



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #694

State Aid for the Arts (Tourism)

[LFB 2019-21 Budget Summary: Page 401, #8]

CURRENT LAW

The Wisconsin Arts Board, budgeted in the Department of Tourism, administers several grant programs in which it distributes state and federal funds to Wisconsin arts organizations. State funding is primarily supported by general purpose revenues (GPR), as well as program revenue (PR) from tribal gaming receipts. Federal (FED) funding is provided by the National Endowment for the Arts (NEA). The Arts Board has state adjusted base funding of \$746,300 GPR and \$44,900 PR, with 3.0 GPR and 1.0 FED positions. Total state adjusted base funding for the Arts Board is \$746,300 GPR and \$44,900 PR. Funding consists of: (a) \$270,300 GPR and \$20,000 PR annually in general operations funding; (b) \$359,300 annually for general grants, contracts, and aids; (c) \$116,700 GPR annually for the Wisconsin Regranting Initiative; and (d) \$24,900 tribal gaming PR annually for the Woodland Indian Arts Initiative.

Current Arts Board grant programs are: (a) Creation and Presentation Grants, which are awarded to established nonprofit arts organizations to assist with their operations or creation and presentations of arts programming; (b) Creative Communities Grants, which fund projects focused on arts education, development of local arts programming, or folk and traditional arts; (c) Folk Arts Apprenticeship Grants, which support the study of an apprentice with a master of native or traditional ethnic arts or performance; (d) the Wisconsin Regranting Initiative, which provides funding for local arts agencies to disburse in turn to artists and local arts organizations in their regions of the state; (e) the Arts Challenge Initiative, which currently supports several minority-focused arts organizations in the Milwaukee area; and (f) the Woodland Indian Arts Initiative, which is intended to support events, facilities or institutions to practice and preserve the arts traditions of Wisconsin's Native American tribes. Arts Board grants require an equal recipient match. Arts Board staff also provide technical assistance to Wisconsin arts organizations relating to fundraising, marketing, and other aspects of operations.

GOVERNOR

Provide an additional \$71,900 GPR annually in the Arts Board's state aid for the arts appropriation, for a total of \$431,200 annually during the 2019-21 biennium.

DISCUSSION POINTS

1. The administration indicates the increase of \$71,900 is intended to reflect a general increase of 20% in state aid for the arts and is not intended to supplement a specific grant program. Further, Arts Board staff report they have received no direction from the administration on allocation of proposed funding. Increased funding is also intended to provide supplements to the Arts Board necessary to meet federal match requirements for NEA state partnership grant awards.

2. The NEA requires states to provide an equal match to its awards. Prior to being consolidated with the Department of Tourism in 2011, the Board's state funding was \$3.0 million. Current funding levels are intended to provide the minimum amounts necessary to match federal funding provided by the NEA. NEA awards totaled \$787,100 for 2017-18 and \$798,900 for 2018-19. The preliminary NEA award for 2019-20 is \$813,700. NEA awards are dependent upon federal appropriations and an allocation process that may vary with awards claimed by other states. Thus, it is not yet known what amount will be available in 2020-21. Based on historical award trends, it is estimated that the 2020-21 award could increase by approximately 2%, to \$830,000.

3. The table outlines state appropriations and federal awards for fiscal years 2019 through 2021, and anticipated shortfalls in available state matching funds under a number of alternatives. Not shown in the table is \$20,000 PR budgeted each year for arts publications and other services, which is not eligible to offer as a state match.

Federal Match Amounts

	2018-19	Bill (Alternative 1)		Equal Match (Alternatives 2&3)		Base (Alternative 5)	
		2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Staff and Operations*	\$270,300	\$289,100	\$289,100	\$289,100	\$289,100	\$289,100	\$289,100
Grants: Current Law	500,900	500,900	500,900	500,900	500,900	500,900	500,900
Grants: Proposed Supplement	<u>0</u>	<u>71,900</u>	<u>71,900</u>	<u>51,400</u>	<u>40,000</u>	<u>0</u>	<u>0</u>
Total State Funding Available	\$771,200	\$861,900	\$861,900	\$841,400	\$830,000	\$790,000	\$790,000
Federal Awards [†]	\$798,900	\$813,700	\$830,000	\$813,700	\$830,000	\$813,700	\$830,000
State Overage/Shortfall	- 27,700	48,200	31,900	27,700	0	- 23,700	- 40,000

*Amounts for 2018-19 include \$8,200 in anticipated supplemental costs for statewide employee compensation increases. Amounts for the 2019-21 biennium include standard budget adjustments.

[†] The award for 2019-20 is preliminary, and the award for 2020-21 is estimated.

4. Without legislative action, it is anticipated that 2018-19, 2019-20, and 2020-21 state appropriations for the arts will be insufficient to fully match federal funding. As shown in the table, total match-eligible state funding of \$771,200 in 2018-19 is \$27,700 less than the NEA grant available

for the fiscal year. In 2019-20 and 2020-21, assuming funding would be provided for standard budget adjustments, state match-eligible funding of \$790,000 would be \$23,700 and \$40,000, respectively, less than the anticipated and estimated NEA grants to be awarded. In the event funding is not sufficient in a given year, unmatched awards go unclaimed. However, because the federal fiscal year ends on September 30, the Arts Board could receive federal fiscal year 2019 awards during the first three months of state fiscal year 2020, if additional state funding were made available under the bill.

5. Arts Board staff reports that if it were to receive the proposed 20% increase in grant funding, it would direct the additional funding to Creation and Presentation Grants. In 2018-19, the Board has budgeted \$643,600 for Creation and Presentation Grants from state and federal sources. While the Board's 2019-20 budget has not yet been finalized, adoption of the Governor's proposal could increase the 2019-20 allocation for these grants by approximately 11% over 2018-19 levels.

6. In recent years, the Committee has regularly considered one-time supplements to the Arts Board through the biennial budget, miscellaneous legislation, and meetings under s. 13.10 of the statutes to appropriate sufficient state funding to fully match federal NEA awards. These include supplements of \$68,900 in 2011-12, \$10,400 in 2012-13, \$13,800 in 2015-16, \$29,700 in 2016-17, and \$29,800 in 2017-18. Considering the regularity of NEA award increases and the expectation that supplements would be necessary in the future, the Committee could consider the Governor's proposal to increase state aid for the arts (Alternative 1).

7. As shown in the table, a supplement of \$51,400 in 2019-20 would be required to match actual 2018-19 and anticipated 2019-20 NEA awards. Additionally, \$40,000 would be required to match the estimated 2020-21 award. Given the need for additional state funding to match NEA awards, the Committee could consider providing funding of \$91,400 for all anticipated shortfalls through 2020-21 (Alternative 2), or \$51,400 for known shortfalls for the 2018-19 and 2019-20 fiscal years (Alternative 3). Under Alternative 3, additional funding necessary for the 2020-21 award, if necessary, could be addressed through subsequent budget legislation.

8. 2011 Wisconsin Act 32 first intended to align state aid for the arts with federal grants, and appropriations generally have been made to maximize federal grants when initial state appropriations are insufficient. However, the state-federal funding alignment is not a statutory directive the Legislature and Governor must follow in considering the Arts Board budget. Thus, the Committee could also take no action, which would likely require the Arts Board to relinquish federal funding of \$51,400 awarded by the NEA for the 2018-19 and 2019-20 state fiscal years (Alternative 4).

ALTERNATIVES

1. Adopt the Governor's proposal to provide an additional \$71,900 GPR annually to the Arts Board for state aid for the arts, for a total of \$431,200 GPR annually during the 2019-21 biennium.

ALT 1	Change to	
	Base	Bill
GPR	\$143,800	\$0

2. Provide \$51,400 GPR in 2019-20 and \$40,000 GPR in 2020-21 to reflect equal state match to actual and anticipated federal NEA awards in 2018-19, 2019-20, and 2020-21, for a total of \$410,700 in 2019-20 and \$399,300 in 2020-21.

ALT 2	Change to	
	Base	Bill
GPR	\$91,400	- \$52,400

3. Provide \$51,400 GPR in 2019-20 to reflect equal state match to actual 2018-19 and preliminary 2019-20 NEA awards, for a total of \$410,700 in 2019-20 and \$359,300 in 2020-21.

ALT 3	Change to	
	Base	Bill
GPR	\$51,400	- \$92,400

4. Take no action. Funding for state aid for the arts would remain at \$359,300 annually during the 2019-21 biennium.

ALT 4	Change to	
	Base	Bill
GPR	\$0	- \$143,800

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