Ohio Arts Council

House Higher Education Subcommittee

Sara D. Anderson, Budget Analyst

Legislative Service Commission

February 25, 2003

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LSC Redbook

for the

Ohio Arts Council

House Higher Education Subcommittee

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Attachments: LSC Budget Spreadsheet By Line Item

February 25, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Ohio Arts Council

- In the current biennium, GRF subsidies were substantially reduced due to cuts
- Subsidies are further reduced in the executive budget
- A new grant from the U.S. Department of Education doubles federal funding

OVERVIEW

The Ohio Arts Council was established in 1965 to foster and encourage the development of the arts across Ohio and the preservation of the state's cultural heritage. With funds from the state of Ohio, the federal National Endowment for the Arts (NEA), and the U.S. Department of Education, the agency administers grant programs that provide financial assistance to artists, to arts organizations, and to communities; the agency also provides services that enhance the growth of the arts. The primary goals of the agency are to foster and encourage the development of the arts and to assist in the preservation of Ohio's cultural heritage.

The Arts Council consists of 19 members, with 2 each appointed by the House and Senate and 15 appointed by the Governor. The agency's executive director is appointed by, and reports to, the Council. The agency's executive director oversees an administrative, clerical, and program staff of 37 employees. In the FY 2004/2005 biennium, the number of staff will fall to 35.

The agency's activities can be separated into three main program divisions: services to artists, support for organizations, and arts in communities. The services to artists division consists of three main programs: Individual Artists, Traditional Apprenticeships, and the Artists' Project. The support for organizations division provides operating support to ongoing arts programming and projects of non-profit organizations. The arts in communities division focuses on developmental assistance, services to underdeveloped areas, and the development of relationships among artists, scholars, contributors, and the public. The Arts Council receives nearly 1,700 grant applications per year; it is currently funding more than 800 grants. In the FY 2002/2003 biennium, there were several cuts imposed on the Arts Council's budget, forcing the agency to cut back on the amount of the grant awards to artists and organizations. The Executive's recommendations for the upcoming biennium reduce the program subsidies line even further, which will result in further cuts to grant awards.

The Arts Council, in FY 2002, ranked 25th in terms of per capita funding. In FY 1998, the Arts Council ranked 16th.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Arts Council

Purpose: To foster and encourage the development of the arts and the preservation of Ohio's cultural heritage

The following table shows the line items that are used to fund this agency, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	370-100	Personal Services	$1,896,848	$1,892,879
GRF	370-200	Maintenance	$547,404	$532,998
GRF	370-300	Equipment	$27,788	$27,056
GRF	370-502	Program Subsidies	$9,896,320	$9,648,912
Total General Revenue Fund			$12,368,360	$12,101,845
4B7	370-603	Percent for Art Acquisitions	$429,325	$429,325
460	370-602	Gifts and Donations	$86,366	$86,366
Total General Services Fund			$515,691	$515,691
314	370-601	Federal Programs	$1,657,300	$1,657,300
Total Federal Special Revenue Fund			$1,657,300	$1,657,300
Total funding: Ohio Arts Council			**$14,541,351**	**$14,274,836**

Ohio Arts Council

Program description: The Arts Council's operations are centered on its administration of a program of grants and fellowships to help fund the arts in Ohio. The major line item is 370-502, Program Subsidies, by far the budget's largest line item. The programs supported by this line item are organized into three divisions, Services to Artists, Support for Organizations, and Arts in Communities.

Funding Source: GRF, GSF, Federal Special Revenue

Line Items: 370-100, Personal Services; 370-200, Maintenance; 370-300, Equipment; 370-502, Program Subsidies; 370-603, Percent for Art Acquisitions; 370-602, Gifts and Donations; and 370-601, Federal Programs

Implication of the Executive Recommendation: The Executive recommends that the Arts Council receive a decrease in funding of 0.5% from FY 2003 to FY 2004 and a decrease of 1.8% from FY 2004 to FY 2005. GRF funding for the agency would decrease 7.2% from FY 2003 to FY 2004 and 2.2% from FY 2004 to FY 2005 under the executive proposal.

Specific funding for the Arts Council includes

- ***Program Subsidies***

The Executive recommends that the program subsidies line receive a 7.4% cut in funding from FY 2003 to FY 2004 and a further 2.5% cut in funding from FY 2004 to FY 2005. This would result in many of

the grant awards being reduced more than they already have been in the current biennium. Many arts organizations across the state receive grants for general operating support (maintenance, equipment, etc.). The executive recommendations would reduce the level of support the Arts Council can give to these organizations. In addition, the progress that the agency has made towards broadening access to the arts for smaller organizations, rural communities, educational programming for children and adults, and community development would be curtailed. Funding for projects and programs funded through the subsidy line will be cut across the board in order to manage the decrease in funding.

The last four years of GRF subsidy funding by the Arts Council is broken down in the Additional Facts and Figures section.

- ***Personal Services***

The Executive recommends that appropriation line item 370-100, Personal Services, be reduced by 6.3% from FY 2003 to FY 2004 and by 0.2% from FY 2004 to FY 2005. As a result, staff levels for the agency will need to be reduced further (from 37 staff in FY 2003 to a projected 35 staff in FY 2004 and FY 2005). This will result in a further reduction in agency services; the Grants Office, the Fiscal Office, and the Public Information Office are facing possible cutbacks in personnel, which would affect the agency's grants-making evaluation process. The Arts Council uses less than 1% of their budget for purchased services.

- ***Federal funds***

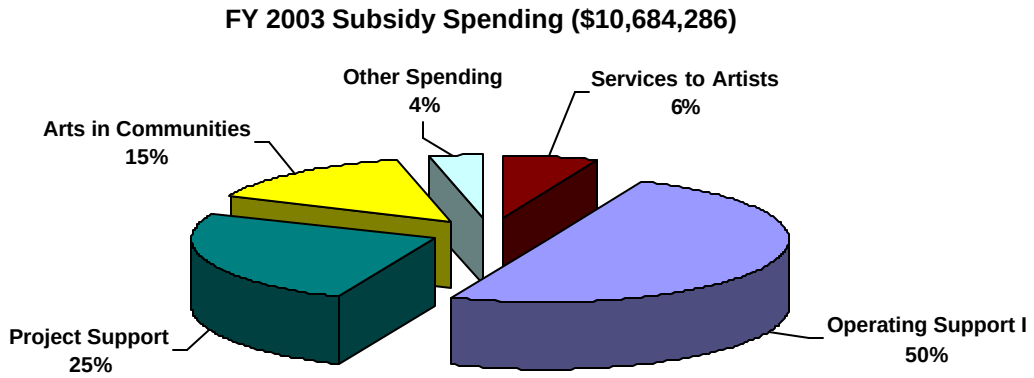
The Executive recommends a 92.3% increase in federal funding from FY 2003 to FY 2004. Fiscal year 2005 funding levels are the same as in FY 2004. The large increase in funding is due to a new grant that the agency received from the U.S. Department of Education. This grant is to be used for underwriting international programs. The remainder of the funding in the federal line item 370-601, Federal Programs, comes from the National Endowment for the Arts. National Endowment for the Arts funding is used for granting and administration.

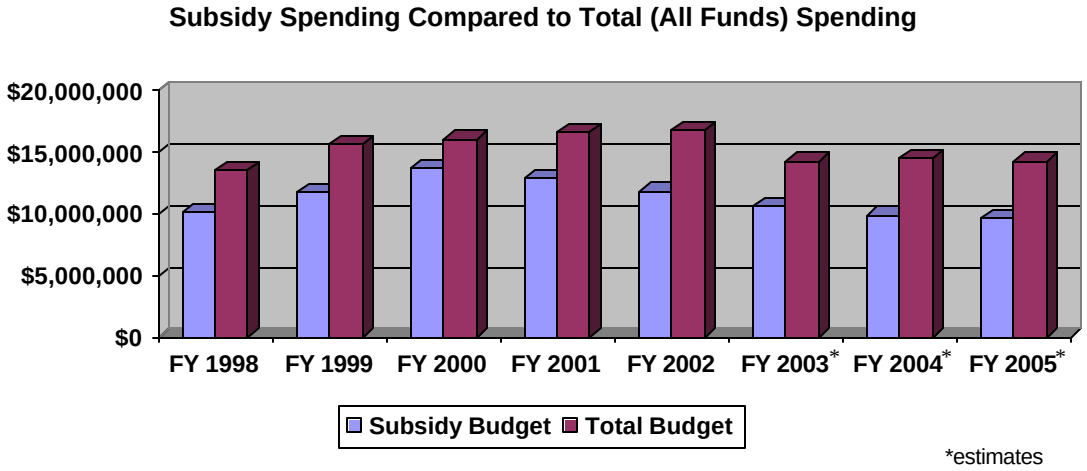
ADDITIONAL FACTS AND FIGURES

Ohio Arts Council Staffing Levels						
					Estimated	
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Board Members	19	19	19	19	19	19
Administrative Staff	40	40	40	37	35	35
Totals	**59**	**59**	**59**	**56**	**54**	**54**

- The budget cuts in the last biennium forced the Council to impose a hiring freeze, which has left five to six positions unfilled.

Council Statistics





*estimates

Program Subsidies				
Fiscal Year	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003***
Services to Artists				
Individual Artists	$744,315	$739,650	$701,164	$606,774
Traditional Apprenticeships	$42,503	$30,711	$32,031	$25,004
Artists Projects	$122,666	$102,902	$76,162	$56,032
Sub-total	*$909,484*	*$873,263*	*$809,357*	*$687,810*
Support for Organizations				
Operating Support I	$6,590,496	$6,499,053	$6,007,365	$5,342,143
Operating Support II/Project Support	$3,150,838	$2,987,856	$2,674,476	$2,596,130
Sudden Opportunity Funds	$100,000	$75,000	$40,204	$50,000
Information Resources Assistance	$173,596	$104,921	$73,971	$45,000
Sub-total	*$10,014,930*	*$9,666,830*	*$8,796,016*	*$8,033,273*
Arts in Communities				
Arts in Education	$468,189	$474,397	$421,237	$339,132
YouthReach Ohio	$524,736	$398,724	$329,315	$300,000
Minority Arts Program	$137,718	$146,106	$129,734	$96,520
Building Diverse Audiences	$142,665	$130,150	$135,362	$88,890
Performing Arts on Tour	$543,023	$526,053	$522,427	$472,326
Ohio's Hill Country Heritage Program	$50,000	$0	$0	$0
Community Development Initiative	$150,000	$165,000	$193,370	$149,663
Ohio Appalachian Arts Program	$84,400	$38,873	$56,400	$47,829
International Program	$116,743	$179,226	$152,424	$91,585
Ohio River Boarder Initiative	$28,000	$0	$28,000	$0
Sub-total	*$2,245,474*	*$2,058,529*	*$1,968,269*	*$1,585,945*
Other				
Special Programs/Services	$156,250	$57,990	$136,675	$302,258
Review and Assessment	$118,110	$125,303	$100,000	$75,000
Dialogue	$16,480	$0	$0	$0
State of the Arts Survey Project	$245,000	$77,270	$35,000	$0
Sub-total	*$535,840*	*$260,563*	*$271,675*	*$377,258*
Total	***$13,705,728***	***$12,859,185***	***$11,845,317***	***$10,684,286***

*estimates

- Cuts ordered in the middle of FY 2001 were taken out of unallocated funds, while cuts ordered in FY 2002 were taken out of grants that were already awarded, but with end dates after October 31, 2001. Cuts ordered in FY 2003 were taken out of the funds before the grants were awarded.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Council's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law changes affecting this agency.

Temporary Law Provisions

The following temporary law provisions are essentially unchanged from the provisions in the last budget bill (Am. Sub. H.B. 94 of the 124th General Assembly).

Program Subsidies

This language restricts a museum's eligibility to receive funding from appropriation line item 370-502, Program Subsidies, if $8 million or more in capital appropriations were appropriated by the state for the museum between January 1, 1986 and December 31, 2002.

Percent for Art Acquisitions

This language requires any unencumbered balance in appropriation line item 370-603, Percent for Art Acquisitions, to be used for start-up costs in connection with the selection of artists of new Percent for Art projects.

REQUESTS NOT FUNDED

This section describes requests not funded in the executive budget and the effects on the Council's activities and spending decisions during the next biennium.

Ohio Arts Council – Personal Services						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 370-100	$2,227,045	$1,896,848	($330,197)	$2,449,749	$1,892,879	($556,870)

At this funding level, the Arts Council will have to eliminate more positions, dropping its head count, from 37 to 35. Since the budget cuts during the FY 2002/2003 biennium, the Arts Council has imposed a hiring freeze and has had five to six unfilled positions. The Council is currently looking at offering early retirement as an option to counteract the lower funding levels.

Ohio Arts Council – Maintenance						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 370-200	$650,088	$547,404	($102,684)	$715,097	$532,998	($182,099)

The Arts Council uses this line primarily for the payment of rent and the upkeep at their office in Columbus.

Ohio Arts Council – Program Subsidies						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 370-502	$11,752,713	$9,896,320	($1,856,393)	$12,927,985	$9,648,912	($3,279,073)

Lower funding levels for Program Subsidies mean fewer grants to grantees and the grants that are awarded will be at a lower level than they have been in the past. This will affect everyone from individual artists to nonprofit arts organizations. Nonprofit arts organizations, in particular, use funding from the Arts Council for their operating expenses. The Arts Council is the largest single grantor to arts institutions in the state.

Ohio Arts Council – Gifts and Donations						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 370-602	$579,325	$429,325	$(150,000)	$579,325	$429,325	$(150,000)

The funds in the Gifts and Donations line are collected for management fees for the operation of the Riffe Gallery or for sponsoring conferences and meetings. The management fees are set at $200,000 per year, while conference fees fluctuate depending on frequency and length of the conferences.

General Revenue Fund

GRF 370-100 Personal Services

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$2,244,107	$2,292,463	$2,117,941	$1,973,970	**$1,896,848**	**$1,892,879**
	2.2%	-7.6%	-6.8%	**-3.9%**	**-0.2%**

Source: GRF

Legal Basis: ORC 3379

Purpose: This line item provides GRF-funded payroll and fringe benefits for the agency's employees. The line item also provides for training and purchased services.

GRF 370-200 Maintenance

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$593,758	$603,342	$594,475	$576,214	**$547,404**	**$532,998**
	1.6%	-1.5%	-3.1%	**-5.0%**	**-2.6%**

Source: GRF

Legal Basis: ORC 3379

Purpose: This line item provides funds for the operation and maintenance of the agency's offices. It includes staff travel, systems development, the Public Information Office, the Riffe Gallery, and other items such as office supplies, telephone costs, and postage.

GRF 370-300 Equipment

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$44,000	$13,878	$43,941	$20,834	**$27,788**	**$27,056**
	-68.5%	216.6%	-52.6%	**33.4%**	**-2.6%**

Source: GRF

Legal Basis: ORC 3379

Purpose: This line item provides funds for equipment (including copiers, computers and peripherals, chairs and tables, telephones, etc.).

GRF 370-502 Program Subsidies

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$12,276,866	$12,799,213	$12,750,126	$10,417,179	**$9,896,320**	**$9,648,912**
	4.3%	-0.4%	-18.3%	**-5.0%**	**-2.5%**

Source: GRF

Legal Basis: ORC 3379.04(D) (established in 1965 by the 106th G.A.; it received its first appropriation in FY 1969, through Am. Sub. H.B. 531 of the 108th G.A.)

Purpose: Funds from this line item provide grants on a competitive basis to various individual artists, orchestras, dance companies, museums, theater groups, local arts agencies, literary organizations, and other nonprofit organizations. Approximately one-half of the appropriation is distributed to Ohio's 41 major arts institutions -- those with operating budgets over $1 million. The balance of the appropriation is awarded to organizations and individuals. Quality of work, community participation, planning/evaluation, and financial management are the principal considerations in determining recipients of these grants. All applications to the Ohio Arts Council go through a multi-layered review process which usually includes outside evaluators.

The line item funds the agency's three main program divisions, Services to Artists, Support for Organizations, and Arts in Communities. These divisions' programs are as follows:

(A) Services to Artists: This division has three programs: (1) The Individual Artists program assists artists in the creation of new works by means of fellowships ($5,000 and $10,000) and professional development assistance. (2) The Traditional Arts Apprenticeships program assists in the continuity of art forms by providing grants (up to $2,500) to match apprentices with recognized masters. And (3) The Artists Projects program provides funds to individual artists or collaborations to help them create new work with a strong public component.

(B) Support for Organizations: This division has four programs: (1) Operating Support I supports arts institutions with annual operating budgets of $1 million or more. (2) Operating Support II/Project Support provides funds for ongoing artistic and administrative functions of arts and cultural organizations with annual operating budgets of between $20,000 and $1,000,000. This program’s Project Support component provides funds to smaller organizations for one-time projects. (3) The Information and Resource Assistance Program helps organizations acquire additional skills to strengthen them artistically, financially and programmatically. And (4) The recently established Special Opportunity Funds program supports appropriate projects that arise during the year but which were not previously known and planned, or which request less than $2,000 in support.

(C) Arts in Communities: This division provides developmental assistance, grant awards and services to schools and other community cultural, educational and arts organizations to promote the arts in education, in Ohio’s communities, among minority groups, and with international partners. The division contains nine programs, of which two were recently established: (1) YouthReach Ohio supports out-of-school arts-based intervention programs for young people at risk and (2) Appalachian Arts Program promotes community development through services to

artists and organizations of the 29 Appalachian counties in Ohio. Other programs in this division include Arts in Education, Minority Arts program, Building Diverse Audiences, Performing Arts on Tour, Community Development Initiative, International Program, Special Programs/Services, and Review and Assessment.

General Services Fund Group

460 370-602 Gifts and Donations

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$119,480	$315,549	$526,659	$345,012	**$429,325**	**$429,325**
	164.1%	66.9%	-34.5%	**24.4%**	**0.0%**

Source: GSF: Various. Currently the major source of funds to this line item is the revenues received by the council for its management of the Riffe Gallery. Other sources include gifts and donations.

Legal Basis: ORC 3379.07 (established by the Controlling Board in April 1981)

Purpose: This line item supports the Arts Council's programs to encourage and develop the arts. Mainly, the line item supports the expenses arising from the council's management of the Riffe Gallery.

4B7 370-603 Percent For Art Acquisitions

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$15,061	$28,594	$75,035	$86,366	**$86,366**	**$86,366**
	89.9%	162.4%	15.1%	**0.0%**	**0.0%**

Source: GSF: Capital funds: One percent of the appropriation for each of certain capital projects involving the construction or renovation of public buildings, each involve state funding of at least $4 million. The funds are transferred to the Arts Council from the institution responsible for the project

Legal Basis: ORC 3379.10 (established by Am. Sub. S.B. 336 of the 118th G.A.)

Purpose: This line item is used to pay expenses for selecting artists in the Percent for Art program, which provides for the purchase, commissioning and installation of original works of art for new and renovated public buildings whose projects receive state appropriations of more than $4 million. One percent of a project's cost is set aside for this purpose. Eligible expenses include travel, printing, honoraria, and other expenses of jurors and artists. This set-aside supports both the acquisition of art and the administration of the program. The source of revenue to this line item is the one-percent set-aside.

Federal Special Revenue Fund Group

314 370-601 Federal Programs

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
$774,870	$635,517	$740,597	$862,000	**$1,657,300**	**$1,657,300**
	-18.0%	16.5%	16.4%	**92.3%**	**0.0%**

Source: FED: Grants under the Basic State Plan Grant from the National Endowment for the Arts (NEA) as well as the U.S. Department of Education

Legal Basis: ORC 3379.07 (established by the Controlling Board in May 1966)

Purpose: Approximately half of these federal funds are used to supplement state-appropriated funds for the agency's administration, including personal services. The remainder is used for grant awards. For the 2004/2005 biennium, the Arts Council received a new grant from the U.S. Department of Education. This grant is to be used to underwrite international programs.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	2002	Estimated 2003	Executive 2004	% Change 2003 to 2004	Executive 2005	% Change 2004 to 2005
ART Arts Council, Ohio								
GRF	370-100	Personal Services	$ 2,117,941	$1,973,970	$ 1,896,848	-3.9%	$ 1,892,879	-0.2%
GRF	370-200	Maintenance	$ 594,475	$576,214	$ 547,404	-5.0%	$ 532,998	-2.6%
GRF	370-300	Equipment	$ 43,941	$20,834	$ 27,788	33.4%	$ 27,056	-2.6%
GRF	370-502	Program Subsidies	$ 12,750,126	$10,417,179	$ 9,896,320	-5.0%	$ 9,648,912	-2.5%
General Revenue Fund Total			**$ 15,506,483**	**$ 12,988,197**	**$ 12,368,360**	**-4.8%**	**$ 12,101,845**	**-2.2%**
460	370-602	Gifts and Donations	$ 526,659	$345,012	$ 429,325	24.4%	$ 429,325	0.0%
4B7	370-603	Percent For Art Acquisitions	$ 75,035	$86,366	$ 86,366	0.0%	$ 86,366	0.0%
General Services Fund Group Total			**$ 601,693**	**$ 431,378**	**$ 515,691**	**19.5%**	**$ 515,691**	**0.0%**
314	370-601	Federal Programs	$ 740,597	$862,000	$ 1,657,300	92.3%	$ 1,657,300	0.0%
Federal Special Revenue Fund Group Total			**$ 740,597**	**$ 862,000**	**$ 1,657,300**	**92.3%**	**$ 1,657,300**	**0.0%**
Total All Budget Fund Groups			***$ 16,848,773***	***$ 14,281,575***	***$ 14,541,351***	***1.8%***	***$ 14,274,836***	***-1.8%***