

GBC_FAV_SB1065

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Position: FAV



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

**SENATE BILL 1065 – ECONOMIC DEVELOPMENT –
BALTIMORE SYMPHONY ORCHESTRA – FUNDING AND REPORTING**

March 12, 2020

**DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE**

Position: Support

Senate Bill 1065 requires the Governor to include an appropriation to the Baltimore Symphony Orchestra (BSO) in the annual budget from fiscal year 2022 through fiscal year 2026. The bill also requires the BSO to report annually on the effectiveness of the funding provided by the State, including a complete statement on the financial condition of the BSO and an accounting of all financial receipts and expenditures.

Last year, the BSO's fiscal troubles and operating deficits led to conflicts between management and musicians, and forced the BSO to cancel its summer series and delay the start of the 2019-2020 season. After months of hard work by the BSO Board, management, musicians, community members, and civic leaders, the BSO has created a clear vision and strategic five-year plan. Renewed fundraising efforts have been extremely successful, with over \$8 million in recent gifts.

The appropriations required in Senate Bill 1065 would offer a bridge to the BSO as it regains its footing on the path to a successful future. The State grant funds would gradually diminish, providing \$1.5 million in fiscal year 2022, \$1.3 million in fiscal year 2023, \$1.1 million in fiscal year 2024, \$900,000 in fiscal year 2025, and finally \$700,000 in fiscal year 2026. With this State support, the BSO projects that it will no longer operate at a deficit by fiscal year 2025.

The Greater Baltimore Committee recognizes the importance of the BSO as a cultural anchor for not only the Baltimore region, but the entire State of Maryland. The BSO provides cultural and educational opportunities to students and citizens statewide and enjoys a positive international reputation. The appropriation required by Senate Bill 1065 will help to ensure that the BSO can continue its outstanding performances and educational offerings for generations to come.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 1065.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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THE SENATE OF MARYLAND
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SPONSOR STATEMENT

**Senate Bill 1065 – Economic Development – Baltimore Symphony Orchestra –
Funding and Reporting**

March 12, 2020

Mister Chairman and Members of the Budget and Taxation Committee:

Just a year ago, the Baltimore Symphony Orchestra (BSO) was in dire financial shape with a severe cash flow problem that raised doubt, even by outside auditors, that it was viable as an ongoing concern. Based on those issues, we passed House Bill 1404 that had two critical elements. The first was to provide immediate additional funding for the purpose of stabilizing the situation. The second was to require the formation of a Workgroup.

Over this past year, there have been several positive actions. The BSO and the musicians have entered into a labor agreement through September. The private sector has stepped up, pledging over 6 million additional dollars since December alone. And the outside auditor has recently given the BSO Board a clean audit opinion.

The Workgroup was formed and was charged with making very specific recommendations on how to create long term financial stability, develop new audiences and increase and diversify statewide participation. Under the Chairmanship of Senator Ed Kasemeyer, the workgroup produced a comprehensive report and set of recommendations that provide a road map to putting the BSO on a path of stability and future excellence.

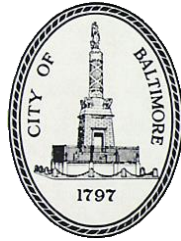
One of the recommendations that is key to the long term stability of the BSO, is a financial commitment from the State of a limited nature. Senate Bill 1065 mandates that commitment. It is a specific appropriation of declining amounts ending in fiscal year 2026. This financial commitment when combined with the other recommendations in the workgroup's report, will put the BSO on a path for permanent viability, expansion and excellence.

I believe that we can commit the funds proposed in Senate Bill 1065 with great confidence that it will be a vital piece to a new paradigm for the BSO and so I respectfully request a favorable report on Senate Bill 1065.

BCA_FAV_SB1065

Uploaded by: Stegman, Matthew

Position: FAV



BERNARD C. “JACK” YOUNG
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB 1065

March 12, 2020

TO: Members of the Budget & Taxation Committee

FROM: Matthew Stegman, Deputy Director of Government Relations

RE: Senate Bill 1065 – Economic Development - Baltimore Symphony Orchestra - Funding and Reporting

POSITION: SUPPORT

Chair Guzzone, Vice Rosapepe, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 1065.

SB 1065 requires the Governor to appropriate additional funding for the Baltimore Symphony Orchestra (BSO) annually between FY 2022 and FY 2025. It further requires the BSO to report each year on the efficacy of the additional funding and the general financial condition of the BSO.

The BSO is an important cultural institution that brings visitors from around the region to the heart of Baltimore City. In 2020, the BSO aims to bring over 325,000 visitors in from the City and surrounding region. Additionally, the BSO supports music education programs that serve children in Baltimore City Public Schools including the OrchKids program.

The BCA values its partnership with the BSO. In the FY 2020 budget, the City committed \$500,000 to support this internationally-recognized cultural and education institution. The BSO sustainability workgroup, under the leadership of former Senator Ed Kasemeyer, has made tremendous strides to put the orchestra back on sustainable financial footing. This bill would further support those efforts.

We respectfully request a **favorable** report on Senate Bill 1065.

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SB1065_DBM

Uploaded by: DBM, DBM

Position: INFO



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Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 1065 Economic Development-Baltimore Symphony Orchestra-Funding and Reporting (King)

STATEMENT OF INFORMATION

DATE: March 12, 2020

COMMITTEE: Senate Budget & Taxation Committee

SUMMARY OF BILL: SB 1065 mandates an annual appropriation for five years to the Baltimore Symphony Orchestra as follows: \$1.5 million in FY 2022; \$1.3 million in FY 2023; \$1.1 million in FY 2024; \$900,000 in FY 2025; and \$700,000 in FY 2026.

EXPLANATION: DBM's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the difficulty in balancing the State budget when the increased use of mandated spending continues unabated.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues.

General Fund Budget Outlook Fiscal 2022 - 2025

	Est. 2022	Est. 2023	Est. 2024	Est. 2025
Cash Balance	-\$833	-\$1,135	-\$1,201	-\$1,298
Structural Balance	-\$701	-\$905	-\$984	-\$1,071

Department of Legislative Services, January 2020 Fiscal Briefing

For FY 22 – FY 25, the cumulative impact of an ongoing imbalance between spending and revenues is a \$3.6 billion structural gap. Our structural budget problem reflects a spending problem; not a revenue problem.

Until we achieve long-term structural balance, programs cannot rely on a consistent funding level. Constituencies for these proposed programs or enhanced spending bills should be forewarned that passage of this legislation does not guarantee future funding. The diversion of General Funds may be repealed or otherwise modified in a subsequent Budget Reconciliation and Financing Act (BRFA) – this action is necessary to ensure a constitutionally required balanced budget in the next fiscal year.

The Administration is cognizant of the downside risks facing our economy and, in the FY 2021 Budget, has set aside \$1.3 billion in reserves. The Rainy Day Fund balance is equal to 6.25% of revenues, \$48 million more than recommended by the Spending Affordability Committee (SAC). Moody's Analytics has recently advised of a slowdown in employment growth in the latter part of FY 2021, which DLS estimates would add \$241 million to the structural budget gap in FY 2021 and \$419 million in FY 2022. Historic increases in funding for both K-12 education, as proposed by the Kirwan Commission, and school construction will further aggravate the budget gap.

The 2019 SAC commentary encourages a cautious fiscal approach -- **“Out-year fiscal stress is anticipated despite the expectation that personal income and employment will continue to grow steadily, and entitlement and prison caseloads will hold steady or decline. An imbalance is forecast before accounting for any recommendations from the Commission on Innovation and Excellence in Education.”**

For additional information, contact Barbara Wilkins at
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