LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Arts Council

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Ohio Arts Council (OAC), which includes the following four sections.

1. Overview: Provides a brief description of OAC and an overview of the provisions of the executive budget that affect OAC, including major new initiatives.
2. Analysis of Executive Proposal: Provides a detailed analysis of the executive budget recommendations for OAC, including funding for each appropriation line item.
3. Requests Not Funded: Compares OAC's budget request with the executive budget recommendations.
4. Attachments: Includes the catalog of budget line items (COBLI) for OAC, which briefly describes each line item, and the LSC budget spreadsheet for OAC.

TABLE OF CONTENTS

OVERVIEW **1**

Agency Overview **1**
Appropriation Overview **1**
Major Initiatives **3**
Administrative Cost Containment 3
Grant Expenditures 3
Realignment of Grant Programs 3

ANALYSIS OF EXECUTIVE PROPOSAL **5**

Operating Expenses (370321) 5
State Program Subsidies (370502) 5
Management Expenses and Donations (370602) 6
Percent for Arts Acquisitions (370603) 7
Federal Support (370601) 7

REQUESTS NOT FUNDED **8**

ATTACHMENTS:

Catalog of Budget Line Items
Budget Spreadsheet By Line Item

Ohio Arts Council

- Executive proposal appropriates $11.2 million in each fiscal year
- Funding for grant programs decreases by 17.9% from FY 2009

OVERVIEW

Agency Overview

The Ohio Arts Council (OAC) promotes the visual and performing arts in Ohio through cultural and educational activities and by providing economic assistance in the form of grants to artists, art organizations, and communities. The Council awards grants in the areas of Arts Learning, Capacity Building, Artists with Disabilities Access, Arts Innovation, and others. It also operates the Riffe Gallery in downtown Columbus and oversees the state's Percent for Art Program, which places artwork in buildings financed by state capital funds.

The Council is governed by a board consisting of 19 uncompensated members, 15 of whom are appointed by the Governor and four of whom are nonvoting legislative members, two appointed by each house. The Board appoints the Executive Director, who runs the agency's day-to-day operations and oversees the administrative and program staff. Under the executive proposal, the Council's budget funds 26 positions including program staff, which consists of grants administrators, fine arts administrators, and fine arts specialists, and other administrative and support staff. This reflects the elimination of seven positions during FY 2009 as a result of statewide budget cuts.

Table 1. Ohio Arts Council Staffing Levels

					Estimated	
	2006	2007	2008	2009	2010	2011
Arts Council Staff	33	33	33	33	26	26

Appropriation Overview

The executive proposal appropriates $11.2 million in each fiscal year for the Council's activities and operations. A majority (84.1%) of the funding is derived from the GRF. Revenue from Riffe Gallery operations and the Percent for Arts Program, account for another 7.0% of the agency's total funding. In addition to these sources, OAC also receives funding from the U.S. Department of Education and the National Endowment for the Arts. These federal grants comprise approximately 8.9% of the proposed budget.

As shown in Table 2 below, the executive recommendation provides funding of $11.2 million in each year of the FY 2010-FY 2011 biennium, a decrease of 2.0% from the adjusted FY 2009 appropriation of $11.4 million. These reductions occur largely in the GRF. The sizeable increase in General Services appropriations is due to an alteration in the way administrative fees for the Percent for Arts Program are collected. The Percent for Arts Program uses a fixed portion of the capital funds allocated to projects that receive $4 million or more in state capital appropriations to acquire and install artwork. See details under line item 370603, Percent for Arts Acquisitions, in the Analysis of Executive Proposal section for further explanation of this topic.

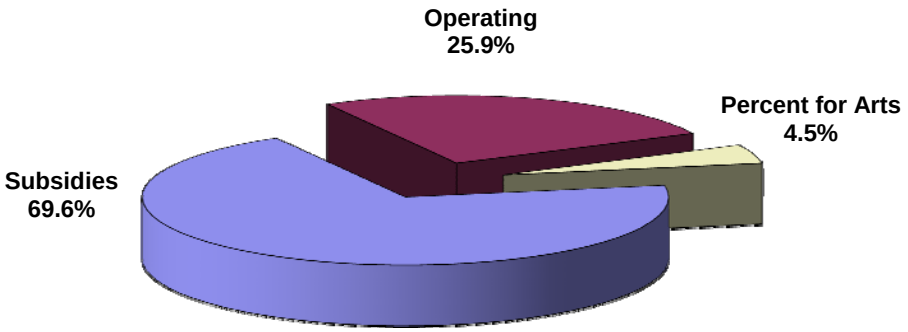
Table 2. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011

Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	$10,066,406	$9,420,413	-6.4%	$9,420,413	0.0%
General Services	$371,366	$785,000	111.4%	$785,000	0.0%
Federal Special Revenue	$1,002,000	$1,000,000	-0.2%	$1,000,000	0.0%
TOTAL	**$11,439,772**	**$11,205,413**	**-2.0%**	**$11,205,413**	**0.0%**

*FY 2009 figures represent adjusted appropriations.

Chart 1 below shows the breakdown of the Council's total executive recommended budget by expense category. A majority (69.6%) of the recommended appropriations are for subsidies in the form of grants to artists and arts organizations. Of the $9.4 million in proposed GRF funding in each fiscal year, the Council expects to award approximately $7.3 million (78%) of this amount in grants. An additional $455,000 in each year in federal funds is also planned for grant awards. Combined, the grant funding of approximately $7.8 million from both the GRF and federal funds would be a decrease of 17.9% from the estimated dollar amount of grants awards for FY 2009.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2010-FY 2011



Operating funds, which support administrative costs such as payroll, supplies and equipment, and maintenance, comprise 25.9% of the Council's budget under the executive proposal, or about $2.9 million in each fiscal year. This is a decrease of approximately 12% from the estimated FY 2009 level of $3.3 million. The decrease is largely attributable to the staff reductions undertaken during FY 2009, which eliminated seven funded positions, and the implementation of other cost-saving measures. The remaining 4.5% is made up of an assessment on capital funds that is used to acquire artwork for state buildings through the Percent for Arts Program.

Major Initiatives

Administrative Cost Containment

Under the executive proposal, the Council intends to further streamline operations and maximize the impact of its grant programs given the reduced staff and other constraints caused by budget reductions. In the current biennium, OAC has reduced grant programs with remaining balances or unallocated funds and reduced existing grants that had not yet been paid in full. In addition, the Council ceased accepting new applications for two grant programs, allowing these funds to be reallocated to other areas. At the appropriation levels proposed for FY 2010 and FY 2011, OAC will reallocate approximately $300,000 in GRF funds that would otherwise have been awarded in grants for administrative purposes. This would allow OAC to avoid further staff reductions of between four and six employees.

Grant Expenditures

While not expanding any of its arts grant programs in the upcoming biennium, the Council intends to implement some changes that are intended to maximize the use of limited resources. For example, OAC plans to alter its fellowship program for individual artists so that awards will alternate between grants for fellowships in the performing arts and visual arts. Currently, grants are awarded in both categories in each year. At the funding levels under the executive proposal, fellowship awards would be granted for one category (performing or visual arts) in FY 2010, and awards for the other category would be funded in FY 2011. The Council believes that this will save both grant and administrative funds. OAC is also exploring ways to tighten the criteria for evaluating grant applications in order to better regulate the number of grants it issues. The Council expects the number of awards to remain fairly constant around 600 per year, although it expects grant applications to increase.

Realignment of Grant Programs

Under the executive proposal, OAC intends to undertake some realignment and reorientation of its grant programs in order to maximize the effectiveness of the awards and focus on certain targeted constituencies. Specifically, the Council plans on

refocusing some of its grant programs towards activities that promote creativity and imagination in education for children and that promote the arts as a tool for economic development, particularly in the revitalization of downtown areas and the attraction of small knowledge-based businesses. The reorientation of programs toward these goals would begin during the FY 2010-FY 2011 biennium and would continue based on the results of constituent surveys and other stakeholder input.

ANALYSIS OF EXECUTIVE PROPOSAL

OAC's appropriations provide funds to support artists and arts organizations through targeted grants, manage the Riffe Gallery in downtown Columbus, administer the Percent for Arts Program, and cover operating expenses. The Governor's recommended appropriations for these purposes in FY 2010-FY 2011 are shown in the table below. Following the table, a narrative describes how each appropriation is used and any changes affecting the appropriation that are proposed by the Governor. If the appropriation is earmarked, the earmarks are listed and described.

Governor's Recommended Amounts for the Ohio Arts Council				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
General Revenue Fund				
GRF	370321	Operating Expenses	$2,072,545	$2,072,545
GRF	370502	State Program Subsidies	$7,347,868	$7,347,868
		General Revenue Fund Subtotal	***$9,420,413***	***$9,420,413***
General Services Fund Group				
4600	370602	Management Expenses and Donations	$285,000	$285,000
4B70	370603	Percent for Arts Acquisitions	$500,000	$500,000
		General Services Fund Group Subtotal	***$785,000***	***$785,000***
Federal Special Revenue Fund Group				
3140	370601	Federal Support	$1,000,000	$1,000,000
		Federal Special Revenue Fund Group Subtotal	***$1,000,000***	***$1,000,000***
Total Funding: Ohio Arts Council			**$11,205,413**	**$11,205,413**

Operating Expenses (370321)

In the executive proposal, this line item replaces three former GRF operating line items: 370100, Personal Services; 370200, Maintenance; and 370300, Equipment. Beginning in FY 2010, all of the Council's GRF operating expenses will be accounted for in this line item. These expenses include payroll and fringe benefits and maintenance and equipment costs. Combined, the adjusted FY 2009 appropriations for line items 370100, 370200, and 370300 are $2,088,437. The executive recommendation for the consolidated operating line item is $2,072,545 in each fiscal year, a decrease of approximately 0.8% over the FY 2009 amount for these purposes.

State Program Subsidies (370502)

The executive recommendation funds this line item at a level of approximately $7.3 million in each fiscal year, a decrease of 7.9% from the adjusted FY 2009 appropriation of almost $8.0 million. If, as the Council expects, it continues to award

about 600 grants per year, the dollar amount of the awards would decrease. A portion of this line item is also used to provide a required 1:1 state match to the grant from the National Endowment for the Arts appropriated in line item 370601, Federal Support.

For grants to organizations, award amounts are based on a grantee's operating income. The Council estimates that for smaller organizations (those with operating incomes of under $1.5 million), the average award amount is between $8,000 and $10,000, but can be as high as $20,000. For larger organizations (those with operating incomes of $1.5 million or more), grants can be in the range of $40,000. The largest current grant under this line item is $350,000. Grants make up approximately 1%-2% of the operating income for large organizations and 5%-8% of the operating income for smaller organizations. Because of the current economic climate that has squeezed the budgets of many arts organizations, there is likely to be an increase in the number of applications.

The table below shows various types of grant programs funded under line item 370502, State Program Subsidies.

Grant Programs Funded by Appropriation Item 370502, State Program Subsidies	
Grant Type	**Purpose**
Arts Learning	Provides awards for arts learning and education programs through partnerships, artists-in-residence, and artist-school collaborations
Capacity Building	Assists arts and cultural organizations with improving their internal operational practices
Individual Creativity	Provides awards to individual artists for merit-based individual projects, apprenticeships, and Ohio Heritage Fellowships
Arts Access	Supports small arts organizations in expanding their activities in providing arts access to the public
Arts Innovation	Assists projects deemed to be particularly innovative or unique
Sustainability	Supports organizations that provide ongoing or recurring arts programming
International Partnerships	Provides support for arts and cultural organizations to develop international arts projects
Artists with Disabilities Access	Provides assistance to individual artists with disabilities
Building Cultural Diversity	Provides support for organizations that focus on promoting the arts of specific cultures or regions

A temporary law provision in the executive budget prohibits funds from this line item from being used to provide funds to a museum that received at least $8 million in state capital funding from 1986 through 2002.

Management Expenses and Donations (370602)

This line item supports the operational expenses associated with the Council's management of the Riffe Gallery, located at the Vern Riffe Center in downtown

Columbus. Funds for this line item are received through gifts, donations, and other revenues generated by Riffe Gallery operations. The executive proposal recommends flat funding of $285,000 in each fiscal year.

Percent for Arts Acquisitions (370603)

This line item is used to pay for the costs of selecting artists for the Percent for Arts Program, which includes purchasing, commissioning, and installing original artwork in new or renovated public buildings that are financed by at least $4 million in state capital dollars. Of the capital costs for each eligible state building project, up to 1% is set aside for the acquisition of artwork under Percent for Arts. These funds are deposited into the Percent for Arts Fund (Fund 4B70) for expenditure under this line item.

The executive proposal appropriates $500,000 in each fiscal year for this line item, a significant increase over FY 2009 appropriations of $86,366 due to a change in the way OAC collects its administrative fees. Of the 1% of each capital project's funding that is set aside for Percent for Arts, 5% of that may be used for OAC's administrative costs. Previously, OAC collected this fee from projects once a project was completed. Beginning in FY 2010, the Council will collect the fee at the beginning of a project. This change would allow for more up-front revenues to manage the commissioning, acquisition, and installation of artwork in public buildings.

Federal Support (370601)

This line item receives grants from the National Endowment for the Arts (NEA) that are used for a variety of purposes. Approximately 40% of these funds are allocated towards OAC's administrative costs, while the remainder is used for grant awards under NEA requirements. The Council uses these NEA funds for federally allowable activities such as the State Arts Plan, Arts Education, Underserved Persons grants, the NEA Challenge program, the NEA American Masterpieces Program, the NEA Poetry Out Loud Program, and the NEA Folk and Traditional Arts Program. The executive recommendation appropriates $1.0 million in each fiscal year for these federal funds, a decrease of 0.2% from FY 2009 levels.

REQUESTS NOT FUNDED

This section describes agency requests that are not funded in the executive budget. OAC requested a total of $1,232,089 in GRF funds in each fiscal year that is not included in the executive recommendations.

OAC Operating and Grant Funds						
Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
GRF 370321	$2,072,545	$2,523,058*	$450,513	$2,072,545	$2,724,161*	$651,616
GRF 370502	$7,347,868	$8,129,444	$781,576	$7,347,868	$7,928,341	$580,473

*Amounts requested for line item 370321 reflect combined requests for discontinued line items 370100, 370200, and 370300.

The unfunded amounts for line item 370321, Operating Expenses, reflect payroll and other administrative costs that will be foregone under the executive recommendation. Since its initial budget request, the Council has eliminated two positions for a total of seven positions eliminated in FY 2009. These positions will not be funded in FY 2010 and FY 2011.

The amounts not funded in line item 370502, State Program Subsidies, reflect amounts that would otherwise have been available for various grants to artists and arts organizations.

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General Revenue Fund

GRF 370100 Personal Services

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$1,798,235	$1,746,986	$1,848,027	$1,712,819	**$0**	**$0**
	-2.8%	5.8%	-7.3%		

Source: GRF

Legal Basis: Discontinued line item.

Purpose: This line item provided payroll and fringe benefits for the agency's employees. These costs are now reflected in line item 370321, Operating Expenses.

GRF 370200 Maintenance

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$459,746	$459,747	$387,084	$344,471	**$0**	**$0**
	0.0%	-15.8%	-11.0%		

Source: GRF

Legal Basis: Discontinued line item.

Purpose: This line item provided funds for the operation and maintenance of the agency's offices. These costs are now reflected in line item 370321, Operating Expenses.

GRF 370300 Equipment

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$4,700	$4,149	$83,213	$31,147	**$0**	**$0**
	-11.7%	1905.6%	-62.6%		

Source: GRF

Legal Basis: Discontinued line item.

Purpose: This line item provided funds for equipment. These costs are now reflected in line item 370321, Operating Expenses.

GRF 370321 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$0	$0	$0	$0	**$2,072,545**	**$2,072,545**
					0.0%

Source: GRF

Legal Basis: Proposed by the Executive Budget.

Purpose: This line item includes costs formerly accounted for under line items 370100, Personal Services; 370200, Maintenance; and 370300, Equipment. Funds in this line item are used to cover the Ohio Arts Council's payroll and other regular operating expenses incurred in the administration of the agency's programs.

GRF 370502 State Program Subsidies

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$8,832,125	$8,947,542	$9,633,473	$7,977,969	**$7,347,868**	**$7,347,868**
	1.3%	7.7%	-17.2%	**-7.9%**	**0.0%**

Source: GRF

Legal Basis: ORC 3379.04(D); Section 223.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: The line item funds the agency's grant programs: Arts Learning, Capacity Building, Individual Creativity, Arts Innovation, Arts Access, Sustainability, International Partnerships, Artists with Disabilities Access, Building Cultural Diversity, and other programs and services. Funds from this line item provide grants on a competitive basis to various individual artists, orchestras, dance companies, museums, theater groups, local arts agencies, schools, literary organizations, and other nonprofit organizations. Approximately one-half of the appropriation is distributed to arts institutions with operating budgets over $1.5 million. The balance of the appropriation is awarded to smaller organizations and individuals. Associated temporary law bars a museum that has received $8 million or more in capital appropriations from the state between 1986 and 2002 from receiving any of these funds.

General Services Fund Group

4600 370602 Management Expenses and Donations

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$98,283	$207,365	$201,953	$285,000	**$285,000**	**$285,000**
	111.0%	-2.6%	41.1%	**0.0%**	**0.0%**

Source: GSF: Revenues received by the Council for its management of the Riffe Gallery, gifts, and donations.

Legal Basis: ORC 3379.07 and 3379.11; Section 223.10 of Am. Sub. H.B. 119 of the 127th G.A.

Purpose: This line item supports the operational expenses associated with the Ohio Arts Council's management of the Riffe Gallery, located at the Vern Riffe Center in Downtown Columbus.

4B70 370603 Percent For Art Acquisitions

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$45,938	$21,767	$39,368	$86,366	**$500,000**	**$500,000**
	-52.6%	80.9%	119.4%	**478.9%**	**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 for administration of the artist selection process from the institution responsible for the project.

Legal Basis: ORC 3379.10; Section 223.10 of Am. Sub. H.B. 119 of the 127th 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.

Federal Special Revenue Fund Group

3140 370601 Federal Support

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$773,094	$905,384	$935,545	$1,002,000	**$1,000,000**	**$1,000,000**
	17.1%	3.3%	7.1%	**-0.2%**	**0.0%**

Source: FED: Grants under the Partnership Program from the National Endowment for the Arts (NEA), Underserved Communities; CFDA 45.025, Basic State Grant; CFDA 45.025, Arts Education; CFDA 45.026, Folk Arts; CFDA 45.027, Challenge America

Legal Basis: ORC 3379.07

Purpose: Approximately 40% 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 subject to National Endowment for the Arts (NEA) requirements.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

Fund	ALI	ALI Title	2008	2009	As Introduced 2010	% Change 2009 to 2010	As Introduced 2011	% Change 2010 to 2011
ART Ohio Arts Council								
GRF	370100	Personal Services	$ 1,848,027	$ 1,712,819	$ 0	-100.0%	$ 0	N/A
GRF	370200	Maintenance	$ 387,084	$ 344,471	$ 0	-100.0%	$ 0	N/A
GRF	370300	Equipment	$ 83,213	$ 31,147	$ 0	-100.0%	$ 0	N/A
GRF	370321	Operating Expenses	$0	$ 0	$ 2,072,545	N/A	$ 2,072,545	0.0%
GRF	370502	State Program Subsidies	$ 9,633,473	$ 7,977,969	$ 7,347,868	-7.9%	$ 7,347,868	0.0%
General Revenue Fund Total			**$ 11,951,797**	**$ 10,066,406**	**$ 9,420,413**	**-6.4%**	**$ 9,420,413**	**0.0%**
4600	370602	Management Expenses and Donations	$ 201,953	$ 285,000	$ 285,000	0.0%	$ 285,000	0.0%
4B70	370603	Percent For Art Acquisitions	$ 39,368	$ 86,366	$ 500,000	478.9%	$ 500,000	0.0%
General Services Fund Group Total			**$ 241,321**	**$ 371,366**	**$ 785,000**	**111.4%**	**$ 785,000**	**0.0%**
3140	370601	Federal Support	$ 935,545	$ 1,002,000	$ 1,000,000	-0.2%	$ 1,000,000	0.0%
Federal Special Revenue Fund Group Total			**$ 935,545**	**$ 1,002,000**	**$ 1,000,000**	**-0.2%**	**$ 1,000,000**	**0.0%**
Total All Budget Fund Groups			***$ 13,128,663***	***$ 11,439,772***	***$ 11,205,413***	***-2.0%***	***$ 11,205,413***	***0.0%***