



SOUTH CAROLINA GENERAL ASSEMBLY

# Legislative Audit Council

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June 2013

## A REVIEW OF THE S.C. ARTS COMMISSION

SCAC COULD IMPROVE ITS FINANCIAL REPORTING AND ACCOUNTING TO ENSURE COMPLIANCE WITH STATE LAW AND BE MORE TRANSPARENT. BUDGET CUTS HAVE REDUCED THE AMOUNTS AWARDED IN GRANTS AND THE NUMBER OF EMPLOYEES AT THE AGENCY.

- In FY 11-12, the S.C. Arts Commission did not meet the requirements of proviso 30.4 to spend 70% of state funds on grants by \$21,285 (1.1%) due to unspent grant funds.
- In response to proviso 30.4, in FY 11-12, SCAC used state funds to pay 26% of its administrative expenses which had been paid for 100% with state funds in FY 09-10.
- The staffing level of the S.C. Arts Commission of 14 full-time employees and 3 part-time employees is consistent with the staffing levels of state arts agencies in southern states and the nation.
- From FY 09-10 to FY 11-12, grants awarded by the S.C. Arts Commission have decreased by \$640,929 (30%) and been given to recipients in 42 of 46 counties.
- The S.C. Arts Commission should reinstitute its random audits of grant recipients to improve the quality control of the granting process.

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The Legislative Audit Council is composed of five public members, one of whom must be a practicing certified or licensed public accountant and one of whom must be an attorney. In addition, four members of the General Assembly serve ex officio.

Audits by the Legislative Audit Council are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

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SOUTH CAROLINA GENERAL ASSEMBLY  
**Legislative Audit Council**

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**A REVIEW OF THE S.C. ARTS COMMISSION**



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# Introduction and Background

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## Objectives

Members of the House Ways and Means Committee requested the Legislative Audit Council to review the operations of the S.C. Arts Commission. Our objectives for this review were to:

- Evaluate the administrative costs of the agency and ensure compliance with proviso 30.4 in the FY 12-13 appropriations act.
- Determine whether the agency has meaningful measures to effectively evaluate program performance.
- Review and comment on current agency staffing levels and how they compare with industry norms.
- Assess the use and distribution of grant funds and to determine whether current practices are effective.
- Review program accounting and record keeping processes in comparison to public sector best practices – with special attention to the transparency and accountability of program expenses.

The period of review included FY 08-09 through FY 12-13 with consideration of earlier periods when relevant. To conduct this review, we interviewed staff of the Arts Commission and arts organizations in South Carolina. We reviewed records of the Arts Commission, federal and state laws, and studies of arts funding and organizations. We obtained information from the National Assembly of State Arts Agencies and other states' arts agencies.

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## Background

The South Carolina Arts Commission (SCAC) was created in 1967 and consists of nine members appointed by the Governor with the advice and consent of the Senate. The commission has three categories of programs — artist development, arts education, and community arts development. The agency provides the following services for these programs:

- Grants to schools, school districts, community arts organizations, and individual artists.
- Constituent services which provide technical services, training, and networking to teachers, artists, and arts organizations.
- Direct programs managed by SCAC, such as statewide training, contests, or awards.
- Partnerships with other state agencies, such as the State Department of Education, for arts curricula in schools or with the Department of Parks, Recreation and Tourism, to increase tourist awareness of the arts in South Carolina.

As of April 23, 2013, the agency had 14 full-time and 3 part-time employees. Staff members administer grants, apply for outside funding, coordinate statewide support, and offer technical and professional services for local arts organizations in South Carolina, as well as individual artists. Most staff members have either disciplines, such as visual arts or music, assigned to them or serve as the county point of contact for organizations and artists. Most of these staff members serve in both of these roles.

The Arts Commission's primary source of funding is state funds appropriated by the General Assembly. Grants from the federal government, through the National Endowment for the Arts, comprise the commission's secondary source of funding. Additional support for Arts Commission projects is provided by private foundations and community sponsors.

# Results

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## Administrative Costs

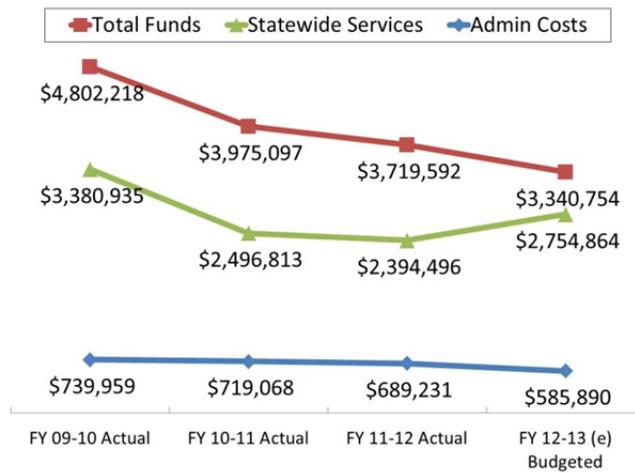
We were asked to evaluate the administrative costs of the S. C. Arts Commission and to ensure compliance with proviso 30.4, which requires the commission to spend 70% of appropriated state funds on grants for programs with proven research strategies. The agency reports its total administrative costs as \$739,960 (15.41%) for FY 09-10 and \$585,890 (17.54%) in FY 12-13. In FY 11-12, SCAC did not meet the requirements of proviso 30.4 by \$21,285 (1.1%).

The S.C. Arts Commission budget has decreased from approximately \$4.8 million in FY 09-10 to approximately \$3.3 million in FY 12-13. State funds comprised approximately \$2.9 million (61.51%) of the total agency budget in FY 09-10. In FY 12-13, state funds were approximately \$1.9 million (59.48%) of the agency budget.

In FY 09-10, the agency spent approximately \$3.4 million in statewide arts services and carried forward a balance of \$681,324 in federal and other grant funds. Statewide arts services include grants to organizations and schools across the state, as well as the costs of employees at SCAC who provide professional and technical support to schools, community organizations, and individual artists in South Carolina. These services also include the statewide programs managed by the agency, as well as curating and managing the touring of the state art collection.

For FY 11-12, the agency's total budget was \$3.7 million with almost \$690,000 spent for administration, almost \$2.4 million spent for statewide arts services which included \$1.5 million in grants, and approximately \$636,000 carried forward. Several agency staff members work on statewide programs and their salaries are paid under statewide arts services but not under direct grants. Other staff members are included in the administrative expenses of the agency and a few employees have duties in both areas. For those employees, salary and fringe benefits expenses are split and reported partially in each area.

**Chart 2.1: Budget and Spending Trends, FY 09-10 – FY 12-13**



Source: SCAC

We reviewed the administrative costs of the S.C. Arts Commission from FY 09-10 to the budget for FY 12-13. While the total budget for the SCAC has been reduced during this time period, the total administrative expenses for the agency have remained under 20%. The agency includes salaries and fringes for statewide support staff under statewide services but not under direct grants or administrative costs. In FY 09-10, those costs were an additional \$1,068,192 (22.24%) and, in FY 12-13, the budgeted amount is \$780,443 (23.24%). Table 2.2 shows the administrative costs from FY 09-10 through FY 12-13.

**Table 2.2: Administrative Costs, FY 09-10 – FY 12-13**

	ACTUAL			BUDGETED
	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Salaries and Fringes	\$342,399	\$344,196	\$344,986	\$379,574
Building, Maintenance, and Parking	268,507	272,862	237,242	124,467
Telephone and Utilities	52,614	54,727	44,857	11,129
Information Technology	44,907	25,526	43,373	40,650
Operating Expenses/Travel/Training	13,836	9,168	7,557	13,100
Office Equipment (Leases)	9,129	6,157	4,499	9,470
Office Supplies, Shipping and Memberships	8,567	6,432	6,717	7,500
<b>TOTAL</b>	<b>\$739,959</b>	<b>\$719,068</b>	<b>\$689,231</b>	<b>\$585,890</b>

Source: SCAC

The agency relocated to smaller office space in May 2012 which reduced building, maintenance and parking costs at the end of FY 11-12 and for FY 12-13. The technology software cost was \$27,298 for FY 11-12. The agency uses specialized grant management and online application programs. We reviewed industry standards for these costs and found that SCAC costs were low-to mid-range and that several other state arts organizations also used the same software.

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## Compliance with Proviso 30.4

Beginning in FY 11-12, SCAC expenditures were subject to proviso 30.4 in the appropriations act. Proviso 30.4 states that, “The Arts Commission must expend seventy percent of appropriated state funds on grants to support the statewide improvement of learning and enrichment opportunities for children and communities through educational and cultural programs with proven research based strategies.”

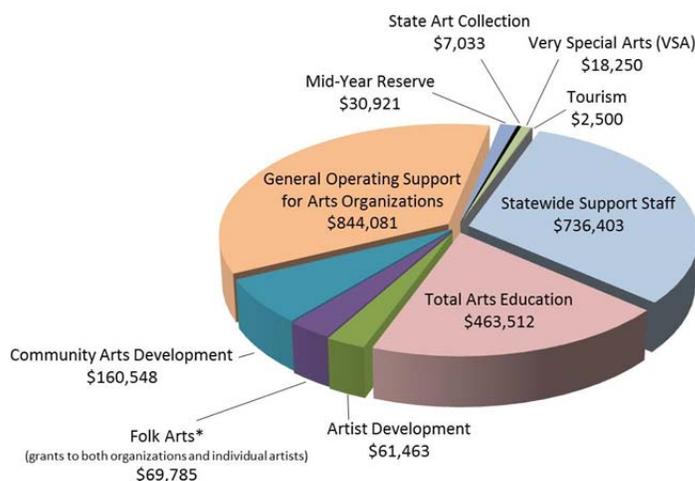
In FY 11-12, total state appropriations to SCAC were \$1,937,598. SCAC spent \$1,910,027 in FY 11-12 and carried forward a balance of \$27,571 in state funds to FY 12-13. Of the total funds appropriated to SCAC in FY 11-12, the agency reports \$1,335,034 (68.9%) were spent on direct grants. Direct grants are awarded to school districts, counties, municipalities, and other state agencies to fund specific programs. Funding is also awarded to support arts organizations and individual artists.

In FY 11-12, SCAC did not meet the requirements of proviso 30.4 by \$21,285 (1.1%). The agency attributes this shortfall to the cancellation of some awarded grants and reductions in final payments of others. These funds were not paid out either because the planned activities did not occur or expenditures on funded projects were less than projected. SCAC states that the remaining funds of \$27,571 carried forward to FY 12-13 will be spent on grants in that fiscal year.

In addition to the expenditures for FY 11-12 shown below, we also reviewed the agency budget for FY 12-13 and found that SCAC combines all of its funding sources (federal, state, and other) to determine the agency budget. SCAC has budgeted \$585,890 (17.54%) of the agency’s total funds for central administrative costs. The remainder of \$2,754,864 (82.46%) is allocated for statewide arts services. As previously mentioned, some of these budgeted expenditures include funding for statewide programs, which includes \$780,443 in staff costs for employees who oversee such services.

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**Chart 2.3: Statewide Arts Services Expenditures, FY 11-12**



Source: SCAC

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## Proven Research Strategies

Proviso 30.4 also requires that appropriated state funds be spent on programs with proven research strategies. The grants awarded by the Arts Commission are generally for arts education, organizations, and individual artists or projects. We reviewed the research about these types of grants and found:

- Research studies have found that arts education contributes to student achievement and success in areas with academic, basic, and comprehensive benefits. SCAC spent \$463,337 on educational grants in FY 11-12.
- One research study found that general operating support was necessary for organizational and mission effectiveness. SCAC awarded \$1,011,340 in grants to organizations in FY 11-12.
- One research study found that grants to individual artists provided artistic freedom and validation of their work. SCAC awarded \$56,621 to individuals in FY 11-12.

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## Recommendation

1. The South Carolina Arts Commission should spend 70% of appropriated state funds on grants as required by proviso 30.4.

## Transparency and Accountability of Program Expenses

We were asked to review the program accounting and record keeping processes in comparison to public sector best practices – with special attention to the transparency and accountability of program expenses. We found that the agency uses the accounting and record keeping programs used by state government. The commission also receives regular reports of the agency’s financial position. The agency reports its compliance with proviso 30.4 but could provide more explanation of the source of funds for its expenses. Beginning in FY 11-12, SCAC paid about 70% of its administrative expenses with federal funds.

The Arts Commission uses the state accounting system, the South Carolina Enterprise Information System (SCEIS), for its financial transactions. Its financial information is reported on the Comptroller General’s fiscal transparency website, and links to this site are included on the Arts Commission’s website. The agency also includes limited budget information on its website as well as summary financial information in the agency accountability report. The agency was reviewed by the State Auditor annually from 1997 through 2007 and in 2011 which had no major findings. The commission receives reports on the agency’s financial position before each quarterly meeting.

In response to proviso 30.4, the agency pays for most administrative expenses with federal funds rather than state funds. As part of the budgeting process, expenses are budgeted based on the source of funds. According to agency management, this is to ensure that the agency complies with the proviso as well as with the requirements of federal and grants funding. Table 2.4 shows the expenses for administration and statewide arts services by source of funds for FY 10-11 and FY 11-12 as well as the amounts budgeted for FY 12-13.

**Table 2.4: SCAC Expenses by Source of Funds, FY 10-11 – FY 12-13**

	FY 10-11			FY 11-12			FY 12-13 (BUDGETED)		
	STATE	FEDERAL	OTHER	STATE	FEDERAL	OTHER	STATE	FEDERAL	OTHER
Administration	\$719,042	\$0	\$25	\$179,400	\$508,844	\$988	\$173,195	\$404,872	\$7,823
Statewide Arts Services	1,335,080	1,027,262	134,470	1,757,792	496,180	140,526	1,813,875	774,660	166,329
<b>TOTAL</b>	<b>\$2,054,122</b>	<b>\$1,027,262</b>	<b>\$134,495</b>	<b>\$1,937,192</b>	<b>\$1,005,024</b>	<b>\$141,514</b>	<b>\$1,987,070</b>	<b>\$1,179,532</b>	<b>\$174,152</b>

Source: SCAC

Salaries, fringes, and the building lease were the largest expenses for administration of which state funds paid 100% in FY 10-11 and state funds paid for 28% for FY 11-12. Salaries and fringes were also paid for as part of statewide arts services and accounted for about 30% of the expenses, of which federal funds paid for 9% in FY 10-11 and 51% for FY 11-12. According to agency management, one of the challenges facing the agency is allocating expenses to ensure compliance with proviso 30.4 and federal and grant funding requirements. In order to be more

transparent and accountable for these program expenses, the agency should publish detailed financial information by source of funds to show compliance with these requirements.

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## Recommendation

2. The S.C. Arts Commission should publish detailed financial information by the source of funds to assure the public of compliance with funding requirements.

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## Performance Measures

We were requested to determine whether the Arts Commission has meaningful measures to effectively evaluate program performance. We found that the agency needs to correlate its measures with its statutory mission to communicate more clearly its performance. The agency should also audit a sample of grant recipients to ensure compliance with grant requirements.

S.C. Code §60-15-10 states that the policy of the state is to:

- Join with private patrons and with institutions and professional organizations concerned with the arts.
- Ensure that the role of the arts continues to grow and play an ever more significant part in the welfare and educational experience of our citizens.
- Direct all activities towards encouraging and assisting rather than limiting the freedom of artistic expression.

The S.C. Arts Commission was established to carry out this policy. The duties of the commission are set forth by S.C. Code §60-15-60, and include:

- Stimulating and encouraging throughout the state the study and presentation of the performing and fine arts and public interest and participation.
- Studying public and private institutions engaged within the state in artistic and cultural activities.
- Recommending appropriate methods to encourage participation in and appreciation of the arts to meet the legitimate needs and aspirations of persons in all parts of the state.
- Encouraging public interest in the cultural heritage of the state and to expand the state's cultural resources.

To help achieve its mission, the Arts Commission has developed an annual strategic plan, as well as a ten-year, long-range plan. The ten-year plan includes five outcomes and the strategic plan addresses progress on those outcomes. These outcomes are:

- South Carolina citizens and visitors benefit from diverse opportunities for relevant, rewarding arts experiences in communities throughout the state.
- South Carolina's professional artists are able to produce exceptional art and build satisfying, sustainable careers in our state.
- Students receive a comprehensive education in the arts that develops their creativity, problem solving and collaborative skills, and prepares them for a lifetime of engagement with the arts and productive citizenships.
- South Carolina arts organizations and other arts providers have the capacity and necessary resources to deliver relevant, high quality arts experiences to citizens and visitors.
- There is broad recognition within the state and beyond its borders of the value of and unique contribution made by the arts in South Carolina.

The agency's FY 11-12 accountability report has measures of mission accomplishment which include levels of customer satisfaction, public opinion regarding the arts, reach of programs into communities, return on investment of programs, and success of outreach/communications activities.

In order for performance measures to be meaningful, they should be clearly stated in relation to the statutes and citizen expectations and have specific measures of progress. Using the goals and duties of the agency, as set out in statute, and the performance measures developed by the commission, we identified the following measures.

### **Participation in the Arts**

The University of South Carolina conducts a biannual survey, the SC State Survey, which allows state agencies to include questions to collect survey information. The SCAC last contracted to be part of this study in 2009 to measure public participation in the arts. The study found that about two-thirds of survey respondents had participated in some type of arts activity in the past year. This was about the same as in 2007. The survey also found that 44% of South Carolinians contributed to the arts with time, money, or both, which was an increase from 38% in 2007. The Arts Commission also measures the number of counties and schools which had grant recipients and schools which receive grant funding through the Arts in Basic Curriculum program.

### **Working with and Studying Private and Public Arts Organizations**

The Arts Commission provides grant funding to schools, school districts, counties, municipalities, and private organizations. It also provides staff assistance to arts organizations

and partners with others for programs. The agency has studied arts organizations through the grant process and the long-range planning process.

### **Encouraging and Assisting Artistic Expression**

The Arts Commission provides funding for artists through its Artists' Ventures Initiative and Artist Fellowships. In FY 11-12, 4 awards of \$5,000 each were made to individuals through the Artists' Ventures Initiative and 4 Artist Fellowships of \$5,000 each were awarded. The agency also funded general operating support totaling \$774,810 in FY 11-12 for 119 entities which provided opportunities for artists (see Grants).

### **Cultural Heritage and Resources**

The Arts Commission awarded 7 grants totaling \$80,800 in its Folklife and Traditional Arts program. For example, a grant of \$5,500 was awarded to the Catawba Cultural Preservation Project which has a crafts store with hand-crafted Catawba pottery. It is also conducting a survey of folk artists in the state.

While the agency has meaningful measures, in order to more clearly measure how its activities relate to its statutory mission, the Arts Commission should relate its outcomes and measures to the specific statute. The measures should include outputs, as well as outcomes, such as number of projects funded, number of counties served, etc. By quantifying measures, the agency can more clearly communicate its performance.

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## **Recommendation**

3. The S.C. Arts Commission should correlate its performance measures with its statutory mission and duties. These measures should include outcomes as well as quantifiable outputs.

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### **Performance Measures in Grants**

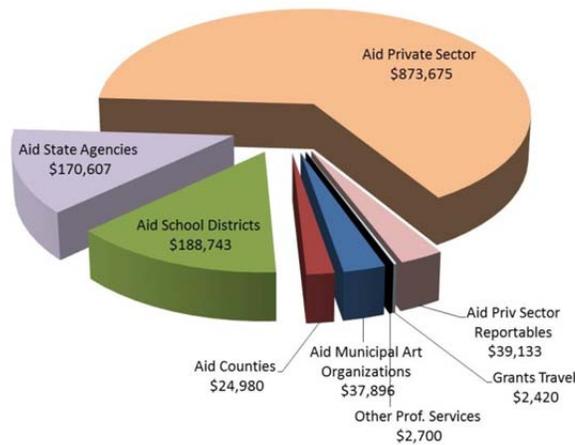
The S.C. Arts Commission awards grants for education, organizational support, and some artist initiatives. In FY 11-12, the S.C. Arts Commission awarded a total of \$1,531,298 in grants from all funding sources.

- Educational grants are made to individual schools, but they must have a five-year strategic plan. Grants are approved for a three-year cycle, but awarded annually. Each recipient must file an annual report with SCAC. These reports must show specific progress towards achieving the five-year strategic plan and how the grant is being used to implement the

strategic plan along with evidence of parent and staff support, financials, and how many students were impacted by the grant. All Arts in Basic Curriculum (ABC) grants are managed by SCAC, in coordination with the ABC office at Winthrop University and the State Department of Education. Outside of the ABC sites, the commission also makes grants to school districts or to individual schools.

- For general operating support grants, community arts organizations must be in existence for at least one full year and submit both a business plan and a prospectus along with the grant application. Reporting requirements include number of participants, financials, and evidence of activities.
- Quarterly grants and teacher standards implementation grants are small grant awards. Quarterly grants are small project grants for artists and community organizations that provide local arts opportunities. Teacher standards implementation grants are designed to provide support for teachers who need training, resources, supplies, or equipment to assist with meeting state education standards in the arts. These grantees provide detailed lesson plans, project costs, principal or district support in the initial application along with reconciliations in their final report.

**Chart 2.5: Breakdown of State Grant Expenditures**



Source: SCAC

According to agency officials, due diligence is completed at the beginning of the grant process to ensure compliance with grant requirements. The agency works with applicants to assist them with the grant process. The grants are reviewed and rated by independent peer panels created for the different types of programs of SCAC. All awards are reimbursements for activities already completed. The agency can impose a 15% late reporting penalty and a grant recipient cannot receive final funds until appropriate reports are filed.

Performance measures for grants depend on each grant and are based on the grant application. Reporting at the end of the grant is required to ensure that the grantee met the requirements of the grant. Each recipient must file a report with the agency regarding the use of funds, such as a teacher requesting supplies for an art class or a small town requesting funding for an arts festival. For project-based grants, the recipient must also include evidence of the success of the venture, such as timelines and accomplishments in preparing a book for publication. For operating support grants, the organization must also include copies of financial information, as well as a report of organizational activities for the grant period.

SCAC collects data and anecdotal reporting from recipients. The S.C. Arts Commission requires attendance statistics for all their grantees. This data is also used to measure SCAC's impact on arts participation and to obtain demographic information on consumers. Recipients are required to keep records for three years after completion of the grant. Grantees are also required to use a generally accepted accounting system and to clearly separate all grant funds from other revenues, as well as retaining all grant-supported source documentation.

Recipients of total federal grant dollars, including any money granted through SCAC awarding of National Endowment for the Arts' funding of amounts greater than \$500,000, are required to submit independently-audited financial information as part of their grant reporting process. Currently, no organization in South Carolina is receiving federal grant dollars above this amount through SCAC.

SCAC notifies all grant recipients that they could be chosen at random for an audit of financial information concerning their grants and that they should maintain appropriate records. SCAC used to conduct audits of a randomized sample of grants before the agency had significant budget cuts. Currently, the agency puts recipients on notice, but no reviews are being completed. However, without this independent review, the agency is relying solely on the reported expenses of the grant recipient. Re-establishing this practice would add to the quality control of the granting process of the agency.

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## **Recommendation**

4. The S.C. Arts Commission should reinstate the practice of auditing a sample of grant recipients to ensure compliance with agency requirements.

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## Staffing at SCAC

We were asked to review current staffing levels at the S.C. Arts Commission and to compare those levels with industry standards. We found that the agency, as of April 23, 2013, had 14 full-time employees and 3 part-time employees. The national median among independent state arts agencies is 14 full-time employees and 1 part-time employee. Most of the agency staff work in functions to provide statewide services to arts organizations, arts educators and individual artists throughout South Carolina.

While there is cross-over of duties, staff functions at SCAC are generally in one of three main categories: administrative, grant support, and statewide services. There are three full-time and two part-time employees at the agency who work in purely administrative roles. The administrative staff are responsible for management, human resources, information technology, procurement, and financial functions. Management also works to create partnerships with organizations and other state agencies to further the arts in the state. Grant support services are provided by three employees at the agency. Grant staff members oversee grant applications, peer review panels, awards, compliance by grant recipients, and approve payments to grantees based on expenses and final reports. Grant staff also serve as county coordinators for statewide services.

Nine of the agency staff, one of whom is a part-time employee, act as coordinators to provide statewide services to artists, arts organizations, and arts educators around the state. This is the most labor-intensive part of the agency. SCAC has staff members who serve as county coordinators and expert consultants for different arts disciplines. In recent months, these coordinators have worked on projects such as: helping several local organizations create RFPs for arts-related needs, coordinating the arts and folklife aspects of the Gullah/Geetchie Corridor, working with the Riley Institute to incorporate a cultural component for its One South Carolina program, leadership development in rural areas, and coordinating with economic developers to facilitate projects, maintaining and touring the state art collection, hosting a weekend training session for artists which included building small business skills, and consulting with K-12 administrators and teachers in areas of planning, implementing, and seeking support for arts education activities.

SCAC service coordinators use their expertise in arts administration to help build local arts groups or provide training opportunities and to manage programs for the agency. From the county coordinators we interviewed, we found that more contacts were made with non-grantees than grantees in county services. Two staff members averaged five to one non-grantee to grantee contacts and one averaged two to one. However, these coordinators also work with grant recipients on non-grant matters.

Agency grants are investing dollars into the arts in South Carolina; service coordinators are investing their time and expertise in each county of the state. While grantees are required to give SCAC credit in their electronic and print publications, the recipients of statewide services are not. Recipients of significant agency time and resources, through the use of these expert consultation services, should also give credit to SCAC.

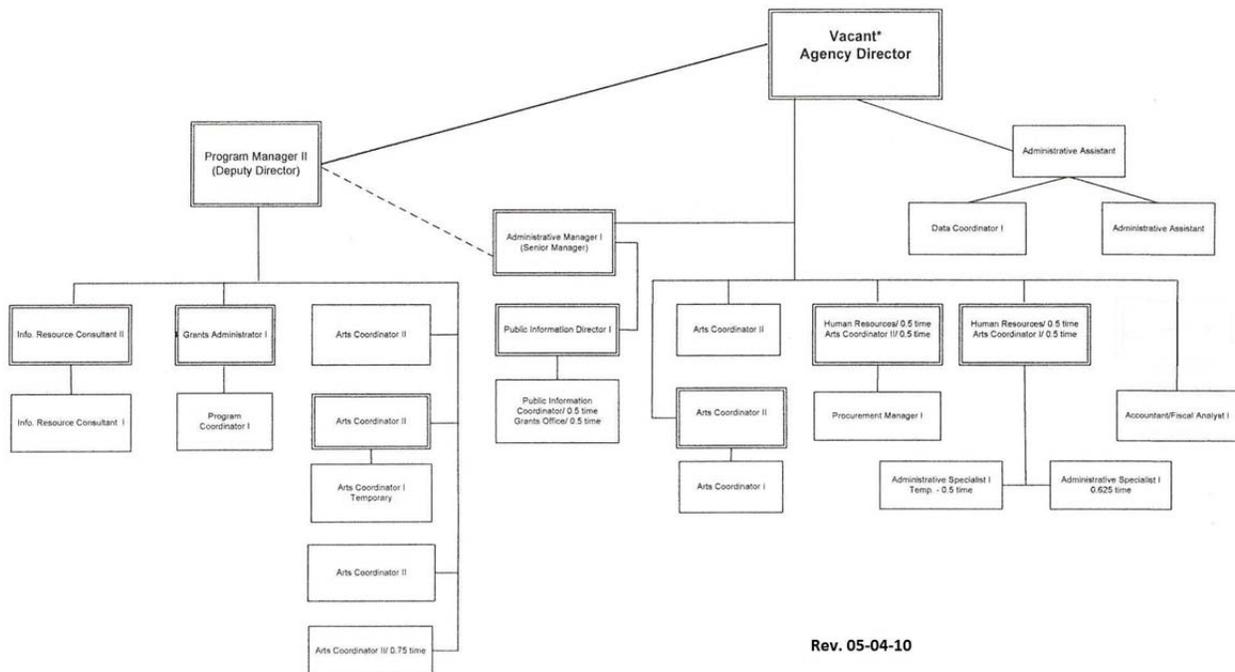
## Recommendation

- The S.C. Arts Commission should request beneficiaries of significant county coordinator or arts discipline expertise give credit to the agency as required of grantees.

## Staffing Changes

Due to budget cuts to the agency, SCAC has seen significant reductions in staff from FY 09-10 to FY 12-13. As of May 04, 2010, SCAC had 22 full-time employees and 3 part-time employees. Staffing for the agency as of April 23, 2013, was 14 full-time employees and 3 part-time employees, a reduction of 36% in three years. The organizational charts from 2010 and 2013 below illustrate the staffing changes at SCAC.

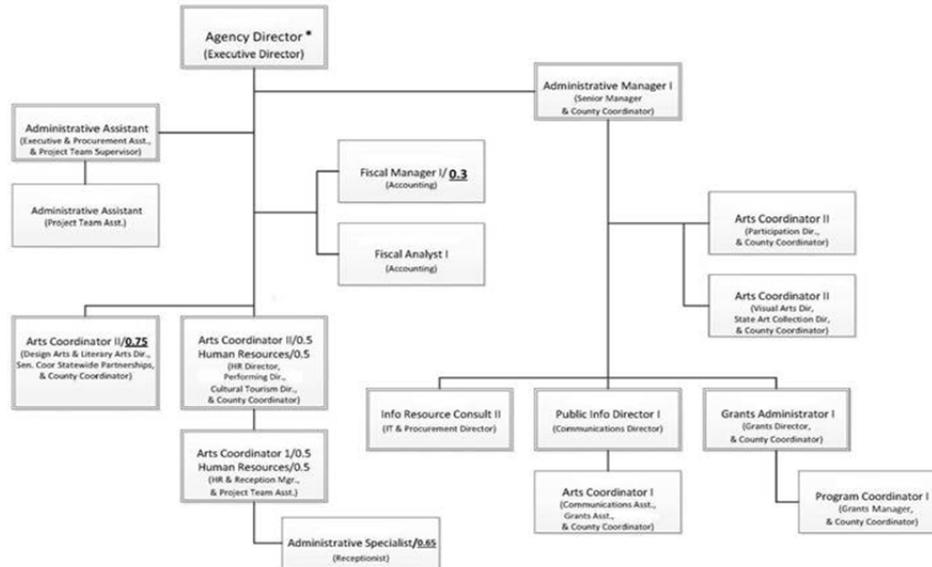
**Chart 2.6: 2010 Organizational Chart as of May 4, 2010**



Rev. 05-04-10

\* Exempt from Employee Grievance Procedure Act.  
Source: SCAC

**Chart 2.7: 2013 Organizational Chart as of April 23, 2013**



\* Exempt from Employee Grievance Procedure Act.  
Source: SCAC

Significant reductions of staff have occurred in the arts and program coordinator positions decreasing from 9.75 to 6. Data coordinators and public information staff have decreased from 4.5 to 2 positions. One of those positions also handles procurement for the agency. Staff who previously served as experts in different arts disciplines now also act as county service coordinators. In addition, the grants administrator and the senior manager serve as coordinators for a number of counties in addition to their in-house administrative duties. The commission has ended several programs due to cuts in both agency budget and staff. An example is ‘Design Arts’ which was a program that partnered SCAC with Clemson Public Service Authority and worked with the Mayor’s Institute to assist municipalities with downtown development and community design. According to agency management, funding was also cut by Clemson Public Service Authority and SCAC could no longer continue the program.

Agency management also cited the Cultural Tourism project as an example of another program that ended. This program partnered SCAC with PRT to promote and create projects to attract tourists to venues around the state. The annual S.C. Jazz Festival in Cheraw which brings around 5,000 visitors to an area with about 6,000 in population is an example of one of the projects that came out of this program.

We compared SCAC to other states for staffing levels and found that, among southern states, the median staff size is 14 full-time employees. The national median is ten FTEs. Nationwide, the National Assembly of State Arts Agencies (NASAA) notes that there are 21 states (including South Carolina) with stand-alone arts agencies that are independent and report directly to the governor which is the most frequent type of placement for state arts agencies. Other states place the agency within economic development offices, cultural resource departments, directly in the governor's office, or other departments.

Among independent arts agencies, the full-time staff median is 14 full-time employees and 1 part-time employee. Among southern states, in the South Arts regional association, which have independent arts agencies, South Carolina ranks just above Mississippi, which has 14 FTEs but no part-time positions. The highest number of staff is in Tennessee with 19. Even among the stand-alone arts agencies, there are other distinctions. Some agencies only focus on grants while others, like South Carolina, provide services or other programs. Mississippi, Nebraska, and Rhode Island have legislative appropriations similar to South Carolina, but with smaller staffing levels. These states also have smaller populations. Alabama, Minnesota, and Oklahoma have population levels similar to South Carolina and 17, 19, and 15 full-time employees, respectively. Each of those agencies has larger state appropriations than SCAC, ranging from \$3,384,496 for Alabama to \$30,820,000 for Minnesota.

Each state arts agency must maintain a separate board and funding to qualify for grants from the National Endowment for the Arts (NEA). South Carolina received competitive funding from the NEA, in addition to state formula funding, in areas of arts education and support for underserved communities in the state due to the agency's strong arts in education programming and work in community development and planning to support and facilitate local arts leadership.

**Table 2.8: FY 12-13 State Arts Agency Staffing**

	STATE ARTS AGENCY			STATE POPULATION
	FULL-TIME STAFF	PART-TIME STAFF	TOTAL LEGISLATIVE APPROPRIATION	
NATIONAL MEDIAN	10	0	\$2,640,352	4,380,415
INDEPENDENT AGENCY COHORT	14	1	\$2,843,272	6,456,243
<b>SOUTH CAROLINA</b>	<b>14</b>	<b>3</b>	<b>\$1,959,499</b>	<b>4,723,723</b>
Alabama	17	0	\$3,384,496	4,822,023
Arizona	13	1	\$0	6,553,255
California	17	2	\$4,249,000	38,041,430
Illinois	16	3	\$8,151,900	12,875,255
Indiana	10	1	\$2,640,352	6,537,334
Maine	9	1	\$669,978	1,329,192
Massachusetts	25	1	\$9,527,624	6,646,144
Minnesota	19	0	\$30,820,000	5,379,139
Mississippi	14	0	\$1,661,976	2,984,926
Montana	6	2	\$448,088	1,005,141
Nebraska	10	0	\$1,376,336	1,855,525
New York	28	0	\$39,974,000	19,570,261
North Dakota	5	0	\$681,801	699,628
Ohio	16	0	\$9,605,704	11,544,225
Oklahoma	15	1	\$4,010,087	3,814,820
Rhode Island	6	0	\$2,424,806	1,050,292
<b>SOUTH CAROLINA</b>	<b>14</b>	<b>3</b>	<b>\$1,959,499</b>	<b>4,723,723</b>
Tennessee	19	0	\$8,815,400	6,456,243
Texas	12	0	\$2,843,272	26,059,203
Virginia	4	2	\$3,794,813	8,185,867
Washington	11	4	\$1,086,000	6,897,012

- Full-time staff figures reflect the number of individuals (not FTEs) employed by the agency for more than 35 hours per week.
- Part-time staff figures reflect the number of individuals employed by the agency for less than 35 hours per week.
- Wisconsin did not participate in this survey, hence its data is not included in any cohort medians.
- Arizona receives no appropriation, but is funded through a separate business filing fee mechanism which totaled over \$2.2 million in FY 2013.
- Virginia is the Mid-America Arts Alliance, not South Arts.

Source: National Assembly of State Arts Agencies, April 2013.

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## Grants

We were asked to assess the use and distribution of grant funds and to determine whether current practices are effective. We found that the S.C. Arts Commission grants funds for organizational support of local arts organizations, arts in education programs, and a much smaller amount to fund projects for artists and that they were effectively distributed among the counties in a variety of programs. We also found that while grant recipients gave credit to the S.C. Arts Commission for support on printed materials and documented the same in grant reports, not all recipients noted state support on their organizational websites.

We recommend that the agency require grantees, where appropriate, to provide a direct return to the people of South Carolina on grant funds and to document their public outreach in their final grant report. Crowd funding Internet sites, are a collective approach to raising revenue to fund projects. We found that the agency could take advantage of these crowd-funding platforms by highlighting South Carolina artists seeking to fund projects on those sites on its own network of electronic media sites.

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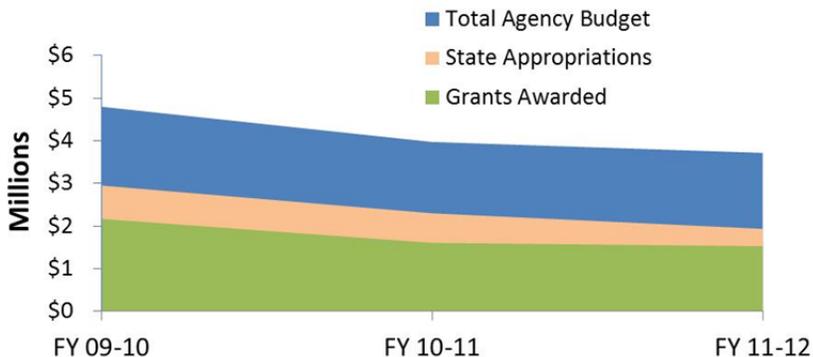
### Grants at SCAC

From FY 09-10 to FY 11-12, the agency budget has been reduced from \$4,802,218 to \$3,719,592, or 22.54%. State appropriations accounted for the biggest decrease from \$2,953,985 to \$1,937,598, or 34.41%. During this period, grants awarded by the agency have decreased by \$640,929, or 29.51%. In FY 09-10, 16.8% of the agency budget, or \$811,500, was provided by American Recovery and Reinvestment Act funding (\$311,500 in federal funds and \$500,000 in state funds). That funding was not available in FY 11-12. The remainder of the agency budget decreased by 16.79%.

The S.C. Arts Commission has many different types of grant programs to promote art and arts organizations in the state. Agency staff assists prospective grantees during the application process to review proposals and determine eligibility requirements as well as assisting with the application. Applications are reviewed and scored by independent panels. Most panels are composed of outside experts in the field of the grant type. A few of the smaller grants are reviewed by panels comprised of SCAC employees. In order to maintain independence, panelists are not employees who worked with the grantees during the application process.

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**Chart 2.9: Three-Year Grant and Budget Trends**



Source: SCAC

Most of these grant programs are one of three basic types:

- Arts-in-Education awards to schools and/or school districts.
- Organizational Support awards to local arts organizations.
- Awards to individual artists.

The majority of grant funding is for organizational support. In FY 11-12, these awards totaled \$1,011,340 or 66.04% of all agency grants. Arts in Education awards are the second largest type of grant awards and, in FY 11-12, these totaled \$463,337 or 30.26% of the grants awarded by SCAC. The smallest awards given by SCAC are to individual artists, which comprised \$56,621 or 3.70% of the agency grants for FY 11-12. Of that amount, \$20,000 were fellowships. These are awarded to recognize and reward the artistic achievement of South Carolina’s exceptional individual artists and not to fund specific projects.

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## Matching Requirements

The S.C. Arts Commission has a matching requirement for almost all of its grant programs. This requires the grantee to be invested in the project or organization. The recipient must match the amount of the award or higher, depending on the type of grant. For general operating support grants, the required match is three to one (grantee to SCAC). The S.C. Arts Commission also awards subgrants to local arts groups that have been designated as a subgrant site.

These grants have a one to one match (grantee to SCAC). However, the subgrant site then awards these grants at the local level to final recipients which must also match the amount of the grant. This results in three dollars leveraged by local support for each dollar granted by the commission.

**Table 2.10: SCAC Leveraged Match Dollars**

	<b>TOTAL AGENCY BUDGET</b>	<b>GRANTS AWARDED</b>	<b>REQUIRED MATCH</b>	<b>TOTAL ARTS FUNDING</b>
FY 09-10	\$4,802,218	\$2,172,227	\$3,793,188	\$10,767,633
FY 10-11	3,975,097	1,609,340	3,396,899	8,981,336
FY 11-12	3,719,592	1,531,298	2,988,141	8,239,031
<b>TOTAL</b>	<b>\$12,496,907</b>	<b>\$5,312,865</b>	<b>\$10,178,228</b>	<b>\$27,988,000</b>

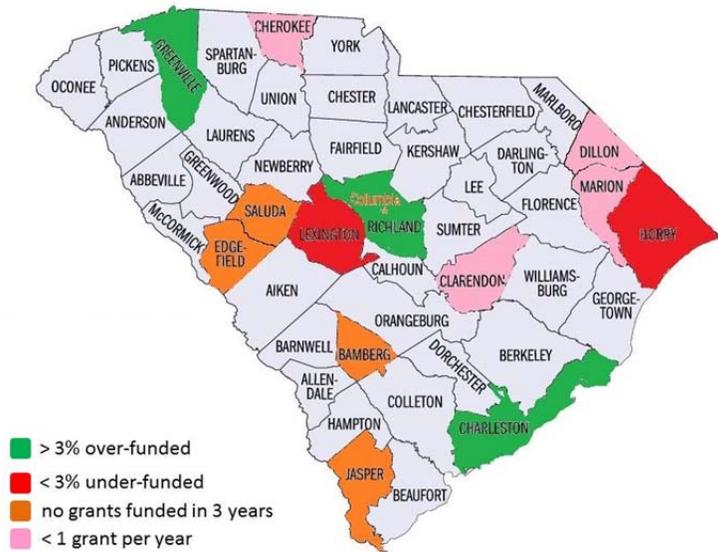
Grant funds come from state appropriations, federal awards, and outside grant sources to SCAC.

Source: SCAC

## Grant Disbursement Across South Carolina

We reviewed the distribution among South Carolina counties for grant awards from FY 09-10 to FY 11-12. We calculated each county’s average grant funding as a percentage of total SCAC grants for the three-year period. We then compared that percentage to the county’s percent of total state population. We found that SCAC awarded grants to most counties within three percent of this per capita computation. A few counties received little or no funding during the three years reviewed. From FY 09-10 to FY 11-12, Bamberg, Edgefield, Jasper, and Saluda counties had no grant recipients. Counties whose grant recipients averaged less than one grant per year were Cherokee, Clarendon, Dillon, and Marion. Agency management cited a lack of arts organization infrastructure in more rural counties as a challenge to awarding grants in those areas. Also, agency management noted that a lack of grant awards in a county does not mean a lack of SCAC presence. All arts organizations, educators, and artists across the state can receive support from SCAC via its statewide services (see Staffing at SCAC). Some county arts organizations work together to create joint or regional projects. The grant award would be listed in one county, for tracking purposes, but cover projects or support in others. Two counties, Horry and Lexington, were over three percent under-funded based on per capita averages at 3.47% and 4.87% respectively. Three counties, Charleston, Greenville, and Richland, averaged over three-percent over-funded at 7.77%, 3.35%, and 8.41%, respectively. SCAC management explained that in some counties there is infrastructure for the arts. People from neighboring counties then travel to those larger venues or support organizations in those larger counties. Examples cited were that people traveled from Laurens to Greenville or from Lexington County to venues in Columbia (Richland County) or from Summerville (Dorchester County) and Goose Creek/Moncks Corner (Berkeley County) to sites in Charleston County.

**Chart 2.11: Three-Year Grant Dispersion Among SC Counties**



Sources: SCAC, <http://quickfacts.census.gov>

## SCAC and Other States

We also compared the S.C. Arts Commission to other state arts agencies. For FY 12-13, we found that South Carolina appropriates less than the national average to the S.C. Arts Commission. The national average legislative appropriation was \$0.96 per capita with an average appropriation of \$4,886,324. The S.C. Arts Commission received \$0.41 per capita and an appropriation of \$1,959,499 from the state. However, funding from the National Endowment for the Arts (NEA) averages \$751,987 per state and South Carolina received \$787,900 in FY 12-13.

South Carolina made fewer grants for larger amounts and averaged higher grantee matches than other states. For FY 10-11, national averages were approximately \$0.71 per capita awarded in grants. South Carolina awarded \$0.34 per capita during this fiscal year. However, the median grant award for SCAC was \$5,000 and the national median award was \$3,200.

The total median grantee match for arts agencies with similar state populations (3-6 million), which includes entire arts organization budgets, was \$81,868,112. In South Carolina, this was reported at \$88,123,085. South Carolina awarded a total of 260 grants during this fiscal year.

For FY 10-11, the national median was 325 and the median number of awards in the southern region was 295.

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## Grant Management at SCAC

Agency management stressed the importance of supporting all of the arts in South Carolina as part of its legislative mission. To do this, SCAC awards grants to large and small arts organizations, school art programs around the state, and artists from a variety of disciplines. Grants are funded as reimbursements. With the final report of the grantee, a spending record or financial statement must be included to have SCAC fund the grant.

We also reviewed a sample of grant files at the agency for FY 10-11 and FY 11-12. In all of the awarded and funded files reviewed, we found the reporting requirements had been met by the grant recipients. In addition to keeping files for each grantee application, SCAC also keeps a database of grant applicants which includes the history of each grant application or award. All grant recipients are required to give SCAC credit for funding projects or events and to place the SCAC logo on playbills, brochures, or other advertising media in both electronic and print publications. In files reviewed, all grantees provided printed material giving credit to SCAC. However, in a sample review of websites of arts organizations which were grant recipients, we found several did not give credit for funding to SCAC. The agency should require that grant recipients give credit to SCAC for funding on their websites or social media outlets as well as traditional print media.

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## Recommendation

6. The S.C. Arts Commission should enforce its requirements that grant recipients give credit for funding on electronic publications and amend its grant contract to include grantee websites, as well as social media sites.

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## Grants as Investments in the Arts in South Carolina

In April 2011, SCAC published an economic impact study conducted by Dr. Douglas P. Woodward of the Darla Moore School of Business at the University of South Carolina. This study concluded that creative enterprises in South Carolina generate a core impact of \$9.2 billion and a full impact (including the value of goods and services related to the core creative cluster related-employment) of \$13.3 billion dollars.

Agency management sees the state appropriation to SCAC and its granting functions as supporting these creative industries within the state. Those industries then create a return on that investment by creating this impact on the state's economy. However, a grant is basically a gift made to an eligible recipient who meets certain requirements, such as matching funds. An investment, on the other hand, implies a hope of future return on current spending. With SCAC, the stakeholders are not only the agency, but also the citizens of South Carolina.

Many of the agency's grant recipients are public schools or museums that offer continual free public admission, or at least on certain dates. Other grantees offer education outreach programs to schools, or are local arts councils working for community organizations. However, there are other grantees that offer no free public access to events or art. Most grants to individual artists are project-based, with the goal of helping the artist to finish a specific goal. Since the agency is granting public funds to support art in South Carolina, there should, if possible, be a direct return on this investment to the people of the state. Asking grantees to provide and also document their gifts back to the state as part of the requirements of receiving state dollars to fund their projects or organizations seems reasonable. Individual artists could donate works to the state art collection. Performance arts organizations could offer video of presentations for post-production broadcast on the SCAC website or to school art programs.

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## Recommendations

7. The S.C. Arts Commission should require grant recipients, where appropriate, to provide a direct return to the people of South Carolina.
8. The S.C. Arts Commission should require that grant recipients document public outreach activities in their final reports to the agency.

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## Private Support for the Arts

The majority of grants awarded by SCAC are for operating support. Private funding tends to be local and more project-based. Also, statewide art agencies fund rural regions or areas of the state that are not served by private foundations. Most public arts agencies, including SCAC, select their grantees through a rigorous peer-panel review process. Awards from these types of grants can legitimize an organization and create avenues of additional funding from private sources. According to one source, many private sources of grants require public funding as a requirement. Several of the interested parties that responded to our audit commended SCAC on the networking abilities of the agency.

One way to draw local support for small art projects has been developed over the Internet through the use of crowd funding. There are several Internet sites which host project requests for arts projects. Artists will post their project idea along with funding level incentives to potential donors. These incentives work as a return on the investment to the grantor. Projects have a specific period to be funded. Host sites typically charge a percentage fee for funded projects. The Arts & Science Council-Charlotte/Mecklenburg, Inc. (ASC) has created its own crowd funding site called power2give. It offers its platform to other states which allows it to showcase projects in those states. According to SCAC management, there is a buy-in cost and other fees. Compliance with proviso 30.4 requires the agency to be mindful of adding additional administrative costs.

In the crowd funding sites that we reviewed, all had the ability to search projects by state if the requester had placed a location in the project description. Without buying into a particular crowd funding Internet platform, SCAC could monitor these sites for projects by S.C. artists. Staff members could then offer to that artist the option of connecting with the SCAC electronic network of website, social media outlets, and e-blast publications. However, this does add an administrative cost in staff time to the agency. The agency's large electronic audience could make the difference in funding many of these projects. Artists with successfully-funded projects should, in the same way as grantees, give credit to the agency in electronic and print media.

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## Recommendation

9. The S.C. Arts Commission should have agency staff offer artists who are seeking to fund projects through crowd funding sites access to agency electronic resources to reach a larger potential funding audience and require these artists to give the agency credit for successfully funding projects in electronic and print media.

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# Agency Comments

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## **South Carolina Arts Commission Response to the Legislative Audit Council's Review of the S.C. Arts Commission June 2013**

The South Carolina Arts Commission, its commissioners and staff, have reviewed the Legislative Audit Council's report and recommendations for the agency resulting from the LAC's review. The Arts Commission welcomes the examination, the recommendations, and the opportunity to respond.

We are gratified that the Audit Council's report contains statements and data that support the agency's strong history of service to the state through its programs that help to create and maintain an environment where the arts can thrive in South Carolina.

- During the period FY 09-10 to FY 12-13, total administrative expenses for the agency have remained under 20%. (Page 4)
- In compliance with proviso 30.4, programs of the SCAC are grounded in proven research-based strategies. (Page 6)
- The agency has meaningful measures by which to evaluate its programs. (Page 10)
- The staffing level at the Arts Commission is consistent with other state arts agencies regionally and nationally. (Page 13)
- South Carolina receives competitive and formula funding from the National Endowment for the Arts due to the Arts Commission's strong arts in education programming and work in community development and planning. (Page 16)

Where the LAC has identified deficiencies and recommendations for improvement, the SCAC will take immediate actions to make corrections and implement appropriate changes. Some of those corrective actions have already been implemented, including:

- Adjustments to budgeting practices to avoid inadvertent non-compliance with proviso 30.4
- Financial statements detailed by source of funds
- Reinstitution of random audits of grant recipients

For the remaining findings and recommendations, the Arts Commission will incorporate action steps into its strategic plan for achieving the desired outcomes. Specific responses for each recommendation are listed individually below.

### **Responses to recommendations**

1. The South Carolina Arts Commission should spend 70% of appropriated state funds on grants as required by proviso 30.4.

#### **Response**

In FY 11-12, the first year of operation under this proviso, the Arts Commission made a good faith effort to comply with the new requirement, awarding more than \$1.5 million in grants (from all sources of funds)—more than 70% of state appropriation. However, actual expenditures of state funds for grants fell short of 70% by \$21,285 (1.1%), because

some grantees did not spend their entire awards. This problem could only be recognized when grantees reported their expenses at the end of the fiscal year, too late for the agency to adjust awards and redistribute funds.

For the current year we have allocated substantially more than 70% of appropriated state funds to grant awards to compensate for potential under-expenditures.

2. The S.C. Arts Commission should publish detailed financial information by the source of funds to assure the public of compliance with funding requirements.

**Response**

The agency already has revised its annual and quarterly financial reports to provide details of expenditures by source of funds. A summary of the agency's expenditures by source of funds is currently published in the agency's annual accountability report required of all state agencies and available to the public at <http://www.scstatehouse.gov/reports/aar2012/H91.pdf>. There is also a link to this report on the agency website.

3. The S.C. Arts Commission should correlate its performance measures with its statutory mission and duties. These measures should include outcomes as well as quantifiable outputs.

**Response**

The agency will add sections to its annual accountability report that correlate performances measures with its statutory mission and activities.

4. The S.C. Arts Commission should reinstate the practice of auditing a sample of grant recipients to ensure compliance with agency requirements.

**Response**

This year the Arts Commission has reinstated its practice of randomized monitoring of reported grant expenditures.

5. The S.C. Arts Commission should request beneficiaries of significant county coordinator or arts discipline expertise give credit to the agency as required of grantees.

**Response**

The agency will ask beneficiaries of significant county coordinator or arts discipline expertise to give credit to the agency.

6. The S.C. Arts Commission should enforce its requirements that grant recipients give credit for funding on electronic publications and amend its grant contract to include grantee websites, as well as social media sites.

**Response**

The agency will re-emphasize to grantees the importance of meeting the requirement of giving funding credit in all communications, including websites and social media, and will amend the grant contract to reflect this.

7. The S.C. Arts Commission should require grant recipients, where appropriate, to provide a direct return to the people of South Carolina.

**Response**

We believe strongly that our grantees do provide a direct return to the people of South Carolina on their public investment. We award grants through evaluative processes that establish the capacity of organizations or individuals to generate public value for their communities and our state. The value that our investments produce is more and better quality programs and services, at a more affordable cost, though not necessarily free. Even though most of our grantees are nonprofit organizations, they still function as businesses and must generate sufficient revenues to pay for the services they provide and the operations that support those services. Considering the modest size of many of our grants, we do not think it is reasonable to require that all of our grantees provide free programs or give works of art to the state at no charge.

On another level, however, the state's investment in the arts is repaid many times over. According to the 2011 economic impact study by Dr. Douglas Woodward (cited on page 23 of this study), the \$9.2 billion in annual economic output and 78,000 jobs supported by South Carolina's creative industries produce \$570 million in sales and income tax revenues for the state each year.

8. The S.C. Arts Commission should require that grant recipients document public outreach activities in their final reports to the agency.

**Response**

The Arts Commission's current reporting requirements do ask grantees to document public outreach activities. The agency will explore ways to assist grantees in quantifying the value of that outreach.

9. The S.C. Arts Commission should have agency staff offer artists who are seeking to fund projects through crowd funding sites access to agency electronic resources to reach a larger potential funding audience and require these artists to give the agency credit for successful funding projects in electronic and print media.

**Response**

The agency will survey South Carolina artists to determine how many are using or considering crowd funding sites to raise funds and then determine the best way to offer promotional assistance to these artists. To be fair, the agency's efforts to assist artists with promotion of funding projects must include those who are using traditional methods as well as new methods such as crowd funding sites.

The agency will also continue to share marketing and promotional best practices for artists through its websites, social media channels, conferences and workshops, and through its Artists' Ventures Initiative, a program dedicated to improving conditions for S.C. artists by helping them develop the knowledge and skills to build satisfying, sustainable careers.



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