

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 216** HLS 16RS 796

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 28, 2016 9:28 AM	Author: HENSGENS
Dept./Agy.: Division of Administration/Culture, Recreation & Tourism	Analyst: Alan M. Boxberger
Subject: Limits amount required to spend under Percent for Art	

PUBLIC BLDGS/GROUNDS-ST

EG DECREASE OF EX See Note

Page 1 of 2

Limits the amount required to be spent per project under the Percent for Art Program

Present law pertaining to the Percent for Art Program requires state agencies to dedicate 1% of state funds for construction or renovation project costs to acquire, conserve, or restore and install works of art for any project with state funding costs of \$2 million or more. Proposed law caps the amount of state funds dedicated to works of art to the lesser of \$100,000 per project or 1% of the state money to be expended on the construction or renovation project. Proposed law shall apply to all projects begun on or after August 1, 2016, and provides that no new contracts shall be entered into after October 1, 2016, if such contract would increase the total expenditure for art for such project to exceed \$100,000.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law may result in a potential G.O. Bond expenditure reduction of up to an average of \$416,131 annually based on the program's historical spending.

Proposed law would reduce Percent for Art allocations for building projects with construction costs in excess of \$10 million. The potential reduction would be an equivalent cost reduction of \$100,000 for every \$10 million in construction costs (i.e. \$20 million construction cost = \$100,000 reduction, \$40 million construction cost = \$300,000 reduction). As future funding authorizations are unknown, the Division of Administration provided a theoretical cost savings based on annual average historical expenditures since the inception of the program (while excluding certain cost outliers).

Since 2003, the total allocation to the Percent for Art program has totaled \$14,102,788. Exclusions:

- 1) Between 2003-2006, \$500,000 was expended on administrative expenses during program start up.
- 2) The University Medical Center project in New Orleans resulted in an expenditure of \$2.4 M associated with the Percent for Art program and is being excluded as an atypical data point since the project cost was abnormally large.

Continued on Page 2

REVENUE EXPLANATION

The Department of Culture, Recreation and Tourism (CRT) employs one staff person to manage the Percent for Art program, including selection of the artist and art, contracting and/or purchasing, and installation of the artwork. As compensation for these duties, the Office of Facility Planning and Control remits a 10% administrative fee upon completion of each project. The actual amount of administrative fees received varies depending on the number of size of projects completed in each fiscal year. The administrative fees collected are utilized to pay for program staff and expenses, and to serve as match for federal National Endowment for the Arts grant funds.

CRT would realize an estimated reduction of IAT revenues equal to approximately \$41,613 on average. This reduction may result in the loss of prospective federal grant funds of an indeterminable amount.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 216** HLS 16RS 796

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 28, 2016 9:28 AM	Author: HENSGENS
Dept./Agy.: Division of Administration/Culture, Recreation & Tourism	Analyst: Alan M. Boxberger
Subject: Limits amount required to spend under Percent for Art	

CONTINUED EXPLANATION from page one:

Of the \$14.1 M expended to date, the theoretical gross reduction that would have been realized under proposed law's \$100,000 cap totals to \$6,229,048. Removing the exclusions enumerated above under this theoretical reduction and averaging the remainder across the 8 years since program implementation results in an annual theoretical reduction of approximately \$416,131 per year had proposed law been in effect since program inception. Given the applicability of proposed law only to projects begun after August 1, 2016, and the applicability of the cap restriction only on new contracts initiated after October 1, 2016, the FY 17 impact could potentially be less than the theoretical average to the extent that a portion of the year's contract allocations may be executed prior to the effective start dates for new projects and new contracts respectively.

\$6,229,048	\$3,329,048 net reduction/8 years = <u>\$416,131 annual average</u>
- \$2,900,000	
\$3,329,048 net reduction	

The Department of Culture, Recreation and Tourism (CRT) utilizes a 10% administrative fee associated with each Percent for Art program project to provide for its expenditures associated with managing the program, including selection of the artist and art, contracting and/or purchasing, and installation of the artwork. According to the theoretical reduction of expenditures for the Percent for Art program of \$416,131 as estimated by the Division of Administration, this would result in an annual average loss of approximately \$41,613 in expenditure authority for CRT. While this number is reported as an average, actual expenditures may vary to a large degree from year to year. For example, CRT reports the projected impact in FY 18 may be as great as (\$92,000) based on planned projects in-process. To the extent that this loss of expenditure authority may not provide sufficient funds to administer the existing program (personnel costs, etc.), **the department may require additional resources to cover expenses, assumed to be SGF, or to reduce the scope of the program's administrative expenses to match revenues.** For informational purposes, the existing budget authority for this activity is \$132,000.

Senate Dual Referral Rules House

- | | |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director