



Memorandum

TO: ARTS COMMISSION

FROM: Kerry Adams Hapner

SUBJECT: FY2021-2022 OPERATING GRANT PLANS

DATE: March 8, 2021

Approved Nanci Klein
 /s/

Date

RECOMMENDATION

It is recommended that the Commission take action to:

- A) Approve the recommendation to carry forward the FY 2020-2021 Operating Grant recommendations adjusted for funding available to the FY 2021-2022 funding cycle and
- B) Take a hiatus on opening the programs to new applications for FY 2021-2022.

BACKGROUND

The largest and most long-standing annual grant programs offered by the OCA are:

- **Operating Grants:** provide unrestricted general operating support for professionally-managed organizations that provide year-round programming.
- **Take pART Grants:** provide project-based support to publicly-accessible arts activities produced by San Jose organizations.
- **Festival, Parade and Celebration (FPC) Grants:** provide project-based support for San Jose community festivals, parades and celebrations by nonprofit organizations.

Traditionally, grant applications for these programs are accepted in January/February with public grant review panels held in March/April, leading to grant recommendations in May that are voted on by the City Council as part of the City's Operating budget in June.

Due to the dramatic reduction in projected TOT collections as a result of the COVID-19 pandemic, grant recommendations for FY 2020-2021 were released in a phased approach, starting with Operating Grants in Summer 2020. In November 2020, as it became clear that the pandemic-forced venue closures and restrictions on large gatherings caused a majority of proposed take pART and FPC projects to be cancelled or significantly modified, the Arts Commission supported a strategy that cancelled the release of the FY 2020-2021 take pART and FPC grant recommendations, opting instead to carry forward the current take pART and FPC grant recommendations to the FY 2021-2022 funding cycle. Under this plan, no new applications would be accepted, and organizations that

applied for FY 2020-2021 take pART and FPC grants will have the opportunity to be considered for funding in FY 2021-2022 without the burden of completing new grant applications.

Although the take pART and FPC grant recommendations were not released, the majority of applicants who are arts and cultural organizations were able to receive funding through the City's Coronavirus Relief Fund (CRF) which set aside over \$2.3 million to support arts and cultural organizations negatively impacted by COVID-19. Some organizations received grant awards that were higher than their previous City arts grants because the CRF grant provided higher grants, relative to their operating budgets, to organizations that serve communities of color negatively impacted by COVID-19.

ANALYSIS

The Operating Grant awards for the current year were reduced significantly, falling 70% from the previous year due to the impact of COVID-19. The majority of organizations have been closed to the public continuously since March 2020, dramatically reducing earned income from programming, admissions and fundraising events. The availability of the vaccine has provided hope for the eventual lifting of public gathering restrictions, but it will take time for the majority of people to be vaccinated, and there is uncertainty of additional infection waves with new virus variants. Despite significant financial reductions, Operating Grantees have shown tremendous resilience, pivoting to virtual programming formats and maintaining connections with audiences through creative online programming.

Because the upcoming 2021-2022 funding year remains uncertain in terms of what will be allowed and what funds will be available, making budgeting and planning largely unreliable as a basis for evaluation, it is recommended that Operating Grant process for the coming year follow a similar strategy as the take pART and FPC grant programs: *Carry forward the recommendations (i.e. rankings with reference grant multipliers) from FY 2020-2021 to the FY 2021-2022 funding cycle.* Reference grant multipliers are the proportionate amount of available funding allocated to each grant applicant based on their peer reviewed scores of weighted grant program criteria.

Under the proposed plan, the approach for the upcoming grant year for Operating Grants would align with the approach for take pART and FPC Grants and be as follows:

- The Operating Grant program will pause new applications for coming year (FY 2021-2022). Current Operating Grant program grantees will carry forward the recommended reference grant multipliers used to determine FY 2020-2021 grants, relieving organizations of the burden of completing new applications in a financially restrained and uncertain operating environment.
- Operating Grant panels will not be convened in the upcoming grant cycle because the recommendations from the prior year will be carried forward.

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- Staff will obtain updated financial information from current Operating Grant applicants, calculate FY 2021-2022 grant recommendations based on the funds available and forward recommendations to the Arts Commission in May 2021.

As is the standard practice in the Operating Grants program, an organization's most recently completed fiscal year's budget will continue to be factored into its three-year average budget when formulating actual grant awards. Thus, all Operating Grant organizations, regardless of whether they applied last year or are in the 2nd year of a 2-year application cycle, will continue to have up-to-date financial calculations that factor into their funding award.

The intent of the overall strategy of rolling over prior year panel recommendations in OCA's three largest annual grants programs is to relieve application burden and stress on organizations in a year where grant funding levels will be uncertain. In this way, arts organizations can focus their limited energy on delivering online programming, sustaining operations, donor engagement and re-tooling for safe reopening under public health guidelines. Staff will continue to provide technical assistance and resources to sustain the entire arts ecosystem during the pandemic.

/s/

KERRY ADAMS HAPNER
Director of Cultural Affairs