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The Rundown podcast transcript for Performance Audit report titled ***The Kansas Creative Arts Industries Commission: Measuring its Economic Impact*** – Released March 2020

Andy Brienzo, Host and Principal Auditor: [00:00]

From the Kansas Legislative Division of Post Audit. This is The Rundown. Your source for news and updates from LPA, including performance audits recently released to the Kansas Legislature. I'm Andy Brienzo. In March 2020, Legislative Post Audit released a performance audit examining the current and potential economic effects generated by the Kansas Creative Arts Industries Commission and how these impacts compare to those in other states. I'm with Amanda Schlumpberger, Senior Auditor at Legislative Post Audit, who supervised this audit. Welcome to The Rundown, Amanda.

Amanda Schlumpberger, Senior Auditor and Supervisor: [00:39]

Thank you for having me.

Andy Brienzo, Host and Principal Auditor: [00:41]

So first, what is the Kansas Creative Arts Industries Commission and what does it do?

Amanda Schlumpberger, Senior Auditor and Supervisor: [00:47]

So, the Kansas Arts Commission is the state art agency and it represents the state's efforts to promote and coordinate the arts and projects related to them, which is why we looked at them. The arts industry within Kansas encompasses many things beyond the Arts Commission. There's nonprofits [and] there's for-profits. There are businesses, there's government entities. So, it's a whole complex of industries and organizations contributing to the arts in the state. But the Commission is the agency that's specifically dedicated for state level arts coordination and this was created in 2013 when the former Film and Arts Commission were merged together into this current entity, which is a division in the Department of Commerce. The Commission itself has an 11-person board and one full-time staff member. It's mission is focused on job growth and entrepreneurship activities in the state to affect the state's economy through the arts. They do this through a number of programs. The largest program is they provide grants to local governments and nonprofits and then they also have some partnerships with art organizations in the state and also schools to provide professional development and education opportunities to community members [and] artists. As I mentioned, the majority of what they do to fulfill their mission is to provide grants to nonprofits in the state and these can be anything

from theaters, arts councils, humanities councils, libraries, museums, etc. Because that's the majority of what their activities are focused on, that's what we focused on for the report, is really looking at those grant programs and the impact of them.

Andy Brienzo, Host and Principal Auditor: [02:47]

So, as you mentioned, all 50 states have a commission or an agency that's similar to the Kansas Creative Arts Industries Commission, but Kansas receives the smallest amount of state funding when compared to those other agencies in the other states. Additionally, it looks like you've found that Kansas arts industries as a whole don't perform particularly well according to some federal data the team reviewed. So, tell me about these points.

Amanda Schlumpberger, Senior Auditor and Supervisor: [03:21]

Right. So, the Arts Commission gets about a \$1 million in funding from various sources of that funding. The majority of it is coming from the National Endowment for the Arts. They provide about 64% of the Commission's funding. The state portion of their funding is coming from several sources. The largest of those sources is the Economic Development Initiatives Fund (EDIF). And then other state sources of their budget are commerce and then they have a couple dedicated revenue funds, including the arts checkoff fund, the license plate checkoff fund, which are essentially people can donate money from their tax returns or a special license plate program. So, that makes up the \$1 million that the Commission has as a budget in fiscal year 2019, but that also has been pretty consistent since their formation in 2013. That state funding portion of Kansas' budget is about, comes out to about \$0.09 per capita, and that's the lowest in the nation. It's 93% below the national average of state funding to arts agencies per capita. So, you also mentioned that we looked at some federal data. We did this to sort of get some context for the state's activities [and] the Commission's activities. So, this federal data that we looked at measures arts, cultural production for all industries in the state, not just the commission's activities. This is from the Bureau of Economic Analysis. It's national data and it has a standard approach to measuring value added from certain industries. And specifically in this case, the arts and culture industries. That data shows that Kansas is ranked 37th in arts value added. So, that means the value that the arts industries are adding to the Kansas economy as a whole. That rate of growth is also very low at 47th so they aren't, the arts industries aren't growing very quickly in the state. The arts job growth in the state as well from that data shows that the state is ranking low in that category at 45th. So, the arts jobs in the state are not growing quickly either.

Andy Brienzo, Host and Principal Auditor: [06:01]

So, to determine the economic impact of the Commission's activities, the team reviewed the grants that it made to nonprofit organizations and government entities in federal fiscal year 2016 which was the most recently available data set with complete results information. How big were these grants and what kind of impact did they have?

Amanda Schlumpberger, Senior Auditor and Supervisor: [06:22]

Even though we're looking at federal year 2016, these appeared to be pretty typical for the commission since 2013. We looked at 2018 and 2019 as far as grants awarded

in the averages amount and the number of grants awarded were pretty typical across those years. Also, as I mentioned earlier, the budget for the Commission has been pretty steady over that time period as well, but the actual grants themselves we found were very small. The average amount was just over \$5,000. The range was \$600 to \$16,000 and it was for 123 grants, but most of those were for \$5,000 or less. So, even though there were some bigger grants, the majority were much smaller. We determined that given the size of these grants, it's not reasonable to expect much economic return on them. They're simply too small to have measurable job growth or revenue growth. So, that was sort of our finding on the impact of those. The only potential impact we were able to identify from that data was matching funds that grant recipients have to provide. So, the Commission requires that grant recipients provide matching funds for the projects that they approve and provide money for. We calculated the grants covered only about 23% on average of a project's expenses. So, for every dollar the Commission invested, other sources invested just over \$3. However, even with those matching funds, it's not likely that these projects are generating a large impact or measurable impact because the average grants expenses came out to about \$22,000, which just doesn't equate to a full-time job. Since we're not seeing a large economic impact or really any economic impact from these small grants that the Commission gives out, it raises questions about the appropriateness of the EDIF money that the Commission receives. That money we have found in previous audits in our office is for the intention of economic development and even though the Commission's projects, these grants have criteria where they need to be measuring economic development and creating some sort of economic development, the results aren't necessarily there. So, it calls into question how the EDIF money is being used by the Commission if it's not generating measurable results,

Andy Brienzo, Host and Principal Auditor: [09:27]

How might the commission increase the economic impact of its activities?

Amanda Schlumpberger, Senior Auditor and Supervisor: [09:32]

We, for this audit, we were solely focused on economic impact. That was the scope and question that was approved and that we were tasked with answering but all that's not to say that the arts can't have economic impact or don't have indirect or non-economic impacts as well. The potential for the economic impact in both direct indirectly and non-economic impact is there from the arts. We talked to stakeholders and other states and they told us that it's difficult to measure because you can't isolate out the economic impact from other impact and then also getting there is really dependent on individual and specific project goals. So, it's hard to determine, you know, what resources need to be put in to get a certain level of return. As I mentioned, we talked to other states and stakeholders and also we spoke to commission officials on how best to capture and measure economic development for the arts. And we found it's just not super common practice to measure economic development. Other states we spoke to said they're not really doing it. They're more focused on non-economic impact. Things like audience participation numbers, etc. So, they're not measuring them and then stakeholders said they weren't aware of any metrics or best practices or benchmarks or anything that the art projects should be meeting or specifically measuring. So, in that regard it's difficult to measure that,

but then also we spoke to Commission officials and they told us a project has to specifically be designed to generate economic impact. So, any project goal is going to determine both the resources going into it and also what they would expect to see. So, it's hard to determine what level of resources a project would need until you determine what you're expecting to get out of it and it's not, it's simply not appropriate to expect economic impact from certain projects. So, for example, a music therapy program is not likely to yield an economic return, but they're yielding other impact in that project specific area.

Andy Brienzo, Host and Principal Auditor: [12:02]

Now the Commission requires grant recipients to submit reports outlining some economic impact to metrics. It also collects some non-economic impact metrics for the National Endowment for the Arts, but the team discovered this data was pretty unreliable. So, walk me through the problems you found.

Amanda Schlumpberger, Senior Auditor and Supervisor: [12:20]

Right. So, the Commission collects reports at the end of a grant from recipients. So, every grant recipient has to turn in a standardized report that they fill out to the Commission and that report has two sort of broad areas. They have economic metrics that the Commission has designed in the report and collects for their own internal purposes and then they have some non-economic measures like attendance and demographics that the Commission collects to submit and fulfill requirements to the National Endowment for the Arts. Since a lot of this grant money is coming from that federal source and we found all this data that the Commission then aggregates from the grant recipients is self-reported and inconsistent and unreliable. So, for example, in the economic metrics, many of the Commission's report it impacts were not reasonable. The Commission use their data and came up with, on average, their grants create, three new jobs, kept two jobs, affected a total of 30 jobs. When we looked at the data, it just seems unlikely that a \$5,000 grant, if you include matching funds about \$16,000, could generate those kinds of results under reasonable circumstances, much less on average. So, we found the reason this is happening is the Commission does not establish clear criteria or time frames for these metrics they're collecting. For example, it does not define what a grant recipient should count as a job, and it's also not defining time periods. So, the grant could be for a single one-day performance or a single equipment purchase or it could be happening over a whole year. Those parameters are not clear to the grant recipient when they fill this out. As a result, the grant recipients report information is very inconsistent. For example, we noted one mural project with total expenses of \$11,000 was reported as creating seven new jobs. Meanwhile, another mural project with just under \$10,000 in expenses reported creating zero new jobs. So, it was really hard to determine how accurate that data was and Commission officials told us that grant recipients, especially small grant recipients, so small organizations with not a lot of people, struggled to complete those required reports and those economic metrics. Many leave categories blank because they don't know how to fill them out or measure them. So, officials said that they try to help grant recipients, but they don't have the staff to do so. So, they can't help everyone fill out these large final reports they have to submit. Officials said they would like to simplify the required reporting that these grant recipients have to

submit, but they're unsure of which metrics they should continue to collect and how to make sure they're getting consistent and reliable data from the grant recipients. The non-economic data that the Commission collects for the National Endowment for the Arts also seems to be unreliable. It appears to be estimates, again, it's self-reported data. It often seems to overstate the number of people engaged and affected. For example, we found one grant recipient reported \$5,000 in grant money to conduct a survey and that it engaged 42,000 individuals in the arts, which seems to overstate the impact or the number of individuals in that non-economic category. So overall, this data and its reliability issues limited our ability to estimate potential impact of these projects because it was unreliable and inconsistent.

Andy Brienzo, Host and Principal Auditor: [16:36]

So, the team dug a little more deeply into how things work and spoke with stakeholders in five comparison states, Missouri, Nevada, Iowa, Wisconsin, and Nebraska. How does Kansas compare to these five states?

Amanda Schlumpberger, Senior Auditor and Supervisor: [16:51]

So, we chose these five states because they have some geographic or demographic similarities to Kansas, but they also introduced variants in their arts agencies, both in funding and activities. When we compared them to Kansas, we saw that there were sort of three areas that stood out as Kansas being much different than the similar states and those areas were funding, staffing and structure. So, as far as funding, , the five states we looked at had up to 14 times more state funding per capita than Kansas. And then staffing these five similar states had 4 to 13 staff members compared to Kansas' one staff member. And then in terms of structure or location of the state's art agency, the similar states did not place their state art agency in their commerce department, rather they were in places like culture and tourism departments or governor's offices. Nationally, most states we found put their state art agency in a cultural or tourism department or governor's office. It's not very common to have your state art agency in your economic development or commerce department.

Andy Brienzo, Host and Principal Auditor: [18:15]

Finally, what's the main takeaway of this report?

Amanda Schlumpberger, Senior Auditor and Supervisor: [18:18]

The main takeaway I would say is that the arts have the potential to generate both economic and non-economic impact and benefits for the state. However, at the state level, the current funding and structure for the Arts Commission is not producing those economic results. As a result, the Commission is only able to provide these small grants that produce little to no clear economic benefit for the state. And other states are not generally measuring economic impact of their state art agencies even though they are providing significantly more funding.

Andy Brienzo, Host and Principal Auditor: [18:58]

Amanda Schlumpberger is a Senior Auditor at Legislative Post Audit who supervised an audit examining the current and potential economic effects generated by the Kansas Creative Arts Industries Commission and how these impacts compare to

those in other states. Amanda, thank you for walking me through your findings today.

Amanda Schlumpberger, Senior Auditor and Supervisor: [19:16]

Thank you for having me.

Andy Brienzo, Host and Principal Auditor: [19:17]

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