regular updates to the Commission in an open meeting regarding all of the agency's grants. Requiring these updates would ensure that the Commission members receive the information necessary to effectively oversee all of the agency's grants.

## Issue 4

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### **Restricting Access to the Cultural Endowment Fund's Interest Income Limits the Fund's Usefulness.**

#### **Key Findings**

- ◆ The Legislature has appropriated little or none of the interest income earned on the Cultural Endowment Fund to TCA since 2003.
- ◆ Without the ability of TCA to access the interest, the Fund sits unused, and private sector contributions to the Fund have significantly declined.

The Legislature established the Cultural Endowment Fund in 1993 with the intent that it become a stable funding source for the arts. At the end of fiscal year 2006, the Fund totaled approximately \$13.7 million. Statute permits the Legislature to appropriate the Fund's interest income to TCA, but not its principal. From fiscal years 1998 to 2003, the Legislature appropriated to TCA interest income earned from the Fund totaling nearly \$2.7 million. However, the 78th Legislature did not appropriate the interest to TCA, and the 79th Legislature appropriated only enough interest to provide the match needed to avoid placing existing private sector contributions at risk. Without access to the Fund's interest, TCA has no means for using the Fund to support the arts. The agency also has difficulty obtaining contributions to the Fund since the money cannot be used to support the arts.

#### **Recommendation**

##### **Change in Appropriations**

##### **4.1 Request that the Legislature, through the appropriations process, authorize TCA to expend the annual interest income earned on the Cultural Endowment Fund for grants only.**

Under this recommendation, the Sunset Commission requests that the 80th Legislature appropriate the Fund's annual interest income to TCA for fiscal years 2008-09, and specify by rider that the interest income can only be used for grants which meet the purposes for which the Fund was created. The estimated interest for this two-year period would total approximately \$2.4 million.

## *Fiscal Implication Summary*

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Two recommendations regarding the Texas Commission on the Arts could have a fiscal impact, as summarized below.

*Issue 2* – The management recommendation directing TCA to close its Fort Worth satellite office would eliminate one staff person and save the agency approximately \$75,000 per year in general revenue funding. These savings should be redirected to the agency's grant and promotion activities.

*Issue 4* – Appropriating the interest income earned on the Cultural Endowment Fund to TCA for grants would result in a gain in revenue to the agency of approximately \$2.4 million for fiscal years 2008-09. The specific amount of interest to be appropriated to TCA from the Fund would be determined through the appropriations process, and would not relate to the Texas Commission on the Arts Sunset bill.