



## Legislative Fiscal Bureau

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October 13, 2009

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Arts Board: Section 13.10 Request for Transfer of Funding for State Aids for the Arts  
--Agenda Item II

### REQUEST

The Arts Board requests the transfer of \$84,500 GPR in 2009-10 and in 2010-11 from the challenge grant program appropriation to the state aid for the arts appropriation.

### BACKGROUND

Under the challenge grant program, the Arts Board awards grants to match up to 25% of an arts organization's or a local arts agency's income earned and contributed income each year. Arts organizations apply to the Arts Board for inclusion in the program and establish a base year of earned and contributed income. Earned income includes ticket sales and memberships. Contributed income includes donations from individuals, businesses, foundations, or local government. In the subsequent year, if that organization exceeds its base year amount of earned and contributed income, it receives an arts challenge grant award, based on a formula. By statute, the Board must set aside at least 10% of appropriated funding for minority arts organizations, and at least 20% of funds for arts organizations having operating budgets of less than \$100,000.

The program has been in place since 1987, and the Arts Board indicates that for many arts organizations, sustained budget growth is no longer feasible, and some have reached their organizational capacity for growth.

Under state aid for the arts, the Board awards grants-in-aid or contract payments to groups, individuals, organizations, or institutions for the development of the arts and humanities, with a 50% matching requirement. The Board may also award operational grants to organizations, provided the sum of the grants does not exceed 50% of the total grants awarded in a given year.

Under state law, the Board is required to award an amount equal to at least 5% of all state and federal funds received by the Board in a given year for grants to minority artists and arts organizations.

## **ANALYSIS**

In the 2007-09 state budget, the Governor recommended and the Legislature approved a decrease in funding for the challenge grant program of \$688,800 annually, leaving an annual appropriation of \$90,000 GPR for challenge grants, an 88.4% decrease in annual funding. The Arts Board indicates that this action was requested by arts organizations throughout the state, and was therefore forwarded to the Governor by the Board, although it was not included in the agency's biennial budget request. The Arts Board chose to designate this remaining funding for minority arts organizations. An amount equal to the decrease in the challenge grant funding was transferred to state aid for the arts, increasing funding for that program to \$1,885,500 GPR annually, from a base year appropriation of \$1,196,700.

In 2008-09, the Arts Board expended only \$21,700 for challenge grants. After consideration of encumbrances from 2007-08, a total of \$61,700 out of the \$90,000 available in 2008-09 was left unexpended. The Board was able to fully expend the appropriation in fiscal years 2005-06 through 2007-08, and expended approximately 90% of allocated funding in 2003-04 and 2004-05. However, the Board indicates that the current economic recession has adversely impacted both ticket sales and contributions to local arts organizations, and thus providing funds through the challenge grant program is no longer feasible. The annual deadline for applications under the program is August 1, and staff for the Board indicates that no applications were received. Under 2009 Act 28, funding for challenge grants was reduced from \$90,000 GPR annually to \$84,500 GPR annually.

Under the state aid for the arts appropriation, the Board is provided greater flexibility to award grants-in-aid to any group or individual engaged in or concerned with the arts and meeting the 50% match requirement. Under 2009 Act 28, funding for the state aid for the arts appropriation is \$1,864,100 GPR annually. According to Arts Board staff, it is intended that funding transferred from the challenge grant program would be set aside for minority arts organizations, although there would be no specific statutory requirement to this effect.

## **ALTERNATIVES**

1. Approve the request to transfer of \$84,500 GPR in 2009-10 and in 2010-11 from the challenge grant program appropriation [s. 20.215(1)(d)] to the state aid for the arts appropriation [s. 20.215(1)(b)].
2. Deny the request.

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