

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1391 (Delegate Lierman, *et al.*)  
 Appropriations

Maryland Arts and Culture Capital Grant Program

This bill establishes the Maryland Arts and Culture Capital Grant Program. The Maryland State Arts Council (MSAC) must administer the program and hire at least one full-time coordinator for the program. From fiscal 2021 through 2026, the Governor must appropriate \$12.0 million annually to the program. The council must award the total amount each year, split evenly between two types of eligible recipients, subject to specified requirements. **The bill takes effect June 1, 2019.**

Fiscal Summary

**State Effect:** No effect in FY 2019 or 2020. General fund expenditures increase by \$12.1 million annually from FY 2021 through 2026, as discussed below. State revenues and expenditures increase beginning as early as FY 2021 to the extent that eligible State entities receive and use grants under the program (not shown below). **This bill establishes a mandated appropriation from FY 2021 through 2026.**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	12.1	12.1	12.1	12.1
Net Effect	\$0.0	(\$12.1)	(\$12.1)	(\$12.1)	(\$12.1)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local government revenues and expenditures increase beginning as early as FY 2021 to the extent that eligible local entities receive and use grants under the program.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** MSAC must provide \$12.0 million in grants annually from fiscal 2021 through 2026 to eligible recipients. The \$12.0 million total is split into two \$6.0 million allocations, with different requirements, as shown in **Exhibit 1**.

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### Exhibit 1 Grant Allocation and Program Eligibility Criteria Fiscal 2021-2026

	<u>Large Organizations</u>	<u>Smaller Organizations/Nonprofits</u>
<b>Annual Program Grants</b>	\$6.0 million	\$6.0 million
<b>Eligibility</b>	Eligible organizations <sup>1</sup> with operating budgets of more than \$3.0 million	Eligible organizations <sup>1</sup> with operating budgets of less than \$3.0 million  Eligible Maryland nonprofit institutions of culture or history <sup>2</sup> with operating budgets of more than \$1.6 million
<b>Use of Funds</b>	Expansion of, renovation of, or major repairs to a facility that is operated by the eligible entity  No more than 15% of funds may be used for operating purposes	Expansion of, renovation of, or major repairs to a facility that is operated by the eligible entity  No more than 15% of funds may be used for operating purposes
<b>Match Requirement</b>	50%, and cannot be waived	25%, can be waived for good cause
<b>Maximum Annual Award</b>	\$2.0 million per project	\$1.0 million per project

<sup>1</sup>Those that participate in MSAC's Grants for Organizations Program or Community Arts Development Program.

<sup>2</sup>Those that do not participate in MSAC's Grants for Organizations Program or Community Arts Development Program.

MSAC: Maryland State Arts Council

Source: Department of Legislative Services

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MSAC, in consultation with the Department of Housing and Community Development (DHCD) and the Department of Commerce (Commerce), must establish a competitive application process for the grants. The application must contain specified information, such as the project plan, full budget, and a letter of support from the local governing body. Commerce must establish, by regulation, a quantitative system to evaluate each application that takes into account specified information, including the capacity of the applicant or partners of the applicant to complete the project and leverage non-State funding.

MSAC and a grant recipient must execute a program agreement, with which the grant recipient must comply. MSAC may exercise any remedy authorized by law if the grant recipient violates any provision of the agreement or does not meet any requirement established by the bill.

**Current Law/Background:** MSAC is a 17-member State agency established in 1967. The council’s mission is to encourage and invest in the advancement of the arts for the people of the State, which the council accomplishes largely through grants to arts organizations and local arts agencies. The council also makes grants to enhance the availability of artists in public schools, further the creative work of individual artists, and support the preservation of folk and traditional arts.

Grant recipients under MSAC’s Grants for Organizations and Community Arts programs include nonprofit entities and units of State and local governments. Fiscal 2018 awards totaled \$16.7 million. A list of recipients can be found on MSAC’s [website](#).

**State Fiscal Effect:** The bill requires that \$12.0 million be provided to the Maryland Arts and Culture Capital Grant Program from fiscal 2021 through 2026 and that MSAC hire at least one full-time coordinator to administer the program. The bill also requires that the program award \$12.0 million annually over a six-year period. Therefore, this analysis assumes that *additional* general funds are needed to pay for the required coordinator. Accordingly, general fund expenditures increase by \$12,117,460 in fiscal 2021, which accounts for a delayed implementation date of July 1, 2020, consistent with the timing of the bill’s mandated appropriation and the grant awards being tied to that mandate. This estimate reflects the cost of hiring one program coordinator to administer all aspects of the program; the coordinator is assumed to be a regular position rather than a contractual position since the program extends beyond five years. The estimate includes a salary, fringe benefits, one-time start-up costs, travel costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$99,945
Grants	12,000,000
Other Operating Expenses	<u>17,515</u>
<b>Total FY 2021 State Expenditures</b>	<b>\$12,117,460</b>

To the extent that funding is provided in fiscal 2020, it is discretionary and the coordinator must be hired sooner. Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses, in addition to \$12.0 million in grant funding annually through fiscal 2026. This analysis further assumes that DHCD and Commerce can consult with MSAC as needed with existing budgeted resources.

State revenues and expenditures increase beginning as early as fiscal 2021 to the extent that eligible State entities receive and use grants under the program. The amount, if any, cannot be reliably estimated at this time.

**Local Fiscal Effect:** Local government revenues and expenditures increase beginning as early as fiscal 2021 to the extent that eligible local entities receive and use grants under the program. The amount, if any, cannot be reliably estimated at this time.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Commerce; Maryland Association of Counties; Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 2019  
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