



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #583

Creative Economy Development Initiative Grants (Tourism)

[LFB 2021-23 Budget Summary: Page 558, #6]

CURRENT LAW

The Wisconsin Arts Board, which is part of the Department of Tourism, administers several grant programs for the support of arts organizations and arts programming throughout the state. Among these 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 program, which provides funding for local arts agencies to disburse 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. In general, recipient organizations must match Arts Board grant awards with at least an equal amount of funding from other sources.

Arts Board operations and grant programs are funded primarily by general purpose revenues (GPR), federal grants (FED), and program revenue (PR) from tribal gaming receipts. Federal funds consist of annual grants from the National Endowment for the Arts (NEA), and annual federal grants must be matched by at least an equal amount of state GPR and tribal gaming PR.

Annual GPR and tribal gaming PR funding to the Arts Board is \$790,000 annually in the 2019-21 biennium. In general, NEA grants are claimable by the Arts Board up to the amount of state GPR and tribal gaming PR funding appropriated to the Arts Board. (Additional state funding to match federal grants is addressed in a separate issue paper.)

DISCUSSION POINTS

1. Assembly Bill 68/Senate Bill 111 contains a program for creative economy development initiative grants for the development of the creative industry, defined as individuals or organizations whose products or services have an origin in artistic, cultural, creative, or aesthetic content. The grants would be administered by the Arts Board. Grantees may include for-profit or nonprofit businesses, local governmental agencies, and business development organizations or associations that work to promote creative industries, job creation, economic development, arts education, or workforce training and development. Grants would be limited to \$40,000 per recipient, and the initiative would require grantees to contribute a match of at least twice the amount of the proposed grant from non-state sources. Further, the Arts Board would be required to create a matrix to evaluate the effectiveness of the grants awarded and submit a report to the Joint Committee on Finance by May 1, 2023, evaluating the effectiveness of the grants on the basis of the matrix developed.

2. AB 68/SB 111 would appropriate \$500,000 in the 2021-23 biennium and would require the Arts Board to award up to that amount for creative economy development initiative grants. The level of funding is consistent with amounts proposed in past legislation to implement creative economy development initiative grants, most recently in 2019 Assembly Bill 66/Senate Bill 82. Both bills had bipartisan sponsorship but failed to pass pursuant to SJR 1.

3. The eligible recipients of creative economy development initiative grants would be generally broader than those under existing Arts Board grant and aid programs. The purposes of grants also would differ from Arts Board grant programs, which tend to support operations of arts organizations, or educational, instructional, or other community arts programming. The Arts Board states that the grants would focus on underserved rural areas of the state as well as urban neighborhoods, with particular focus on: (a) local and regional expansion of jobs, businesses, civic engagement, community revitalization, and cultural tourism programs; (b) arts and creativity in education; and (c) strengthening entrepreneurship capacity in Wisconsin's arts sector.

4. While 2021 AB 68/SB 111 would provide \$250,000 each year in the Arts Board's existing annual appropriation for state aid for the arts, 2019 AB 66/SB82 proposed \$500,000 in a new, continuing appropriation in 2019-20. The funding under the 2019 legislation would have allowed the Arts Board to expend the full \$500,000 provided until exhausted, while unencumbered amounts in an annual appropriation, as under AB 68/SB 111, would lapse to the general fund each June 30. Further, amounts provided in the first year of a biennium are not considered base funding, while amounts provided in the second year of a biennium would constitute base funding, unless otherwise specified as one-time funding.

5. The Committee could approve a creative economy development initiative grant program as included under AB 68/SB 111, and provide funding on a one-time basis in the 2021-23 biennium under the Arts Board appropriation for state aid for the arts [Alternative 1]. The Committee could also consider modifying program funding consistent with 2019 AB 66/SB 82, which would create a new continuing appropriation and provide \$500,000 GPR in 2021-22 [Alternative 2]. The Committee could also provide \$125,000 each year in the Arts Board state aid for the arts appropriation, equal to half of the amount recommended under AB 68/SB 111 [Alternative 3], or \$250,000 in 2021-22 in a continuing appropriation for the creative economy development initiative [Alternative 4]. Providing

any funding on a one-time basis would allow the Arts Board to issue grants and begin evaluating the program for reporting in early 2023 during consideration of the 2023-25 biennial budget.

6. In October of 2020, the Governor allocated \$15 million for a cultural organization grant program using funds under the federal CARES Act provided to Wisconsin to support nonprofit cultural organizations whose operations had been negatively affected by COVID-19. Grants could not exceed \$250,000 per award, or 25% of the applicant's average operating revenues over the three previous fiscal years. The state awarded grants to 385 Wisconsin cultural organizations. Additionally, the American Rescue Plan Act (ARPA) of 2021 provided \$135 million to the NEA, of which \$839,000 was awarded to Wisconsin for grants to state arts agencies and regional arts entities. The Governor has also indicated an intention to allocate up to \$50 million for tourism-related aids from approximately \$2.5 billion the state expects to receive under ARPA; details of these programs have not been released. Considering the federal aid provided by the CARES Act and ARPA, the Committee could take no action [Alternative 5].

ALTERNATIVES

1. Provide the Arts Board \$250,000 annually under its appropriation for state aid for the arts on a one-time basis in the 2021-23 biennium to make competitive grants in the biennium for the development of the creative industry, defined as individuals or organizations whose products or services have an origin in artistic, cultural, creative, or aesthetic content.

ALT 1	Change to Base
GPR	\$500,000

2. Create a creative economy development initiative grant program and provide \$500,000 GPR in a continuing appropriation in 2021-22.

ALT 2	Change to Base
GPR	\$500,000

3. Create a creative economy development initiative grant program and provide the Arts Board \$125,000 annually under its appropriation for state aid for the arts on a one-time basis in the 2021-23 biennium.

ALT 3	Change to Base
GPR	\$250,000

4. Create a creative economy development initiative grant program and provide \$250,000 GPR in a continuing appropriation in 2021-22.

ALT 4	Change to Base
GPR	\$250,000

5. Take no action.

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