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Joint Committee on Finance

Paper #754

Arts Board Fund Matching (Tourism)

[LFB 2023-25 Budget Summary: Page 615, #7]

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 2022-23, the Arts Board is budgeted state funding of \$782,200 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 \$887,100 for 2021-22 and \$954,500 for 2022-23. Total appropriations of match-eligible state funding are \$807,100 in 2022-23, including \$782,200 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. As of April 15, 2023, the Arts Board has allocated available state and federal funding in 2022-23 to 216 arts organizations or individual artists. 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. However, for most fiscal years since 2011, state appropriations for the Arts Board have been lower than available NEA grants. These shortfalls have required Committee or legislative action to provide sufficient state matches.

2. The NEA award for 2022-23 is \$954,500, and the NEA award for 2023-24 is anticipated to be \$1,078,000. 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 2024-25. Based on recent award trends, it is estimated that the 2024-25 award could increase by approximately 10%, to \$1,185,800.

3. The table outlines state appropriations and federal awards for fiscal years 2023 through 2025. 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>2022-23</u>	JFC to Date <u>2023-24</u>	JFC to Date <u>2024-25</u>
Staff and Operations*	\$306,200	\$318,000	\$318,000
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	\$807,100	\$818,900	\$818,900
Federal Awards [†]	\$954,500	\$1,078,000	\$1,185,800
Current Year Overage/Shortfall	-\$147,400	-\$259,100	-\$366,900
Prior Year Shortfall	<u>- 700</u>	<u>- 148,100</u>	<u>- 407,200</u>
Total Fiscal Year Shortfall	-\$148,100	-\$407,200	-\$774,100

*Amounts for the 2023-25 biennium include standard budget adjustments under Committee action of May 2.

[†] The NEA award for 2024-25 is estimated.

4. It is anticipated that 2022-23 state appropriations for the Arts Board will be insufficient to fully match federal funding available through September 30, 2023. As shown in the table, total

match-eligible state funding of \$807,100 in 2022-23 is \$147,400 less than the NEA grant available for the fiscal year. In addition to the \$147,400 shortfall in 2022-23 state funding relative to NEA funding available for the year, Arts Board staff and the Department of Administration indicate that the Arts Board has a shortfall of \$700 carried over from 2021-22. Tourism submitted to the Committee a funding request under s. 13.10 of the statutes for \$148,100 in January, 2023, to resolve the shortfall; the request is pending. However, because the federal fiscal year ends on September 30, the Arts Board could also receive additional state funding during the first three months of state fiscal year 2023-24 to match federal fiscal year 2023 awards. The NEA generally expects state grant recipients to match awards on a consistent basis, and delays in award matching can result in loss of grant funds.

5. In August, 2022, the Committee provided \$107,400 GPR in supplemental funding in 2022-23 to reconcile the 2021-22 misalignment 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 August, 2022, supplemental funding did not include amounts to cover the shortfalls in state funding for the 2022-23 fiscal year. The Committee could provide a state match of \$148,100 in 2023-24 for shortfalls through 2022-23, as match to funding available through September 30, 2023 [Alternative 1a]. The Committee could consider providing state matches for the 2021-22, 2022-23, and final 2023-24 amounts, totaling \$407,200 [Alternative 1b], as these amounts yielding the shortfall are unlikely to change appreciably through the 2023-24 state fiscal year.

6. Under Assembly Bill 43/Senate Bill 70, Arts Board base funding would be increased by \$215,300 in 2024-25. Given the tendency in recent years for NEA grants to be increasingly larger than the state's budgeted funds, additional base funding for state arts aids would lessen or obviate the need for additional Committee or legislative action to match available federal funds. The Committee could increase the Arts Board base funding by \$215,300 in 2024-25, as proposed in the bill [Alternative 2a]. The Committee could also consider providing \$366,900 in 2024-25 to match the state shortfall in that year [Alternative 2b]. Amounts in 2024-25 could also be provided as one-time funding, given the uncertainty of future federal appropriations levels and subsequent grants to states [Alternative 3].

7. The Committee was able to address the funding shortfall in August, 2022, using available base funding in the Committee's supplemental appropriation of \$133,600 GPR each year. As a biennial appropriation, the biennial amount of \$267,200 could be directed by the Committee to funding insufficiencies such as those involving the Arts Board. However, the Committee's base supplemental funding would be insufficient for current Arts Board shortfalls projected in the 2023-25 biennium. The Committee could allocate the current anticipated annual shortfalls in state funding, or \$259,100 in 2023-24 and \$366,900 in 2024-25, to the Committee's supplemental GPR appropriation [Alternative 4]. This would allow the Arts Board to seek supplemental funding from the Committee once annual shortfalls are confirmed.

8. The Committee could also take no action [Alternative 5]. Taking no action would likely result in reduced federal awards in future years.

ALTERNATIVES

1. Provide one of the following amounts for state aid for the arts in 2023-24:

a. \$148,100 GPR. (This would reflect equal state matches for federal NEA awards available through September 30, 2023.)

ALT 1a	Change to Base
GPR	\$148,100

b. \$407,200 GPR. (This would reflect equal state matches for federal NEA awards available through September 30, 2024.)

ALT 1b	Change to Base
GPR	\$407,200

2. Provide one of the following amounts in 2024-25, in addition to one of the amounts in Alternative 1:

a. \$215,300 GPR. (This would increase base funding for state aid for the arts as under Assembly Bill 43/Senate Bill 70.)

ALT 2a	Change to Base
GPR	\$215,300

b. \$366,900 GPR. (This would match the potential NEA grant for 2024-25, based on recent increases in federal funding.)

ALT 2b	Change to Base
GPR	\$366,900

3. Specify funding in 2024-25 as one-time funding. (This could be selected in addition to any of the options under Alternative 2.)

4. Provide \$259,100 in 2023-24 and \$366,900 in 2024-25 to the Committee's supplemental GPR appropriation. (These amounts would be anticipated to fully match NEA awards to Wisconsin in 2023-24 and 2024-25.)

ALT 4	Change to Base
GPR	\$626,000

5. Take no action.

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