



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #150

### **Funding Reductions and Transfer to Tourism (Arts Board)**

[LFB 2011-13 Budget Summary: Page 64, #3; Page 65, #4; and Page 66, #5]

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#### **CURRENT LAW**

Under current law, the Arts Board is an independent state agency that promotes Wisconsin artists and culture, assists arts activities in the state, assists communities in creating and developing their own arts programs, and encourages freedom of artistic expression. The agency is governed by a 15-member board responsible for establishing and implementing agency policy and making final decisions regarding grant applications. Members are appointed for three-year terms by the Governor. The Board is attached to the Department of Tourism for administrative purposes.

#### **GOVERNOR**

Transfer the Arts Board and its appropriations, powers, and duties to the Department of Tourism. Reduce funding for: (a) general program operations by \$64,500 GPR annually from base level funding of \$352,400 and delete 1.0 GPR position; (b) state aid for the arts by \$1,595,100 GPR annually from base level funding of \$1,948,600; and (c) percent for the art \$511,100 PR annually to delete base level funding and eliminate the percent for art program. Delete \$237,900 FED annually and 4.0 FED positions from federal grants--state operations (including \$223,500 in base level funding and \$14,400 added as part of standard budget adjustments). Instead, provide \$223,500 FED annually to federal grants--aids to individuals and organizations.

Transfer from the Arts Board to the Department of Tourism the statutory authorization for the following programs: (a) general program operations for the Arts Board; (b) state aid for the arts; (c) funding for portraits of governors; (d) the arts challenge grant program; (e) an annual grant to the Milwaukee Foundation, Inc. for the high point fund; (f) the Wisconsin regranting program; (g) gifts and grants--state operations; (h) gifts and grants--aids to individuals and organizations; (i) support of arts programs; (j) state aid for the arts--Indian gaming receipts; (k) federal grants--state operations; and (L) federal grants--aids to individuals and organizations.

Provide the following annual funding amounts and position authority for the Arts Board under the Department of Tourism: (a) \$270,000 GPR and 3.0 GPR positions for general program operations; (b) \$359,300 GPR for state aid for the arts; (c) \$116,700 GPR for the Wisconsin regranting program; (d) \$20,000 PR for gifts and grants; (e) \$24,900 PR for state aid for the arts--American Indian groups; (f) \$231,000 FED and 1.0 FED position for federal grants--state operations; and (g) \$524,500 FED for federal grants--aids to individuals and organizations.

The composition of the Arts Board would remain the same as under current law. Provide that the Secretary of Tourism, rather than the Arts Board, would appoint an executive director of the Board, outside the classified service, to serve at the pleasure of the Secretary. Provide that all incumbent employees holding positions in the Arts Board would be transferred on the effective date of the bill to the Department of Tourism. Provide that employees so transferred would have all the rights and the same status under Tourism that they enjoyed in the Arts Board immediately before the transfer. Provide that no employee transferred who has attained permanent status in class would be required to serve a probationary period.

## **DISCUSSION POINTS**

1. The Arts Board was established in 1973 as the state agency responsible for preserving Wisconsin's arts, strengthening its art resources, and making the arts more available to its citizens. The Board provides financial support to individual artists and arts organizations to assist in promoting visual, literary, and performance arts in the state. In addition, the Board is a service agency which informs the public about the arts through workshops, publications, conferences, and research projects. Arts Board staff also provide an estimated 10,000 hours annually in consulting services to nonprofit organizations and artists working in the state.

2. Currently the Arts Board is attached to Tourism for administrative purposes and Tourism performs limited administrative functions, such as payroll, for the Board, which otherwise functions as an independent agency with a separate appropriation structure for its programs. The Board has a staff of 10.0 full-time equivalent positions and appoints panels of professional artists to review grant applications and make recommendations.

3. The Arts Board is funded from three primary sources: state general purpose revenue, federal grants from the National Endowment for the Arts (NEA), and program revenues transferred to the Board. All 50 states operate state arts agencies. According to survey information compiled by the National Assembly of State Arts Agencies (NASAA), funding on a per capita basis ranged widely in 2010-11, from over \$5 per capita from all fund sources in the highest-spending states, to as little as \$0.15 per capita, all funds, in the lowest-spending states. The Wisconsin Arts Board estimates that all-funds expenditures will exceed \$4.0 million in 2010-11, which is equal to approximately \$0.71 per capita, ranking the state among the bottom 10 in the country. If the Governor's recommendations would be adopted, Wisconsin's all-funds appropriations for the Arts Board would drop to \$1,546,400 annually, or approximately \$0.27 per capita. If that funding level would have applied in 2010-11, the state would have ranked among the bottom five states for per capita arts funding in 2010-11. On the other hand, the NASAA also reports that at least 30 states have proposed reductions in state arts funding for 2011-12, with seven states other than Wisconsin considering reductions of at least 30%. In addition, seven states other than Wisconsin are considering proposals to restructure their state arts agencies.

4. The grant programs funded with GPR are state aid for the arts and the Wisconsin regranting program. The state aid for the arts program supports a variety of contracts with or grants to groups, individuals, and organizations involved with artistic activities. Grant recipients are required by statute to provide at least 50% of the estimated total project cost, either in the form of monies or in-kind contributions. Funding for state aid for the arts is \$1,948,600 GPR in 2010-11. The Board is also required to conduct an identical state aid for the arts program, but only for American Indian groups or individuals, which is funded with \$24,900 PR from Indian gaming receipts in 2010-11. The Wisconsin regranting program provides grants to local arts agencies and municipalities, which are required to provide a public or private match equal to the amount of the grant, up to 25% of which may consist of in-kind contributions. The arts agency or municipality, in turn, re-grants the funds to arts organizations and artists in their community. The program is appropriated \$116,700 in 2010-11.

5. Established in 1980, the percent for art program requires that at least 0.2% of the cost of new state building projects exceeding \$250,000 must be used to purchase original works of art for display in or around the project and to pay for the program's administrative costs. Generally, building projects are funded through general obligation bonds issued by the Building Commission. Sheds, warehouses, streets or highways, or facilities not open to the general public, are excluded from the program. The Arts Board convenes an advisory committee to select the art work and contracts for the work's acquisition, and participating agencies then assume responsibility for the installation and preservation of the work. In 2010-11, expenditures for the program totaled \$566,800 PR for the purchase of art works and \$109,500 PR for administration and operations, including salaries and fringe for 2.0 PR program staff.

6. A portion of funding for the National Endowment for the Arts is distributed annually among the 50 state arts agencies in the form of an unrestricted basic state grant. Wisconsin's basic state grant (\$921,700 in 2010-11) is used by the Arts Board to award grants to individual artists and arts organizations and to support administrative costs. Under federal law, this grant must be matched by at least an equal amount of state GPR. Because under the bill GPR funding for the Arts Board would be reduced to \$746,000, it appears that the state's grant from the NEA could be reduced to that level in future years.

7. Advocates for the Arts Board argue that the mission of the Board would be compromised by the transfer to Tourism in that the state would no longer have an independent arts agency. Under the bill, the Secretary of Tourism, rather than the Arts Board, would appoint the executive director of the Board, who would serve at the pleasure of the Secretary. Further, advocates argue that arts and culture are not only important to residents' quality of life, but are also contributors to economic development of the state. The Board works to assist local and regional economic development organizations develop their creative industries, and argues that the "creative economy" contributes to the state's employment, spurs economic activity, and generates tourism, all of which could be hurt by scaling back the Arts Board's activities. Americans for the Arts, an advocacy group, argued in a 2007 paper on the arts and economic activity that the nonprofit arts and culture industry would have generated \$261.1 million in expenditures, and \$418.0 million in overall economic activity, in the state of Wisconsin in 2005. The report included direct expenditures by arts organizations as well as event-related expenditures by their audiences, to estimate the total economic impact of arts activities.

8. On the other hand, the Governor's executive budget documents argue that administrative efficiencies are achieved by relocating the Arts Board within the Department of Tourism. The bill would eliminate 4.0 staff positions whose salaries are paid with federal funding, which would generate no savings for the state. However, those reductions could free up federal funding for additional grants to artists. An additional 1.0 GPR position would also be eliminated as part of administrative efficiencies. Duties performed by the eliminated staff would need to be performed either by the remaining Arts Board staff or absorbed by Tourism administrative staff.

9. The largest portion of the savings to the state would be accomplished by reducing funding for state aid for the arts from \$1,948,600 annually to \$353,500, a reduction of over 80%. The Committee could choose to leave the Arts Board intact as an independent agency, while still accomplishing the majority of GPR savings by reducing funding for this grant program.

10. The Arts Board in 2010-11 is authorized 10.0 FTE positions, all of which are currently filled. Of those, 4.0 positions would be retained for Arts Board functions under the bill. The six incumbent employees whose positions would be eliminated would be transferred to Tourism under the bill. Under the classified service, those incumbents could have the right to new positions in that agency, based on their seniority in state service. It might be desirable to add a provision to specify that the employees that would be retained in the Arts Board would include the executive director and those primarily responsible for grants administration, as determined by the Secretary of the Administration.

11. A number of technical corrections would be necessary to accomplish the Governor's intent. One GPR classified position should instead be designated an unclassified position in the state budget system, in order to accommodate the unclassified executive director position, as specified in statute. In addition, certain sections of current law statutes should be renumbered from the current Arts Board chapter so that they appear under the Tourism chapter.

12. The NEA state grant requires a one-to-one match of state funding. The appropriations that are counted toward the match are for state operations, aid for the arts, the challenge grant program, and the Wisconsin regranting program, which together totaled \$2,065,300 in 2010-11. Under the Governor's recommendations, funding for these programs would be reduced to \$746,000 GPR in 2011-12 and 2012-13. The Arts Board received \$921,700 FED from the NEA in 2010-11. Assuming NEA funding is unchanged in the next biennium, the Arts Board would require an additional \$175,700 GPR annually in order to meet its state match obligations. The Committee could choose to increase funding in its appropriation by \$175,700 GPR annually, which would be available for release if federal NEA moneys are available to match state funding.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to transfer the Arts Board to the Department of Tourism, with the following annual funding amounts and position authority for the Arts Board under the Department of Tourism: (a) \$270,000 GPR and 3.0 GPR positions for general program operations; (b) \$359,300 GPR for state aid for the arts; (c) \$116,700 GPR for the Wisconsin regranting program; (d) \$20,000 PR for gifts and grants; (e) \$24,900 PR for state aid for the arts--American Indian groups; (f) \$231,000 FED and 1.0 FED position for federal grants--state operations; and (g) \$524,500 FED for federal grants--aids to individuals and organizations. Delete

the percent for art program and \$511,100 PR annually to delete base level funding. Eliminate the Arts Board's authority to appoint an executive director, and instead allow the Secretary of Tourism to appoint the executive director.

2. Modify the Governor's recommendations to make technical modifications to correct drafting omissions related to renumbering certain sections of the statutes, and to convert 1.0 GPR classified position to an unclassified position in order to accommodate the Executive Secretary. Also, provide that the positions that would be retained and transferred to Tourism would include the executive director and those positions relating primarily to grants administration, as determined by the Secretary of the Administration.

3. In addition to the modifications listed in Alternative 2, modify the Governor's recommendation in any or all of the following ways:

a. Provide \$175,700 GPR annually in the Committee's appropriation for release to the state aid for arts appropriation if additional federal NEA matching moneys are available in the 2011-13 biennium.

<b>ALT 3a</b>	<b>Change to Bill</b>	
	Funding	
GPR	\$351,400	

b. Maintain the authority of the Arts Board to appoint an executive director.

c. Maintain the percent for art program.

<b>ALT 3c</b>	<b>Change to Bill</b>	
	Funding	Positions
PR	\$1,022,200	1.00

4. Delete provision. This alternative would delete reductions in funding for, and the transfer of, the Arts Board, and the percent for art program would be restored. Restore \$14,400 FED annually as part of standard budget adjustments for full funding of salaries and fringe benefits. Retain a reduction of \$3,600 FED annually as part of an increase in employee contributions to pension and health insurance. Restore 1.0 GPR position, 4.0 FED positions, and 1.0 PR position that were deleted under the bill.

<b>ALT 4</b>	<b>Change to Bill</b>	
	Funding	Positions
GPR	\$3,319,200	1.00
FED	28,800	4.00
PR	<u>1,022,200</u>	<u>1.00</u>
Total	\$4,370,200	6.00

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