



January 17, 2022

TO: Chairman Sirotkin and members of the Senate Economic Development, Housing and General Affairs Committee

FROM: Karen Mittelman, executive director, Vermont Arts Council

RE: Economic Recovery Grants for Vermont's creative sector

Thank you for inviting me to share our perspective on the current ACCD economic recovery grant program. Our suggestions for amending the grant criteria and funding formula draw on what we learned from developing and implementing four COVID relief grant programs over the past two years.

Like our colleagues at ACCD and all state agencies, the Arts Council scrambled in the early months of the pandemic to get relief out the door as quickly as possible. We appreciate the challenges of distributing funds in a process that is both efficient and equitable, and that meets the existing financial needs of Vermont businesses and organizations.

Our staff hears daily from cultural organizations that are struggling financially from the continued impact of the pandemic and facing an extremely uncertain future. While some organizations were kept afloat thanks to state and federal aid, our data on economic relief received by Vermont cultural organizations clearly show that financial need exceeds the funds that were allocated.

We do not believe that Bridge Grant funds should be re-deployed at this point, when there is still substantial unmet need that an amended Economic Recovery Grant program would address.

#### Issues for Bridge Grant applicants

Reported tax loss is not always an accurate indicator of the financial harm suffered by a small business or cultural organization.

- A sole proprietor or small business owner might show a small revenue gain that makes them ineligible for a grant; however, that small gain masks the fact that the owner is unable to cover her bills and/or to pay herself a salary.
- Similarly, a cultural organization may not be able to demonstrate a tax loss in 2020 or 2021, while its financial picture is actually dire. A museum that was able to stay afloat thanks to one-time grants or PPP in 2020, for example, is now facing the winter months and Omicron wave in 2022 with no support.
- A theater that depleted its savings to survive the past year will not show a revenue loss, but without an infusion of revenue it will not be able to continue to operate.

- A community art center that received a grant for a new HVAC system (to provide a COVID-safe event space) will show a revenue gain on its books. That organization depreciates fixed assets like an HVAC system in future years.
- Many cultural organizations survived the past 2 years by essentially going into hibernation. They laid off staff, closed exhibition galleries and cancelled performances. They are unable to bear the costs of “coming out of hibernation” --re-hiring staff, re-booting dormant marketing and re-launching entire program seasons—without support.

None of those situations are taken into account in the current Bridge Grant formula.

### Proposed Solutions

**Forward-looking grant formula.** We recommend a formula that is not focused solely on compensating for past economic losses – but instead, focuses on the future, helping creative sector businesses and cultural organizations to survive the impact to date of the pandemic and move forward, build resilience for the future, and contribute to Vermont’s recovery.

As I mentioned in my Committee testimony last week, this approach is modeled on a recent successful [COVID recovery program run by the Colorado Office of Economic Development](#). We are in the process of developing grant criteria based on the following model:

- In order to be eligible, applicants will have to demonstrate loss of income and/or increased costs due directly to the COVID-19 pandemic.
- Grant awards will be made in tiered amounts, based on the size of the applicant’s cash operating revenue for the 2019 fiscal year. (Amounts TBD, depending on funds available).
- Applications are ranked by reviewers using a scoring rubric, according to the following criteria:
  - Community and Cultural Impact (mission, cultural significance, and communities served)
  - Economic Impact (role in local economic recovery, ability to retain or rehire jobs, provider of unique products or services, likelihood of post-pandemic resilience)

This approach allows a more complete assessment of the viability and potential impact of the money we are awarding. It also allows us to prioritize grants to BIPOC-led organizations and others that serve or are led by historically marginalized groups, who tend to have less access to state funds.

### **Flexibility and sector-specific expertise are essential in review process and use of funds.**

- The Vermont Arts Council can most effectively administer the grant program for cultural nonprofits, since our staff has the expertise required to assess financials from a nonprofit.
- We join our colleagues in supporting greater discretion for the experienced ACCD team and knowledgeable partner organizations in evaluating applications; and flexibility in how grantees use awarded funds. As long as awarded funds are used for ARPA-eligible purposes, businesses and cultural organizations should be free to use these funds wherever they are most needed.