SB 287

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 287 (Senator Elfreth, *et al.*)

Budget and Taxation Appropriations

Maryland Arts Capital Grant Program

This bill establishes the Maryland Arts 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 2022 through 2027, the Governor must include $3.0 million in the State operating or capital budget for the program. The council must award the total amount each year, subject to specified requirements. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: No effect in FY 2021. Overall general fund expenditures increase by $3.1 million annually from FY 2022 through 2027, under the assumptions discussed below. State revenues and expenditures increase beginning as early as FY 2022 to the extent that eligible State entities receive and use grants under the program (not shown below). **The bill establishes a mandated appropriation for FY 2022 through 2027.**

($ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	0.1	0.1	0.1	0.1
PAYGO GF Exp.	0	3.0	3.0	3.0	3.0
Net Effect	$0.0	($3.1)	($3.1)	($3.1)	($3.1)

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 2022 to the extent that eligible local entities receive and use grants under the program.

Small Business Effect: None.

Analysis

Bill Summary: MSAC must provide $3.0 million in grants annually from fiscal 2022 through 2027 to eligible recipients, which are organizations that have operating budgets of less than $3.0 million and participate in MSAC's Grants for Organizations Program or Community Arts Development Program. Subject to a minimum 25% matching requirement, which may be waived by MSAC for good cause, a grant may be awarded for the expansion of, renovation of, or major repairs to a facility that is operated by an eligible recipient. No more than 15% of funds may be used for operating purposes. For any fiscal year, an organization may not receive a grant of more than $1.0 million for a single project.

MSAC, in consultation with the Department of Housing and Community Development (DHCD) and the Department of 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.

Coordination with Legislative Bond Initiative Process

The bill expresses legislative intent that, before a legislative bond initiative (LBI) is submitted on behalf of an organization for a project that is eligible for a grant under the program established by bill, the organization:

- apply for a program grant;
- receive a letter of support from the executive director of MSAC stating that (1) the project is urgent and any funding the organization receives will be spent in the next fiscal year and (2) the organization has been awarded a program grant; and
- is authorized by the President of the Senate and the Speaker of the House to request an LBI.

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 2019 awards totaled more than $17.9 million. A list of recipients can be found on MSAC's website.

Legislative Bond Initiatives

Unlike the operating budget, the General Assembly has the power to modify the capital budget bill in any manner since it is a supplementary appropriation bill. The projects proposed by the Governor may be deleted, the amounts allocated for specific purposes of a project may be increased or decreased, or the General Assembly may add specific projects and dollar amounts. Since the 2001 session, the General Assembly has used this power to amend LBI projects into the annual capital budget bill instead of passing individual bond authorization bills.

With the support of a legislative sponsor, any applicant may request funding from the General Assembly for a capital project. The number and type of projects funded by the General Assembly is limited – requests for funding greatly exceed available resources each year. In some years, the total amount requested for local capital projects has exceeded 10 times the available resources. Thus, the eligibility and priority of sponsored projects is heavily scrutinized to ensure that State-authorized funds will be expended expeditiously. More information on the LBI process can be found on the General Assembly's website.

State Fiscal Effect: The bill requires that $3.0 million be provided to the Maryland Arts Capital Grant Program from fiscal 2022 through 2027 in the State operating or capital budget. This analysis assumes that funding is provided in the operating budget; to the extent that funds are provided in the capital budget, instead, overall State expenditures are not affected beyond Commerce's staffing costs, but $3.0 million annually is reallocated from other capital projects.

The bill requires $3.0 million to be awarded under the program each year and MSAC to hire at least one full-time coordinator to administer the program. Therefore, *additional* general funds are needed to pay for the required coordinator.

Accordingly, general fund expenditures increase in total by $3,115,983 in fiscal 2022, which accounts for a delayed implementation date of July 1, 2021, consistent with the timing of the bill's mandated appropriation and the grant awards being tied to that mandate. The majority of that amount each year, $3.0 million, is considered general fund pay-as-you-go (PAYGO). 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	$98,458
PAYGO Grants	3,000,000
Other Operating Expenses	17,525
Total FY 2022 State Expenditures	**$3,115,983**

To the extent that funding is provided in fiscal 2021, 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 $3.0 million in PAYGO grants issued annually through fiscal 2027. DHCD and Commerce can likely consult with MSAC as needed with existing budgeted resources, particularly if the requirement largely involves information sharing. To the extent that assistance involves significant and ongoing responsibilities, those agencies may require additional staff.

State revenues and expenditures increase beginning as early as fiscal 2022 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.

The bill's requirements as they relate to LBIs do not affect overall State finances.

Local Fiscal Effect: Local government revenues and expenditures increase beginning as early as fiscal 2022 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.

Additional Information

Prior Introductions: HB 1391 of 2019, a similar bill, received a hearing from the House Appropriations Committee, but no further action was taken.

Designated Cross File: HB 127 (Delegate Lierman, *et al.*) - Appropriations.

Information Source(s): Department of Commerce; Department of Housing and Community Development; Department of Budget and Management; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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