

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 310
 Appropriations

(Delegate Lierman)

Budget and Taxation

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 2024 through 2029, 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, 2021.**

Fiscal Summary

State Effect: No effect in FY 2022 or 2023. Overall general fund expenditures increase by \$3.1 million annually from FY 2024 through 2029, under the assumptions discussed below. State revenues and expenditures increase beginning as early as FY 2024 to the extent that eligible State entities receive and use grants under the program (not shown below). **This bill establishes a mandated appropriation for FY 2024 through 2029.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	0.1	0.1	0.1
PAYGO GF exp	0	0	3.0	3.0	3.0
Net Effect	\$0.0	\$0.0	(\$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 2024 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 2024 through 2029 to eligible recipients, which are organizations that have operating budgets of less than \$3.0 million and either (1) participate in MSAC's Grants for Organizations Program or Community Arts Development Program or (2) are open to the public and provide cultural education or experiences. A grant may be awarded for the acquisition of, expansion of, renovation of, or major repairs to a facility or other infrastructure that is operated by an eligible recipient. No more than 15% of funds may be used for operating expenses. 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: 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.

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.

State Fiscal Effect: The bill requires that \$3.0 million be provided to the Maryland Arts Capital Grant Program from fiscal 2024 through 2029 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 \$3,111,199 in fiscal 2024, which accounts for a delayed implementation date of July 1, 2023, 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	\$100,454
PAYGO Grants	3,000,000
Other Operating Expenses	<u>10,745</u>
Total FY 2024 State Expenditures	\$3,111,199

To the extent that funding is provided in fiscal 2022 or 2023, 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 2029. 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.

Grant recipients under MSAC's Grants for Organizations and Community Arts programs include nonprofit entities and units of State and local governments. State revenues and expenditures increase beginning as early as fiscal 2024 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 2024 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: SB 287 of 2020, a similar bill, passed the Senate and was referred to the House Appropriations Committee, but no further action was taken. HB 127, its cross file, received a hearing from the House Appropriations Committee, but no further action was taken. HB 1391 of 2019, a similar bill, received a hearing from the House Appropriations Committee, but no further action was taken.

Designated Cross File: SB 323 (Senator Elfreth, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 11, 2021
an/vlg Third Reader - April 7, 2021
Revised - Amendment(s) - April 7, 2021

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510