



Legislative Fiscal Bureau

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August 16, 2022

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Tourism: Section 13.10 Request for State Matching Funds for Federal Arts Grants --
Agenda Item II

REQUEST

On November 4, 2021, the Department of Tourism requested, on behalf of the Arts Board, a transfer of \$109,200 from the Joint Committee on Finance's general purpose revenue (GPR) supplemental funding appropriation to the appropriation under s. 20.380 (3)(b) of the statutes for state aid for the arts. The supplemental funding would allow the Arts Board to meet grant matching requirements for federal funding awarded by the National Endowment for the Arts (NEA).

BACKGROUND

The Wisconsin Arts Board, budgeted as part of 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 GPR, as well as program revenue (PR) from tribal gaming receipts. Federal (FED) funding is provided by the NEA. The NEA requires states to provide an equal match to its awards.

In 2022-23, the Arts Board is budgeted state funding of \$782,200 GPR and \$24,900 tribal gaming PR, both of which are eligible to match NEA grants, with 3.0 GPR and 1.0 FED positions. GPR funding consists of: (a) \$306,200 for general operations; (b) \$359,300 for general grants, contracts, and aids that the Arts Board distributes primarily to local arts groups to support their operations and their creation or exhibits of visual or performing arts; and (c) \$116,700 for the Wisconsin Regranting Initiative, which provides funding to local arts agencies and partner foundations for the groups to disburse as grants throughout the state. Funding of \$24,900 tribal gaming PR is for the Woodland Indian Arts Initiative to support creations and performances by Native American artists. (An additional all-monies-received PR operations appropriation budgeted at \$20,000 annually is not eligible for the match.)

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. Since 2011, base funding levels for the Arts Board have not increased commensurate with NEA awards, but the Committee or Legislature have regularly authorized additional state funding to match NEA grants. NEA awards were \$887,100 in 2021-22 and will be \$954,500 in 2022-23.

ANALYSIS

The Arts Board typically budgets each state fiscal year's programs with state funds available for the year and federal grants available through the succeeding September 30, or three months after the state fiscal year closes. However, as the federal fiscal year extends three months past the end of the state fiscal year, state appropriations available July 1 each year may be applied to match the federal grant year ending September 30. In recent years, this timing difference has allowed the Arts Board to allocate a portion of its state aid for the arts appropriation in the fiscal year following the fiscal year aligned with a given NEA grant cycle to fulfill the state's match requirements, if state appropriations were otherwise insufficient. For example, in the 2020-21 state fiscal year, \$16,100 in Arts Board funding was applied to the NEA grant expiring September 30, 2020; this grant was otherwise budgeted to be matched with 2019-20 state funding. Although such practice has been allowed by the NEA, Arts Board staff indicate that it is preferable to have sufficient state matching funds budgeted in the year federal funding will primarily be expended.

The Committee last approved supplemental funding for the Arts Board in January, 2020, when the Committee transferred \$41,500 GPR from its unreserved supplemental appropriation to state aid for the arts. The amount was intended to resolve a shortfall in state appropriations for 2018-19 as well as address a misalignment of state expenditures relative to federal grant years that had resulted in part from the differing end dates of the state and federal fiscal years. (Previous requests for supplements before the Committee had been based on budgeted state funding in a single fiscal year relative to the most recent NEA award.) The action by the Committee did not address anticipated shortfalls in state funding for the 2019-20 or subsequent fiscal years.

The following table outlines state appropriations and federal awards for the 2019-20 through 2022-23 state fiscal years and shortfalls in available state matching funds. The table shows: (a) in 2019-20, a net shortfall of \$16,100, after accounting for all state funding provided relative to federal grant requirements; (b) a \$13,100 net shortfall in state appropriations relative to the NEA grant for 2020-21, which increased the cumulative shortfall to \$29,200; and (c) an additional \$78,200 overall shortfall in state appropriations relative to the NEA grant for 2021-22. The table also shows minor changes in the state's required match due to either underspending of state funds, which reduces the state funding available for match, or returned federal awards, which decreases the amount of state match funding needed. These occurrences reduced the effective amount of state funding needed by \$100 in 2019-20 and \$600 in 2020-21. The accumulated shortfall through 2021-22, therefore, is \$107,400, or \$1,800 less than requested by the Arts Board in November of 2021, by virtue of the pay plan supplement provided in July, 2021.

Wisconsin Arts Board Federal Match Amounts

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Staff and Operations*	\$290,800	\$298,500	\$308,000	\$306,200
Grants	<u>542,400</u>	<u>500,900</u>	<u>500,900</u>	<u>500,900</u>
Total State Funding Available	\$833,200	\$799,400	\$808,900	\$807,100
Federal Awards	<u>\$813,700</u>	<u>\$813,100</u>	<u>\$887,100</u>	<u>\$954,500</u>
Subtotal, State Shortfall/Surplus	\$19,500	- \$13,700	- \$78,200	- \$147,400
Prior-Year Unmatched NEA Award	- 35,700	- 16,100	-29,200	-107,400
Net Adjustments for Unspent State And Federal Funds	<u>100</u>	<u>600</u>	<u>0</u>	<u>0</u>
Total Annual State Shortfall	- \$16,100	- \$29,200	-\$107,400	-\$254,800

*Includes pay plan supplements approved by the Committee in the amounts of \$1,700 in 2019-20, \$9,400 in 2020-21, and \$1,800 in 2021-22.

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 have included supplements of \$68,900 in 2011-12, \$10,400 in 2012-13, \$13,800 in 2015-16, \$29,700 in 2016-17, \$29,800 in 2017-18, and \$41,500 in 2019-20. While 2021 Wisconsin Act 58 did not allocate any funding in the Committee's supplemental appropriation associated with the Arts Board's request, the Committee's biennial appropriation includes an unreserved amount of \$133,600 each year, which could be allocated for the Arts Board request. Given the shortfall in available state funding to match NEA awards, the Committee could provide the amount necessary to match federal funding through state fiscal year 2021-22, and approve a supplement of \$107,400 [Alternative 1].

The Committee could also consider providing an additional \$147,400, as needed to meet state match requirements for 2022-23 [Alternative 2]. This would provide a total supplement of \$254,800, which could be allocated from the \$267,200 in unreserved supplemental funding remaining in the Committee's biennial appropriation. The Committee could also address 2022-23 funding in budget legislation or a supplemental funding request during the 2023-24 session, after any pay plan supplements the Committee may approve for 2022-23 have been allocated.

The Committee could also deny the request [Alternative 3]. This would require the Arts Board to award grants using federal funding only to the extent state funding had been appropriated.

ALTERNATIVES

1. Transfer \$107,400 GPR in 2022-23 from the Committee's supplemental funding appropriation [s. 20.865(4)(a)] to state aid for the arts [s. 20.380(3)(b)] to provide state funding sufficient to match federal NEA grant awards through the 2021-22 state fiscal year.
2. Transfer \$254,800 GPR in 2022-23 to match available federal NEA awards through the 2022-23 fiscal year.
3. Deny the request.

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