



Staff: Carolyn Chen, Legislative Analyst *CJC*
Purpose: To make preliminary decisions – straw vote expected
Keywords: FY21 Budget

AGENDA ITEM #27
 April 30, 2020
Worksession

SUBJECT

Arts and Humanities Council of Montgomery County (AHCMC)

Expected Attendees

Suzan Jenkins, Chief Executive Officer, AHCMC

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$5,623,159	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$5,623,159	0.00 FTE
Increase (Decrease) from FY20	\$0	0.00 FTE
Increase (Decrease) from CE FY21 Rec	\$0	0.00 FTE

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- None

CONTINUITY OF SERVICES FROM FY20

- Includes consistent FY21 funding level for AHCMC to regrant to arts and humanities organizations as general operating support.

POTENTIAL REDUCTIONS

- None

POTENTIAL ITEMS RELATED TO COVID-19

- Operating support to offset the negative fiscal impact of funding capacity of arts and humanities organizations.

This report contains:

County Executive FY21 Recommended Budget © 1
 AHCMC FY20 Response to the Current Health Crisis © 2-8

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Non-Departmental Accounts

RECOMMENDED FY21 BUDGET

\$296,060,809

FULL TIME EQUIVALENTS

12.51

MISSION STATEMENT

Non-Departmental Accounts (NDAs) contain expenditure items essential to the operation of the County government which do not fall within the functional assignment of any department or agency, or which provide for expenditures related to more than one department or agency. In FY21, 52 NDAs are funded. Four NDAs receive no new funding: Inauguration and Transition Fund, Innovation Fund, Legislative Branch Communications Outreach, and Montgomery County Employee Retirement Plans and one new NDA is established: Labor Management Relations Committee. For FY21 the Community Grants: County Executive and Community Grants: County Council NDAs have been merged into a single Community Grants NDA.

BUDGET OVERVIEW

The total recommended FY21 Operating Budget for the Non-Departmental Accounts is \$296,060,809, a decrease of \$34,693,502 or 10.49 percent from the FY20 Approved Budget of \$330,754,311. Personnel Costs comprise 1.40 percent of the budget for 21 full-time position(s) and one part-time position(s), and a total of 12.51 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 98.60 percent of the FY21 budget.

PROGRAM CONTACTS

Contact Lindsay Lucas of the Office of Management and Budget at 240.777.2788 for more information regarding the operating budget for the Non-Departmental Accounts.

PROGRAM DESCRIPTIONS

Arts and Humanities Council

This NDA provides funding for the Arts and Humanities Council of Montgomery County (AHC MC), the County's designated local arts agency. Taxpayer support of the AHC MC includes general operating grants to arts and humanities organizations; program grants to arts and humanities organizations not receiving general operating support; project grants to individuals, scholars, groups, or small organizations; technical assistance and other support services for individuals and other organizations in the County; matching funds for awardees designated to match private donations, such as through power2give; and operating expenses for AHC MC. The County's contribution is implemented by a contract between the Department of Recreation and AHC MC.

Since 1976, AHC MC has been the County's designated local arts agency. The AHC MC, in partnership with the community, cultivates and supports excellence in the arts and humanities, expands access to cultural expression, and contributes to economic vitality in the region. AHC MC provides leadership that sustains arts and humanities organizations, artists and scholars, and inspires participation in our County's cultural assets. Through its programs and services, AHC MC provides the infrastructure and support necessary to maintain a robust creative community that includes over 500 cultural organizations and 2,000 artists and scholars. AHC MC annually distributes grants to organizations and individuals to help fund enriching cultural activities in our County (www.creativemoco.com/grants/grants-awarded).

AHC MC is headquartered in Silver Spring and receives support from the Maryland State Arts Council, corporations, organizations and individuals.

Funding for maintenance of public art is allocated in the Public Arts Trust Capital Improvements Program (CIP) project.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	5,623,159	0.00
FY21 Recommended	5,623,159	0.00

☼ **Boards, Committees and Commissions**

There are approximately 75 boards, committees, and commissions, created by law or resolution, which serve the County for a variety of purposes. These funds provide for the reimbursement of certain expenses incurred by eligible members of boards, committees, or commissions while on official business and/or for expenses related to the establishment of any new boards, committees, or commissions.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	22,950	0.00
Increase Cost: Operating Expenses	50,000	0.00
FY21 Recommended	72,950	0.00

☼ **Charter Review Commission**

Section 509 of the County Charter requires that a Charter Review Commission be appointed by the County Council every four years, within six months of the Council assuming office, for the purpose of reviewing the Charter for notetial amendments. The Commission shall report at least once to the Council on the Commission's activities within one year after appointment. Commission reports shall be submitted no later than May 1 of every even-numbered year. The reports shall contain recommendations concerning proposed Charter amendments, if any. This NDA provides for the expenses of the Commission.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,150	0.00
FY21 Recommended	1,150	0.00

☼ **Children's Opportunity Fund**

The Children's Opportunity Fund (COF) NDA was established in partnership with the Greater Washington Community Foundation in May 2016. COF provides funding to support policy priorities that address the social determinants that impact the achievement gap for vulnerable children and the barriers faced by their families.

The Fund is supported by a Policy Leadership Group made up of the County Executive, the Montgomery County Public School (MCPS) Superintendent, a member of the Board of Education, and a member of the County Council. This Policy Leadership Group is staffed by the Executive Director of COF and will advise the Fund's Steering Committee on policy priorities relating to children at risk of not succeeding in school, for the purpose of advising and guiding the Steering Committee in making recommendations for the Fund.

The Fund will direct resources to County inter-agency and cross system collaborations, promote public-private partnerships, and identify new funding sources in collaboration with the Community Foundation to aggressively close the achievement gap in Montgomery County and impact the social-economic determinants that affect outcomes for children and their families.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	375,000	0.00
FY21 Recommended	375,000	0.00

☼ **Climate Change Planning**

This NDA provides funding for the prioritization of greenhouse gas reduction strategies and the development of an implementation plan to meet the County's goal of an 80 percent reduction in greenhouse gas emissions by 2027 and a 100 percent reduction by 2035. Funding in this NDA can also be used to develop climate change adaptation strategies. Any excess appropriation available after the above work is completed may be used to fund other climate change-related initiatives

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	400,000	0.00

April 9, 2020

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directors**

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Suzan E. Jenkins, MBA
Chief Executive Officer

Kenneth A. Lechter, Esq.
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Montgomery County Council
Council Office Building
100 Maryland Avenue, 6th Floor
Rockville, MD 20850

Dear Council President Katz and Esteemed Council Members:

Thank you for the opportunity to submit written testimony for the Arts and Humanities Council's (AHCMC) FY21 budget request and for your stalwart support of the arts and humanities in Montgomery County in the past.

The coronavirus has already had a devastating economic impact on America's nonprofit arts sector—financial losses to date are estimated to be \$3.2 billion. Since the first U.S. case was reported on January 20, cancellations and closings have been reported in thousands of communities spanning all 50 states.

In a national survey by Americans for the Arts¹, 91% of responding arts organizations indicated that they have cancelled one or more events. Many arts organizations have closed their doors for months to come if not permanently. More than one-third of respondents expect to make reductions in staff; 26% have already reduced their creative workforce. The \$3.2 billion figure includes actual revenue losses to date from admissions (ticket sales, subscriptions, memberships), non-admissions income (gift shop sales, sponsorships, contributed income), and unexpected expenditures (new cleaning and disinfecting protocols, adoption of new technologies, cancellation fees). Given that losses documented in the Americans for the Arts survey occurred only in the first two months of the pandemic, Americans for the Arts anticipates additional billions in potential revenue losses for the nonprofit arts and culture field.

"There will be a measurable economic and social ripple effect that will be felt in every city and town as arts organizations and performances close, leading to further losses for restaurants, bars, parking facilities, hotels, and much more. The economic damage will be in the billions." Bob Lynch, President, Americans for the Arts

AHCMC's Montgomery County-based survey to quantify data regarding losses resulting from closures during this pandemic is ongoing. AHCMC will provide our full written testimony to include that data for our FY21 budget request prior to the hearing next week.

Sincerely,



Suzan Jenkins
CEO

¹ These estimates are based on more than 2,000 respondents to an Americans for the Arts nationwide COVID-19 impact survey, and then further extrapolation of those data nationally using IRS data about nonprofit arts and cultural organizations.



April 16, 2020 Testimony

Coronavirus, Emergency Relief and FY21 Budget Advocacy

AHCMC FY20 Response to the Current Health Crisis:

AHCMC is providing resources to help address the pandemic on our website and in our newsletters; see <https://www.creativemoco.com/news/coronavirus-plan-to-arts-humanities-ceos/>

AHCMC added the **COVID-19 Emergency Relief Matching Fund** Category to the \$200,000 in matching funds available through power2give.org, **raising over \$200,000 since March 27, 2020** to:

- help organizations bring the financial crisis caused by the pandemic to the forefront of messaging for private philanthropic dollars;
- form a united front and create a buzz in the community regarding the organizations' good work and this sector's vulnerability. In our current model, p2g projects can raise up to \$10k, with \$5k from the county and \$5k from new donors that organizations can leverage for future gifts, as a match and
- incentivize private philanthropy. This is critical because we know that after the 2008 market collapse, philanthropic gifts dropped by more than 15 percent, leaving \$30 billion sitting in private coffers instead of being used to further the public good. Our power2give initiative is aimed at getting as much of that money from private coffers into our sector's pockets as we are able.

AHCMC is also **providing technical support to the county regarding PHEG, expediting AHCMC FY20 grant award disbursements, and disbursing final 25% AHCMC grant for most FY20 grantees. We also relaxed the FY20 award policies:**

- to allow grant funds to cover allowable costs (i.e. for venues, collaborating partners) already incurred for an event or performance that must be cancelled due to COVID-19;
- to allow for reasonably extended timelines for projects, beyond the FY20 grant period, if rescheduling events are an option and
- allowing changes to project descriptions/budgets on a case by case basis.

For the most part, AHCMC will **not ask that any FY20 award funds be returned. We also provided FY20 Artist and Scholar Project Grants (ASPG) and/or Arts Residencies in the Schools Grants (ARSG) recipients a one-time distribution of \$1,000 in emergency funds. Intended to help mitigate the effects of COVID-19, these relief funds may be used for any immediate need, including rent, utilities, food, and gas.**

Understanding that emergency funding is important for all sectors at this moment, we have distributed all FY20 funds and **would appreciate no cuts to our current FY20 budget**



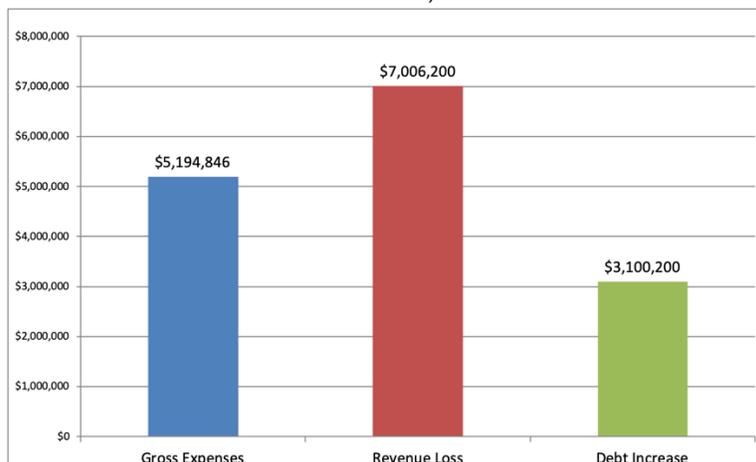
FY21 Budget Request Overview

Like many sectors, the 2020 pandemic has wreaked havoc on the arts and humanities sector. **In a survey conducted earlier this week by the Arts and Humanities Council, arts and humanities organizations, already a highly vulnerable sector, expect to lay off almost 500 employees, lose almost \$7 million in revenue, increase debt by \$3 million, cancel 1300 events and programs and use almost 40% of their reserves by June 15, 2020.** Especially now the arts and humanities need the county’s strategic economic investment in our sector, so that we can rebuild Montgomery County’s economy together.

Understanding that emergency funding will continue to be important at this moment and well into the future, the coronavirus has already had a devastating economic impact on America’s nonprofit arts sector. While the \$25 million in emergency relief offered by the county is substantial, considering the vast number of small businesses in Montgomery County, this will certainly not be enough to substantially support us all. **While we are certain AHCMC’s budget request will not come close to mitigating the devastating losses suffered by our sector, our hope is to provide each grantee at least level funding over that of FY20 to be supplemented by public and private emergency funding.**

According to [Americans for the Arts recent nationwide survey](#) of 11,000 arts organizations, financial losses to date are estimated to be \$5 billion. Since the first U.S. case was reported on January 20, cancellations and closings have been reported in thousands of communities spanning all 50 states. To put the figure in perspective, it is 22.5 times the combined \$200 million allocated to the National Endowment for the Arts, the National Endowment for the Humanities, and the Institute of Museum and Library Services in the [stimulus bill passed by Congress](#) two weeks ago. In addition, canceled and postponed events have caused the loss of an estimated 197 million in attendance and resulted in an estimated loss of \$6.2 billion in event-related consumer spending so far. Economic impact is measured via three categories: loss of admissions revenue (ticket sales, memberships); loss of non-admissions revenue (gift shop sales, contributions); and unexpected expenses (including spending on cleaning and disinfecting protocols, new technologies, and cancellation fees for postponed events.)

Q16 What do you estimate the financial impacts of the COVID-19 pandemic will be to your organization after the first 90 days of non-essential business closure and social distancing? (First impact through Mid-June)





FY21 Budget Request

The County Executive recommended a budget for AHCMC that is flat over that of FY20 or **\$5,623,159** which represents \$5,066,424 for re-granting general operating and project support grants, \$190,000 for Public Art, and \$556,735 for administration. The allocation for administration represents just 9.5% of AHCMC's total allocation.

AHCMC's research prior to the devastation caused by the pandemic demonstrated that growth of many nascent, seasoned and legacy organizations, artists and scholars practicing their art across the county required increased financial and human resources, increased technical and capacity building assistance, relationship building, and professional development opportunities.

In response to the devastating losses incurred in our sector AHCMC is requesting an FY21 budget increase of \$1,043,287 over the FY20 appropriation for regranting for general operating support and project-based grants for a total re-granting pool of \$6,109,711 to help stabilize our grantees and drive economic growth. Funding at this level had been deemed to appropriately address the 7.6% increase in eligible applicant budgets for General Operating Support for Large Organizations (based on a 7.6% increase in FY20 over FY19.)

- **General Operating Support I (GOS I):** In FY20, the total request from GOS I organizations (formerly *General Operating Support for Mid-Size Organizations*) was \$898,904. AHCMC was able to fund all requests by allocating \$772,311, which included a portion of the FY20 \$250,000 discretionary funds from the County. **AHCMC anticipated that demand in FY21 would be approximately \$1,237,586. FY21 Grant guidelines include a higher allowable grant request, from \$25,000 in FY20, to 50,000 in FY21 for those organizations with the capacity to provide a financial review as part of their application.** (Note: organizations may not request more than 35% of their operating budget.) The increased demand in FY21 over FY20 was projected to be approximately \$338,682.

- **Grants (AG):** In FY20, the total request from organizations for AG was \$404,975. AHCMC was able to fund all requests by allocating \$353,545, which included a portion of the \$250,000 in discretionary funds from the county. **AHCMC anticipated that demand in FY21 would be approximately \$625,000 based on an FY21 guideline change that allows those organizations that can provide a financial review to request up to \$50,000.** In the past, an audit was required for requests over \$25,000. **The maximum allowable grant request is still \$100,000 for this funding opportunity. The demand for FY21 was approximately \$276,000.**

- **Program & Capacity Building Project Grants (PCBPG):** In FY20, the total request from organizations for PCBPG (formerly *Small Arts & Humanities Organizations and Groups Project Grants*) was \$115,865. AHCMC was able to fund all eligible requests by allocating \$109,400. **We anticipate that demand in FY21 will be approximately \$235,000, a 52% increase in the financial ask over that of FY20 and based on an FY21 guideline change that allows organizations with 501(c)3 status to request up to \$10,000. Those without 501(c)3 status may still apply for up to \$5,000.**



• **Artists & Scholars Project Grants (ASPG):** In FY20, the total request from artists and scholars in the ASPG category was \$141,059. AHCMC was able to fund the majority of applicants by allocating \$135,683. **We anticipated that demand in FY21 would be approximately \$200,000, a 19% increase over FY20. The growth reflected an estimated 15 additional artists would apply for funding.**

• **Wheaton Cultural Project Grants (WCPG):** AHCMC anticipated demand in this category to remain flat as the number of applicants remained stable. AHCMC is requesting \$91,815 in funding for this category for FY21, flat over FY20.

• **Arts Residencies in Schools Grants (ARSG):** In FY20, the total request in ARSG was approximately \$10,000 higher than what was requested in FY19 and what was allocated for this category in FY20. AHCMC grants staff believed the number of teaching artists requesting funding would likely increase significantly in FY21 (and therefore the total request amount) if the Maryland State Arts Council (MSAC) opens its roster to new teaching artists. (Note: it is required that teaching artists be listed on MSAC's roster to receive AHCMC funding, as artists are vetted before they are listed.) **The increased demand for FY21 over what was allocated in FY20 was projected to be \$20,000.**

Category:	FY20 to FY21 Anticipated Increase:
GOS II	\$241,504
GOS I	\$338,682
AG	\$220,025
PCBPG	\$119,135
ASPG	\$103,941
ARSG	\$20,000
WCPG	\$0
Total additional allocation:	\$1,043,287

Public Arts Trust: AHCMC is requesting an Amendment to Section 8-45 Appropriation for art as follows: **Sec. 8-45 Recommended Amendment to the Appropriation for art:**

Each year the County Council will appropriate funds for the next fiscal year to the Public Arts Trust in an amount equal to a minimum of .05% of the combined total approved programmed capital expenditures for the then current fiscal year for County Government, Public Schools, Montgomery College, and Maryland-National Capital Park and Planning Commission. (1984 L.M.C., ch. 1, § 1; 1988 L.M.C., ch. 43, §§ 1--3; 1990 L.M.C., ch. 43, § 1; CY 1991 L.M.C., ch. 9, § 1; 1992 L.M.C., ch. 9, § 1; 1995 L.M.C., ch. 12, §§ 1, 2.)

AHCMC requests an FY21 appropriation of \$290,000 for the Public Arts Trust to address the recommended funding level, to appropriately maintain and care for the county's extensive collection of public art with annual 4% increases to the budget over the previous year's budget, FY22 through FY26 to bring the overall budget closer to recommended funding levels and recognize expenses related to inflation.



FY21 Budget Request Summary

Understanding that emergency funding will continue to be important at this moment and well into the future, **AHCMC is requesting an FY21 budget increase of \$1,043,287 over the FY20 appropriation for regranting for general operating support and project-based grants for a total re-granting pool of \$6,109,711 and an FY21 appropriation of \$290,000 for the Public Arts Trust.**

While we are certain our request will not come close to mitigating the devastating losses suffered by our sector, our sector is highly vulnerable. Our hope is to provide each grantee at least level funding over that of FY20 to be supplemented by sustained public and private emergency funding to help our sector rebuild.

Like never before, the arts and humanities demonstrate that we are an economic driver and play a key role in the fabric of our society. Throughout this unprecedented pandemic we have seen the overwhelming rate at which communities across the globe turned to the arts and humanities for solace, inspiration, and creative coping solutions. The recent flood of online exhibitions, live-streamed performances, and digital resources, overwhelming as it may be, evinces the sector's high degree of demand, adaptability and responsiveness.

By strategically continuing to invest in our sector, Montgomery County's investment will support over 4200 jobs, contribute to the well-being of our residents and capitalize on the county's prior economic investments that have provided a \$198 million return on our \$9.2 million investment.

A strong FY21 budget will help the arts and humanities sector help Montgomery County recover fiscally and physically and consequently, bolster our economy. And at the time our community is once-again able to "gather around the good stuff" we know the arts and humanities will be in the center, along with family and friends, rejoicing and contributing to the well-being of our residents.

The arts and humanities are part of the solution.

Councilmembers, we ask for your continued and increased support of our sector so that we can help you help Montgomery County recover and thrive.

Impact

The Arts & Humanities Sector in Montgomery County:



Investment



The Arts & Humanities Boost the Local Economy

Average Montgomery County Cultural Event Attendee Spends

\$22.53	
Meals Before or After	\$12.47
Refreshments or Snacks	\$2.48
Transportation	\$2.53
Souvenirs & Gifts	\$2.25
Other	\$2.80

× **3.4 million** Attendees



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