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Minnesota State Arts Board

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<http://www.arts.state.mn.us/>

AT A GLANCE

- The arts are a significant industry in Minnesota, generating more than \$2 billion in economic activity each year (prior to the COVID pandemic).
- Minnesota is home to more than 1,900 nonprofit arts organizations and 100,000 artists and creative workers.
- Together, the Minnesota State Arts Board and the state's 11 regional arts councils serve residents and communities in all 87 Minnesota counties.
- Activities supported by the Arts Board and the regional arts councils during the FY 2020-21 biennium served a combined audience of 22.8 million children and adults.

PURPOSE

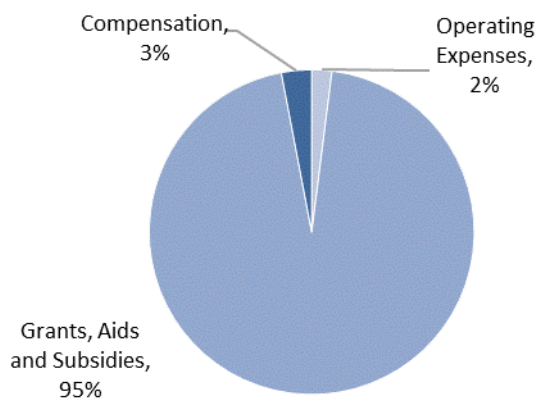
The Minnesota State Arts Board stimulates and encourages the creation, performance, and appreciation of the arts. It serves as an adviser, resource, and policy maker by distributing grants and other forms of assistance for artistic activities; it also serves as the fiscal agent for legislative appropriations to eleven regional arts councils.

The purpose of the arts is to inspire, enlighten, connect, and challenge individuals. They give us new experiences and help us understand and imagine the world from another person's point of view. However, the arts also produce tremendous secondary benefits that help Minnesota achieve many of its most important public goals.

Research shows that the arts increase academic achievement. Nontraditional learners or at-risk students often become high achievers in arts learning settings; this success becomes a bridge to learning in other areas. The arts stimulate 21st century work skills, including creativity, empathy, and collaboration which will be important characteristics of the jobs and the workforce of the future. Arts bring people together. Residents of a community better understand their new immigrant neighbors after experiencing a traditional story or dance. A struggling downtown begins to hum with new energy on the evenings the community arts center offers a concert. Towns celebrate their identity and heritage through annual arts festivals. Artists and arts participation build social capital—the social bonds and civic engagement needed in a healthy, thriving society.

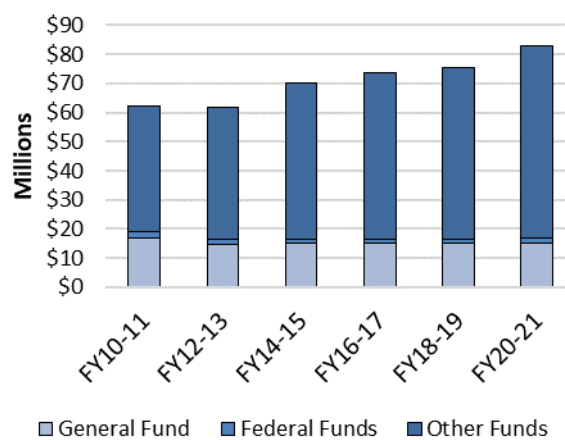
BUDGET

**Spending by Category
FY 2021 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The board receives an appropriation from the State’s general fund and from the State’s arts and cultural heritage fund (ACHF). Appropriations from the ACHF may be spent only “for arts, arts education, and arts access and to preserve Minnesota’s history and cultural heritage.” The board also receives an annual state partnership grant from the National Endowment for the Arts.

STRATEGIES

The Arts Board provides financial support and other services to enable Minnesota and its residents and communities to reap the many benefits the arts provide. To accomplish its mission, the board is pursuing the following long-term goals and strategies:

- The arts are interwoven into every facet of community life
 - Develop strategic relationships and partnerships
- Minnesotans believe the arts are vital to who we are
 - Enhance public understanding of the value of the arts
- People of all ages, ethnicities, and abilities participate in the arts
 - Fully engage with nontraditional and underrepresented participants
 - Transform everyone’s life by experiencing the arts
- People trust Minnesota’s stewardship of public arts funding
 - Provide an accountable arts support system
 - Be responsible stewards of public funds
- The arts thrive in Minnesota
 - Foster visionary, skilled arts leaders and organizations statewide
 - Ensure sufficient resources to sustain the arts and artists
 - Serve as a clearinghouse of information on best practices and successful programs

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of persons who benefit from funded activities	20,563,917	22,784,415	Previous - 2008-09 Current – 2020-21 (a)
Quantity	Average number of arts experiences Minnesotans have in a year	21.19	53.33	Previous - 2008 Current - 2017 (b)
Quantity	Number of grant applications reviewed (top number) and grants awarded (bottom number)	1,901 1,308	3,231 2,708	Previous - 2009 Current - 2021 (c)

- a) Comparing the 2008-2009 biennium, just prior to creation of arts and cultural heritage fund, to the most recently completed biennium (2020-2021).
- b) Data source: Survey of Public Participation in the Arts (SPPA)
- c) Comparing fiscal year 2009 (just prior to creation of arts and cultural heritage fund) to recently completed fiscal year 2021. Numbers are combined Arts Board and regional arts council applications and grants.

Whenever data are available, the Arts Board uses 2008 or 2009 as baseline years because they precede the establishment of the arts and cultural heritage fund and can help measure the impact of the fund over time.

The Arts Board’s authorizing statute is M.S. 129D.01-129D.05. <https://www.revisor.mn.gov/statutes/?id=129D>.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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Expenditures by Fund

1000 - General	8,059	7,381	7,365	7,718	7,561	7,561	7,774	7,787
2301 - Arts & Cultural Heritage	32,489	30,104	37,642	36,918			49,320	41,475
3000 - Federal	766	1,296	1,682	933	933	933	933	933
Total	41,314	38,781	46,689	45,569	8,494	8,494	58,027	50,195
Biennial Change				12,164		(75,270)		15,964
Biennial % Change				15		(82)		17
Governor's Change from Base								91,234
Governor's % Change from Base								537

Expenditures by Program

Arts Board	41,314	38,781	46,689	45,569	8,494	8,494	58,027	50,195
Total	41,314	38,781	46,689	45,569	8,494	8,494	58,027	50,195

Expenditures by Category

Compensation	1,381	1,148	1,289	1,907	619	619	831	844
Operating Expenses	1,273	774	913	1,796	407	407	408	408
Grants, Aids and Subsidies	38,492	36,808	44,488	41,866	7,468	7,468	56,788	48,943
Capital Outlay-Real Property	38							
Other Financial Transaction	130	51	0					
Total	41,314	38,781	46,689	45,569	8,494	8,494	58,027	50,195

Full-Time Equivalents

16.12	12.99	14.27	22.00	6.10	6.10	8.10	8.10
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(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		245		177				
Direct Appropriation	8,241	7,541	7,541	7,541	7,561	7,561	7,774	7,787
Transfers Out		265						
Cancellations		140						
Balance Forward Out	182		176					
Expenditures	8,059	7,381	7,365	7,718	7,561	7,561	7,774	7,787
Biennial Change in Expenditures				(358)		39		478
Biennial % Change in Expenditures				(2)		0		3
Governor's Change from Base								439
Governor's % Change from Base								3
Full-Time Equivalents	4.89	3.63	3.37	5.10	4.70	4.70	6.70	6.70

2000 - Restrict Misc Special Revenue

Balance Forward In	0	0	0			
Receipts	0	0				
Balance Forward Out	0	0	0			

2301 - Arts & Cultural Heritage

Balance Forward In	765	924	4,226	909				
Direct Appropriation	32,500	33,150	34,372	36,009	0	0	49,320	41,475
Transfers In	1,463	1,492						
Transfers Out	1,463	1,492						
Cancellations			47					
Balance Forward Out	776	3,970	909					
Expenditures	32,489	30,104	37,642	36,918			49,320	41,475
Biennial Change in Expenditures				11,968		(74,560)		16,235
Biennial % Change in Expenditures				19		(100)		22
Governor's Change from Base								90,795
Governor's % Change from Base								
Full-Time Equivalents	10.59	8.54	9.90	15.60				

2403 - Gift

Balance Forward In	216	220	221	222	224	226	224	226
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Arts Board

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
Receipts	4	1	1	2	2	2	2	2
Balance Forward Out	220	221	222	224	226	228	226	228

3000 - Federal

Balance Forward In				1	1	1	1	1
Receipts	766	1,296	1,683	933	933	933	933	933
Balance Forward Out			1	1	1	1	1	1
Expenditures	766	1,296	1,682	933	933	933	933	933
Biennial Change in Expenditures				554		(749)		(749)
Biennial % Change in Expenditures				27		(29)		(29)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.64	0.82	1.00	1.30	1.40	1.40	1.40	1.40

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	7,541	7,541	7,541	15,082
Base Adjustments				
Current Law Base Change		20	20	40
Forecast Base	7,541	7,561	7,561	15,122
Change Items				
Enhance Grants Oversight Capacity		200	200	400
Maintain Current Service Levels		13	26	39
Total Governor's Recommendations	7,541	7,774	7,787	15,561
Fund: 2301 - Arts & Cultural Heritage				
FY2023 Appropriations	36,009	36,009	36,009	72,018
Base Adjustments				
One-Time Legacy Fund Appropriations		(36,009)	(36,009)	(72,018)
Forecast Base	36,009	0	0	0
Change Items				
Arts and Cultural Heritage Legacy – Arts Board Appropriation (M.S.129D.17)		49,320	41,475	90,795
Total Governor's Recommendations	36,009	49,320	41,475	90,795
Dedicated				
Fund: 3000 - Federal				
Planned Spending	933	933	933	1,866
Forecast Base	933	933	933	1,866
Total Governor's Recommendations	933	933	933	1,866
Revenue Change Summary				
Dedicated				
Fund: 2403 - Gift				
Forecast Revenues	2	2	2	4
Total Governor's Recommendations	2	2	2	4
Fund: 3000 - Federal				
Forecast Revenues	933	933	933	1,866
Total Governor's Recommendations	933	933	933	1,866

Minnesota State Arts Board

FY 2024-25 Biennial Budget Change Item

Change Item Title: Enhance Grants Oversight Capacity

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	200	200	200	200
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	200	200	200	200
FTEs	2	2	2	2

Recommendation:

The Governor recommends additional funding of \$200,000 in FY 2024 and in each subsequent year from the general fund for additional grants administration capacity at the Arts Board. The funds requested would support two grants administration FTEs to strengthen the Board's compliance with federal and state regulations, state grants management policies, and Arts Board program requirements.

Rationale/Background:

The Arts Board receives all its funding from three public sources. It receives federal funds through the National Endowment for the Arts, and it receives state funds from both the general fund and from the Arts and Cultural Heritage fund.

Two of the Board's primary responsibilities, as outlined in Minnesota Statutes 129C.04, are to "receive and consider any requests for grants, loans or other forms of assistance" and "...distribute according to the above procedures and standards grants, loans, and other forms of assistance for artistic activities to departments and agencies of the state, political subdivisions, sponsoring organizations and, in appropriate cases, to individuals engaged in the creation or performance of the arts."

The Board offers competitive grant programs that provide financial assistance to individuals and organizations throughout the state. Prior to the pandemic, the Board offered ten competitive grant programs; it reviewed more than 1,200 grant applications and awarded approximately 600 grants per year. During the pandemic, the Board concentrated its resources into three programs to mitigate the economic challenges that COVID created. It reviewed more than 1,400 grant applications and awarded more than 1,200 grants per year.

The Board also has the statutory responsibility to "serve as a fiscal agent to disburse appropriations for regional arts councils throughout the state." There are eleven councils. The Office of the Legislative Auditor and the state's Office of Grants Management direct agencies to exercise the same level of fiscal oversight for legislatively mandated grants that it exercises for competitive grants.

Currently, the Board is only able to use 5.1 percent of its total state appropriated dollars for administrative oversight and for *all other* costs for agency operations and services. This level of administrative support is not sufficient to provide the strong internal controls and grants administration practices that the Board wants to provide, and feels are necessary for effective stewardship of public funds.

Proposal:

This funding will support two staff positions at the Arts Board focused on grants administration for both competitive and legislatively mandated grants. These individuals will monitor active grants to ensure that grantees are spending funds for the intended purpose; review and process final reports in a timely manner; resolve any questions or concerns raised in grantee reports or through monitoring; conduct or support financial reconciliation; investigate any reported misuse of funds; train other staff in strong grants management practices; ensure that procedures are standardized across all grant programs; offer technical assistance and financial training to grantees so they will be prepared to effectively account for state resources.

Impact on Children and Families:

This funding will strengthen the agency's compliance and internal control frameworks, providing assurance that limited grant funds are spent efficiently on desired program outcomes. Many Arts Board grants, and regional arts council grants, support arts programming for children and families. Improving grant making effectiveness will ensure stronger programming for the intended participants and audiences.

Equity and Inclusion:

In the arts community, as in many other sectors, some individuals and organizations have more experience and capacity to applying for and receiving grants. Based on its own grants analysis, the Board has identified three groups that have received a lower proportion of grants in the past. Those groups include:

- Individuals who live, and organizations based, in greater Minnesota.
- Individuals who identify as Indigenous or as a person of color, and organizations led by Indigenous persons or persons of color.
- Individuals who have a disability, or organizations that are led by persons with a disability or exist to serve persons with a disability.

Naming these three groups in our grant making has, and will continue to, increase the number of applications from and grants to these groups.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

The Arts Board would need to purchase computer equipment, phone service, and state e-mail and internet access for the two staff members.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Arts Board FTEs dedicated to improving outcomes in grants oversight activities	.5	FY 2022-2023	.5	2.5	FY 2024-2025

Minnesota State Arts Board

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	13	26	26	26
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	13	26	26	26
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$13,000 in FY 2024 and \$26,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Minnesota State Arts Board.

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For the Arts Board, efficiencies have been implemented to help offset rising operating costs such as operating with a small but efficient staffing capacity while grant making responsibilities have increased over time. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Arts Board, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff complement in a challenging labor market, and increasing IT costs. If an operational increase is not provided, the services the Arts Board delivers to Minnesotans will be impacted. Some examples of potential impacts include:

- Delayed achievement of the Arts Board’s targets to increase service delivery to greater MN, BIPOC led organizations, and organizations serving people with disabilities.
- Delayed economic recovery in Minnesota’s creative sector from the impacts of COVID-19.

Proposal:

The Governor recommends increasing agency operating budgets to support maintaining the delivery of current services. For the Arts Board, this funding will cover rent increases, salaries, travel and IT costs.

Results:

This proposal is intended to allow the Arts Board to continue to provide current levels of service and information to the public.

Minnesota State Arts Board

FY 2024-25 Biennial Budget Change Item

Change Item Title: Arts and Cultural Heritage Legacy – Arts Board Appropriation (M.S. 129D.17)

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Arts and Cultural Heritage Legacy Fund				
Expenditures	49,320	41,475	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	49,320	41,475	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends an appropriation of \$90.795 million to the Minnesota State Arts Board for the FY 2024-2025 biennium from the state's dedicated Arts and Cultural Heritage fund (ACHF). This is in keeping with current law which states "At least 47 percent of the total appropriations from the arts and cultural heritage fund in a fiscal biennium must be for grants and services awarded through the Minnesota State Arts Board, or regional arts councils subject to appropriation." (M.S. 129D.17, subd 4.) The calculation assumes that five percent of each year's ACHF tax receipts will not be appropriated, pursuant to M.S. 129D.17, subd 5.

Rationale/Background:

The Arts Board is a state agency; its statutory charge is to "stimulate and encourage the creation, performance and appreciation of the arts in the state." It also serves as the fiscal agent for a system of eleven regional arts councils. Together, the board and councils serve as an effective mechanism to assess the arts needs of the state and provide funding and services to best meet those needs. Funds appropriated from the arts and cultural heritage fund are used to help achieve the following outcomes:

- The arts are interwoven into every facet of community life.
- Minnesotans believe the arts are vital to who we are.
- People of all ages, ethnicities, and abilities participate in the arts.
- People trust Minnesota's stewardship of public arts funding.
- The arts thrive in Minnesota.

The Arts Board has received an appropriation from the ACHF each year since the fund's creation in FY 2010.

Proposal:

The Arts Board and regional arts councils' core business is grant making. Rather than investing funds in only a few communities or regions, or a small number of artists, arts organizations, or arts programs, the Arts Board and regional arts council system is designed to ensure that there is investment in every county of the state and in thousands of artists, arts organizations, and arts activities each year. This structure, and broad investment through it, is intentional. Because its long-term goals are statewide, with the intent that all Minnesotans will be served, a broad strategy and mechanism will best help turn the curve. At the moment, the Arts Board is able to measure the number of applicants that can be funded (i.e., how many investments can be made), and the number of persons who are served by the funded activities (i.e., impact). Each year, the number of requests, and dollars requested, far surpass the funds available.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

This proposal is intended to allow the Minnesota State Arts Board to continue supporting the eleven regional art councils, individual artists, and arts organizations across the state. With this funding, the Arts Council will increase the percent of project grants to greater MN organizations, BIPOC led organizations, and organizations serving people with disabilities.

Minnesota State Arts Board

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Budget	FY 2024 Base	FY 2025 Base	Required State Match or MOE?	FTEs
National Endowment for the Arts CFDA 45.025	Partnership Agreement -To stimulate and encourage the creation, performance, and appreciation of the arts in the state.	\$ 857	\$ 933	\$ 933	\$ 933	Yes	1.4
National Endowment for the Arts CFDA 45.025	Partnership Agreement amended to include funds from the American Rescue Plan Act -To support arts programs, services, and activities associated with carrying out the agency's National Endowment for the Arts-approved strategic plan, and subgranting to the nonprofit arts sector in order to preserve jobs and maintain operations to fuel the recovery of the nation's arts sector from the devastating economic and health effects of the COVID-19 pandemic	\$ 826				No	
	Federal Fund – Agency Total	\$ 1,682	\$ 933	\$ 933	\$ 933		1.4

Narrative

The Minnesota State Arts Board receives federal support in the form of an annual state partnership grant from the National Endowment for the Arts (NEA). NEA dollars are restricted to the following purposes:

- Arts in education – the Arts Board must use these funds to support arts activities in schools and/or developmental programs to make arts in education programs more accessible or successful. Minnesota school children, teachers, school districts, parents, and communities benefit directly from these grants. Teaching artists also benefit from developmental programs that enhance their skills and expand their professional capacity.
- Underserved – the Arts Board must use these funds to support arts experiences for individuals/groups/areas that traditionally have fewer opportunities to participate in the arts. In Minnesota, this includes individuals/communities in greater Minnesota, artists/arts organizations based in communities of color, and arts activities that involve persons with disabilities and/or older adults.
- State basic grant – the Arts Board is free to use these funds as it sees fit to help achieve its vision – that all Minnesotans should have the opportunity to participate in the arts.
- American Rescue Plan Act grant – the Arts Board will use these funds to support nonprofit arts organizations across the state to help these entities, their employees, and their contracted artists and workers, endure the economic hardships caused by the forced cancellation of their activities or closure of their operations due to the COVID-19 pandemic.

The National Endowment for the Arts requires a one-to-one cash match, except for the American Rescue Plan grant award, which does not require a match. The Arts Board must receive state funding in order to qualify for NEA funding.

As long as Congress continues to fund the National Endowment for the Arts, support from the NEA to the Arts Board will be forthcoming each year. The NEA is required to pass at least 40 percent of its annual support from Congress on to states in the form of state partnership (block) grants. The block grants are determined by a formula, predominantly based on population.