

1900.1510 ADDITIONAL REQUIREMENTS AND PROCESSES FOR INSTITUTIONAL SUPPORT PROGRAM.

Subpart 1. Definitions.

A. "Affiliate" means an organization that is hosted within a nonprofit, tax-exempt, nonarts institution and must also have:

- (1) a distinct identity;
- (2) professional arts management;
- (3) continuing arts programming;
- (4) evidence of a broad community following, as validated by the sale of season tickets, organized public classes, or a charitable membership;
- (5) a citizen advisory or governing board;
- (6) evidence of the receipt of other charitable arts support; and
- (7) a certified audit of the financial activity specifically addressing the arts activities of the affiliate organization.

B. "Operating expenses" means all unrestricted, temporarily restricted, or restricted expenses, but does not include any depreciation costs, in-kind expenses, or any expenses associated with charitable gaming, plant and equipment, endowment, acquisition, or board designated reserve or quasi-endowment.

If a use of "operating expenses" refers to a context prior to fiscal year 1996, then operating expenses means all restricted and unrestricted expenses of the operating fund, minus any depreciation costs and in-kind expenses reported in a certified audit. Funds or accounts considered to be expenditures related to charitable gaming, fixed assets, plant and equipment, endowment, acquisition, or board designated reserves or quasi-endowment are not included.

C. "Organization" means an institution exempt from taxation under section 501(c)(3) of the Internal Revenue Code that is authorized to do business in Minnesota and is either primarily engaged in producing arts activities or is an artist service agency that works to maintain an independent operation dedicated solely to the arts. Organization does not include schools, universities, libraries, civic organizations, or other community service agencies.

D. "Charitable arts support" consists of contributions and donations from foundations, corporations, businesses, and individuals; grants from government agencies excluding Minnesota state Arts Board grants; the proceeds from benefits, special events, and memberships which are tax-deductible as charitable contributions; contributed assets

released from restrictions; and contributed support to affiliate arts organizations from their nonprofit or government host institution.

E. "Unrestricted contributed revenue" is defined as contributions without donor-imposed restrictions.

Subp. 2. **Purpose of institutional support.** The institutional support program shall consist of two components: the formula funds component and the merit component. Institutional support shall provide unrestricted support to high quality, established arts organizations that produce or exhibit works of art or provide services to artists.

Subp. 3. **Activities.** Institutional support funding shall enable organizations to maintain ongoing programs, services, facilities, and new initiatives. Any arts board funding received by an affiliate organization must be expended for arts programming only and not for expenses related to the host institution.

Subp. 4. **Criteria of advisory panel for institutional support recommendations.** The institutional support grant shall be based on two components of one review process: the formula funds component and the merit component. An applicant meeting the eligibility and review criteria shall receive an award in the formula funds component of the grant. An applicant that can show exceptional achievement in any of the stated criteria shall also receive an award in the merit component. The four review criteria by which an institutional support applicant shall be evaluated by the advisory panel are listed in this part. Artistic excellence and leadership shall be the primary criteria. Management and fiscal responsibility, accessibility and education, and service to the state shall be secondary criteria and equally important to each other.

A. Artistic excellence and leadership shall be demonstrated by:

- (1) the qualities and characteristics of the artistic activities relevant to the specific artistic disciplines or services provided;
- (2) contributions to the artistic growth of the organization's constituencies;
- (3) the effectiveness and appropriateness of the activities in interpreting a cultural or artistic vision as defined in the mission statement;
- (4) how the activities allow the art form and artists to develop;
- (5) opportunities for the involvement and support of Minnesota artists;
- (6) the qualifications and achievements of artists and artistic leadership; and
- (7) the relative balance of artistic planning and decision making as they relate to financial decisions.

B. Management and fiscal responsibility shall be demonstrated by:

- (1) evidence of sound financial planning and marketing which supports the artistic programs;
- (2) the relationship of decisions to planning and evaluation processes;
- (3) the extent to which planning includes the viewpoints of artists and the audience;
- (4) board composition and roles, staff qualifications, and responsibilities;
- (5) organizational stability and fiscal position;
- (6) the relationship of projected earnings to earning capacity;
- (7) commitment to a balanced budget;
- (8) evidence of a long-term plan to apply reserves wisely, where reserves exist; and
- (9) the challenges and opportunities associated with the artistic disciplines involved, geographic location, and availability of resources of an applicant.

C. Accessibility and education shall be demonstrated by:

- (1) efforts to increase accessibility as shown by an Americans with Disabilities Act (ADA) plan;
- (2) qualities and programs which make the organization and its work approachable and available to a broad public audience;
- (3) how well the actual audience matches the intended audience;
- (4) efforts to create community understanding and awareness of works of art through educational objectives;
- (5) commitment to education beyond regular public programming; and
- (6) the role of the organization and its leaders as advocates for the arts in the community.

D. Service to the state must be demonstrated by:

- (1) evidence of artistic impact in the community, region, state, or nation;
- (2) the organization's contribution of a unique art form or service;
- (3) the national or international reputation of the organization; or
- (4) the ability of the organization to reach a broad constituency throughout the state.

Subp. 5. **Eligibility requirements.** Institutional support applicants must meet the additional eligibility requirements in items A to G to apply for funds.

A. The applicant must be an organization or affiliate as defined in subpart 1.

B. The applicant must be able to demonstrate in the average qualifying expenses of its two most recently completed certified audits that it meets the operating expense level requirements which are printed in the current program information. Category entry levels which are rounded to the nearest \$1,000 shall be calculated for the even year of each biennium based on the rate of change of a professionally acknowledged economic indicator, or index, such as the Minneapolis/St. Paul Consumer Price Index (incorporated by reference as the figures released each August and February by the United States Department of Labor office in Chicago, Illinois. The index is available by telephone at (312) 353-1880) since the last qualifying amount printed in program information. For example, the fiscal year 1996 requirement is:

Operating Expense Level Requirement	Organization Category
\$3,353,000 and above	Group I
\$559,000-\$3,352,999	Group II
\$112,000-\$558,999	Group III

C. The applicant must have provided services in Minnesota for two full fiscal years and must be authorized to do business in Minnesota.

D. The applicant must have at least one paid, professional, administrative staff person.

E. Organizations based in or primarily serving an academic program are not eligible.

F. The budget may not contain combined funding from a regional arts council and the board that amounts to more than one-half of the organization's total cash expenses.

G. For applications submitted for Minnesota state Arts Board fiscal years 2002 and 2003 support, an applicant's unrestricted revenue over a two-year period must consist of at least five percent charitable arts support calculated by determining the dollar amount of charitable arts support donated over a two-year period and determining the percentage the charitable arts support represents in relation to the applicant's total unrestricted revenue, excluding investment income, received over the two-year period. This requirement must be evidenced by the applicant's most recently completed certified audits.

For applications submitted for Minnesota state Arts Board fiscal year 2004 and all subsequent years' support, an applicant's unrestricted revenue over a two-year period must consist of at least ten percent charitable arts support calculated by determining the

dollar amount of charitable arts support donated over a two-year period and determining the percentage the charitable arts support represents in relation to the applicant's total unrestricted revenue, excluding investment income, received over the two-year period. This requirement must be evidenced by the applicant's most recently completed certified audits.

Subp. 6. **Certified audit.** The official application must include one certified audit for each of the applicant's two most recently completed fiscal years.

Subp. 7. **Site review.** Applicants for institutional support must participate in a site review with the board or its designee.

Subp. 7a. **Additional processes.** The institutional support program process varies from the general process described in part 1900.0810 in that eligibility for nonarts organizations is determined by the board, based on the definition for "affiliate" stated in subpart 1, item A. In addition, eligible applications and accompanying financial information are reviewed by the board, or its designee, to verify the eligible average operating expenses for the formula funds component of the grant.

Subp. 8. **Amounts of grants.** For institutional support, grant amounts must be determined for both the formula funds and merit components.

A. For the formula funds component of the grant, all grantees shall receive the same percentage of their qualifying two-year average operating expenses. The board shall calculate the amount of each grant based on the eligible applicant pool and funds available.

B. For the merit component of the grant, the minimum grant award shall be based on the applicant's operating expenses according to the category established by the board and listed in the current program information. The category shall be determined by the operating expense level requirements described in subpart 5, item B. The maximum grant award for the merit component shall be ten percent of the applicant's operating expenses for the most recently completed and audited fiscal year.

Statutory Authority: *MS s 129D.04*

History: *21 SR 5; 23 SR 1380; 25 SR 1653; 26 SR 1301; 28 SR 854*

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