



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #584

### Arts Board Fund Matching (Tourism)

[LFB 2021-23 Budget Summary: Page 559, #7]

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#### 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) and program revenue (PR) from tribal gaming receipts. Federal (FED) funding is provided by the National Endowment for the Arts (NEA). In 2020-21, the Arts Board is budgeted state funding of \$765,100 GPR and \$44,900 PR, and authorized positions include 3.0 GPR and 1.0 FED. Current funding levels are intended to provide the minimum amounts necessary to match federal funding provided by NEA, which requires an equal state match on its grant awards. These awards totaled \$813,700 for 2019-20 and \$813,100 for 2020-21. Total appropriations of match-eligible state funding are \$790,000 in 2020-21, including \$765,100 GPR and \$24,900 tribal gaming PR.

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. By statute, 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.

## DISCUSSION POINTS

1. The NEA requires states to provide an equal match to its awards. Prior to being consolidated with 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. The NEA award for 2020-21 is \$813,100, and the preliminary NEA award for 2021-22 is \$887,100. 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 2022-23. Based on historical award trends, it is estimated that the 2022-23 award could increase by approximately 2%, to \$904,800.

2. The table outlines state appropriations and federal awards for fiscal years 2021 through 2023. 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.

### Arts Board Federal Match Amounts

	Base <u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Staff and Operations*	\$289,100	\$306,200	\$306,200
Grants			
State Aid for the Arts (GPR)	\$359,300	\$359,300	\$359,300
Regranting (GPR)	116,700	116,700	116,700
Woodland Indian Arts Initiative (PR)	<u>24,900</u>	<u>24,900</u>	<u>24,900</u>
Subtotal - Grants	\$500,900	\$500,900	\$500,900
Total State Funding Available	\$790,000	\$807,100	\$807,100
Federal Awards <sup>†</sup>	\$813,100	\$887,100	\$904,800
Current Year Overage/Shortfall	-23,100	-80,000	-97,700
Prior Year Shortfall	<u>-16,100</u>		
Total Fiscal Year Shortfall	-39,200	<u>-80,000</u>	<u>-97,700</u>

\*Amounts for the 2021-23 biennium include standard budget adjustments under Committee action of May 6.

<sup>†</sup> The NEA award for 2021-22 is preliminary, and the award for 2022-23 is estimated.

3. It is anticipated that 2020-21 state appropriations for the Arts Board will be insufficient to fully match federal funding available through September 30, 2021. As shown in the table, total match-eligible state funding of \$790,000 in 2020-21 is \$23,100 less than the NEA grant available for the fiscal year. However, because the federal fiscal year ends on September 30, the Arts Board could receive additional state funding during the first three months of state fiscal year 2021-22 to match federal fiscal year 2021 awards.

4. In addition to the \$23,100 shortfall in 2020-21 state funding relative to NEA funding

available for the year, Arts Board staff and the Department of Administration indicate the Arts Board has a shortfall of \$16,100 carried over from 2019-20. In February, 2020, the Committee provided \$41,500 GPR in supplemental funding in 2019-20 to reconcile previous misalignments in how state Arts Board funding had been allocated to federal grant cycles, owing to the later end in the federal fiscal year. However, the February, 2020, supplemental funding did not include amounts to cover the shortfalls in state funding for the 2019-20 and 2020-21 fiscal years, which had not yet been finalized.

5. For 2021-22 and 2022-23, Committee action to date has approved standard budget adjustments that would provide the state match-eligible funding shown in the table. As a result, state funding would need to increase by an additional \$80,000 in 2021-22 and by \$97,700 in 2022-23 to equal the \$887,100 in 2021-22 and \$904,800 in 2022-23 necessary to match federal funds anticipated in each year. In the event that funding is not sufficient in a given year, unmatched awards go unclaimed. Arts Board staff reports that it has had to delay grants to grantees or reduce potential awards due to the state not fully matching NEA funds in the past.

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 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.

7. The Committee could consider providing funds to cover the 2020-21 known shortfall of \$23,100 and the remaining \$16,100 shortfall from 2019-20, for a total of \$39,200 [Alternative 1]. The Committee could also consider providing funds to cover the accumulated shortfall of \$39,200 and the anticipated 2021-22 shortfall of \$80,000, for a total of \$119,200 [Alternative 2].

8. Considering the regularity of NEA award increases and the expectation that supplements would be necessary in the future, the Committee could consider an equal match for the 2019-20 through 2022-23 fiscal years. This would provide \$119,200 in 2021-22 and \$97,700 in 2022-23 for a total of \$216,900 [Alternative 3]. In addition to either of Alternatives 2 or 3, the Committee could specify that the funding to match anticipated shortfalls in either of the 2021-22 (\$80,000) or 2022-23 (\$97,700) fiscal years is to be placed in the Joint Committee on Finance supplemental GPR appropriation [Alternative 4]. Under this alternative, the Committee could allocate funding to the Arts Board under a s. 13.10 request as state match needs are finalized. Any unallocated supplements would lapse to the general fund balance on June 30, 2023.

9. In October of 2020, the Governor allocated funding of \$15 million from the federal CARES Act for a cultural organization grant program in 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 \$828,200 was awarded to Wisconsin for grants to state arts agencies and regional arts entities. State fund matching requirements were waived. Considering the federal aid provided by the CARES Act and ARPA, the Committee could maintain base funding [Alternative 5].

## ALTERNATIVES

1. Provide \$39,200 GPR in 2021-22 to reflect equal state matches for federal NEA awards in 2019-20 (\$16,100 shortfall) and 2020-21 (\$23,100 shortfall).

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$39,200

2. Provide \$119,200 GPR in 2021-22 to reflect equal state matches for federal NEA awards in 2019-20 (\$16,100 shortfall), 2020-21 (\$23,100 shortfall), and preliminary 2021-22 awards (\$80,000).

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$119,200

3. Provide \$119,200 GPR in 2021-22 and \$97,700 GPR in 2022-23 to reflect equal state matches to federal NEA awards in 2019-20 (\$16,100 shortfall), 2020-21 (\$23,100 shortfall), 2021-22 preliminary (\$80,000), and 2022-23 anticipated (\$97,700).

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$216,900

4. In addition to either of Alternatives 2 or 3, specify that the funding to match anticipated shortfalls in either of the 2021-22 (\$80,000) or 2022-23 (\$97,700) fiscal years is to be placed in the Joint Committee on Finance supplemental GPR appropriation.

5. Take no action.

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