

MEMORANDUM



DATE: 8/12/2009
TO: Members of the House Standing Committee on Appropriations
FROM: Robin R. Risko
RE: Executive Order 2009-36

Summary: Executive Order 2009-36

Executive Order 2009-36 was issued by the Governor on July 13, 2009 and will be effective October 1, 2009 unless disapproved by the Legislature. The Executive Order abolishes the Department of History, Arts, and Libraries (DHAL) and transfers authority, duties, powers, functions, and responsibilities of various programs to other state departments/agencies. Pursuant to Article V, Section 2 of the State Constitution, the Legislature has 60 calendar days to disapprove the Executive Order by means of a resolution concurred in by a majority of the members elected to and serving in each house.

Department of History, Arts, and Libraries Appropriations

Table 1 below shows a comparison of total appropriations for DHAL-related programs and the amount of savings to the State as a result of Executive Order 2009-36.

TABLE 1: Appropriations for DHAL-Related Programs

	<u>FY 2008-09 Year-To-Date*</u>	<u>FY 2009-10 Exec Rec Adjusted For EO 2009-36</u>	<u>FY 2009-10 Change From Year-To-Date</u>
FTEs	232.0	216.0	(16.0)
Gross	\$51,068,400	\$42,040,600	(\$9,027,800)
IDG	668,600	311,700	(356,900)
Federal	8,135,000	7,357,400	(777,600)
Local	200,000	0	(200,000)
Private	312,200	112,600	(199,600)
Restricted	4,150,400	3,567,600	(582,800)
GF/GP	\$37,602,200	\$30,691,300	(\$6,910,900)

*Year-to-date appropriations have been adjusted to reflect budget reductions contained in Executive Orders 2008-21 and 2009-22, supplemental appropriation of federal economic stimulus funding, and contingency fund transfers.

Of the \$6.9 million in GF/GP savings anticipated as a result of the EO, \$5.9 million is attributed to the elimination of the arts and cultural grants program in its current form and \$1.0 million is attributed to the elimination of department administration and operation expenses. With regard to the arts and cultural grants program, \$1.0 million GF/GP is transferred to the Michigan Strategic Fund for a new arts and cultural planning grants program. A comparison between the two programs is provided later in this memo.

Transfer of DHAL-Related Programs

Table 2 below lists the programs transferred pursuant to Executive Order 2009-36, the receiving state departments and agencies, and the associated funding.

TABLE 2: Program Transfers as a Result of Executive Order 2009-36

	<u>FTEs</u>	<u>Gross</u>	<u>GF/GP</u>
Department of Education			
Library Administration and Operations	59.0	\$6,823,400	\$6,823,400
Library Services and Technology Program	2.0	5,557,400	0
State Aid to Libraries	0.0	10,000,000	10,000,000
State Demographer (funding will be transferred to DIT via IDG)	0.0	224,000	224,000
Subtotal	61.0	\$22,604,800	\$17,047,400
Department of Information Technology			
State Demographer	2.0	\$224,000	\$0
Subtotal	2.0	\$224,000	\$0
Department of Energy, Labor and Economic Growth (MSHDA)			
State Archeologist	5.0	\$481,100	\$481,100
State Historic Preservation	15.0	1,502,100	552,100
Cultural Economic Development	2.0	325,200	325,200
Lighthouse Preservation Program	1.0	251,000	0
(MI Commission for the Blind)			
Subregional State Aid	11.0	1,655,300	1,655,300
Subtotal	34.0	\$4,214,700	\$3,013,700
Department of Management and Budget			
State Records Center	13.0	\$1,674,000	\$1,300,400
Subtotal	13.0	\$1,674,000	\$1,300,400
Department of Natural Resources			
Mackinac Island State Park Commission/Operations	24.0	\$1,588,200	\$1,421,200
Historical Facilities System	15.0	1,789,000	188,500
Historical Administration and Services	42.0	4,566,800	4,518,100
Heritage Publications	5.0	1,047,100	346,000
Special Programs	1.0	112,600	0
Thunder Bay Marine Sanctuary and Underwater Preserve	1.0	200,100	200,100
Museum Stores	4.0	513,400	0
Michigan Freedom Trail Commission	1.0	25,000	25,000
State Archives	8.0	1,149,000	1,149,000
Subtotal	101.0	\$10,991,200	\$7,847,900
Michigan Strategic Fund			
Michigan Council for Arts and Cultural Affairs	5.0	\$509,900	\$481,900
Arts and Cultural Planning Grants	0.0	1,822,000	1,000,000
Subtotal	5.0	\$2,331,900	\$1,481,900
TOTAL	216.0	\$42,040,600	\$30,691,300

The Library of Michigan is transferred to the Department of Education, along with the Library Services and Technology program, State Aid to Libraries, and the State Demographer. The Superintendent of Public Instruction will provide executive direction and supervision and is required to implement cost-saving measures designed to reduce expenditures. Measures will include, but not be limited to, eliminating or transferring circulation of specific collections (including, but not limited to, the Main, Dewey, and General Reference collections, the Michigan collection, the Michigan Documents collection, and the Rare Book collection); eliminating or transferring circulation and document delivery for the law collection; suspending or eliminating participation as a participating lending library in MeLCat; and eliminating or transferring the Federal Documents Depository and the non-Michigan Genealogy collection.

The Office of the State Archeologist, State Historic Preservation programs, State Historic Preservation Review Board, Idlewild Centennial Commission, Cultural Economic Development, and the Lighthouse Preservation Program are transferred to the Michigan State Housing Development Authority (MSHDA) within the Department of Energy, Labor and Economic Growth (DELEG). The Executive Director of MSHDA will provide executive direction and supervision. The

Subregional State Aid program (library services for the blind and physically handicapped) is transferred to the Michigan Commission for the Blind, also within DELEG. The Director of DELEG will provide executive direction and supervision for this program.

The State Records Center is transferred to the Department of Management and Budget (DMB). The Director of DMB will provide executive direction and supervision.

Numerous programs are transferred to the Department of Natural Resources (DNR). These include: Mackinac Island State Park Commission and park operations, Historical Facilities System, Historical Administration and Services, Michigan Historical Commission, Michigan Heritage Water Trail Program, Michigan Commission on the Commemoration of the Bicentennial of the War of 1812, Michigan Iron Industry Museum Advisory Board, Heritage Publications, Special Programs, Thunder Bay Marine Sanctuary and Underwater Preserve, Museum Stores, Michigan Freedom Trail Commission, State Archives, and State Historical Records Advisory Board. The Director of DNR will provide executive direction and supervision and is required to implement cost-saving measures designed to reduce expenditures and generate revenue. Measures will include, but not be limited to, instituting an admission fee for museum facilities and exhibits and entering into memorandums of understanding with qualified non-profit organizations, societies, or foundations willing to assume responsibility for the publication of magazines or journals, staffing and operation of the museum store, development and operation of online sales of merchandise from, or related to, the state's museums or archives, and administration of the Michigan Historical Markers Program.

Creation of Michigan Center for Innovation and Reinvention Board

Executive Order 2009-36 creates the Michigan Center for Innovation and Reinvention Board within the DNR. The purpose of the board is to review and evaluate the potential for the creation of a Michigan Center for Innovation and Reinvention in partnership with Michigan State University, the City of Lansing, or other appropriate public and private partners and to consider alternative ideas and proposals designed to achieve the following objectives: preserving and maximizing the benefits of existing state library and historical resources; exploring creative and innovative ideas for using existing state library and historical resources; and identifying and recommending alternative sources and means of funding for these activities and services. The board will be staffed and assisted by personnel from the DNR. Members of the board will serve without compensation, but may receive reimbursement for travel and expenses. The board is authorized to hire or retain contractors, sub-contractors, advisors, consultants, and agents, and is authorized to accept donations of labor, services, or other things of value from public or private sources.

Arts and Cultural Grants

The Michigan Council for Arts and Cultural Affairs is transferred to the Michigan Strategic Fund within the Department of Treasury. The Council will administer the new Arts and Cultural Planning Grants program and the President of the Michigan Strategic Fund will provide executive direction and supervision. A comparison of the current arts and cultural grants program to the new arts and cultural planning grants program as proposed in the FY 2010 Executive budget recommendation appears below.

FY 2009 Arts and Cultural Grants Program:

- Year-to-date appropriation of \$8.1 million Gross and \$6.9 million GF/GP.
- The Michigan Council for Arts and Cultural Affairs (MCACA) administers arts and cultural grants for non-profit organizations.
- The Council uses published criteria to evaluate program quality.
- The Council awards grants on an equitable geographic basis, to the extent possible.
- Priority is given to projects that serve multiple counties, leverage public and private investment, or demonstrate potential to increase tourism or attract or retain businesses or residents.
- MCACA awards grants to counties, cities, villages, townships, community foundations, and organizations in the following categories: anchor organizations, arts projects program, arts and learning program, artists in residence for education program, arts organizations development program, capital improvement program, local arts agencies services program, regional regrating program, partnership program, rural arts and cultural program, cultural projects program, historical society projects program, discretionary grants program, and cultural and ethnic heritage centers and museums.
- No organization receives more than 15% of the funding appropriated.
- Grant applicants pay a nonrefundable application fee of \$300 or 3% of the desired grant amount, whichever is less, submit annual audit reports, and identify proposed matching funds.
- Grant recipients provide MCACA with proof of entire amount of matching funds and a final report which includes revenues and expenditures, number of patrons, and a narrative summary of each project and its outcome.

FY 2010 Arts and Cultural Planning Grants Program

- Appropriation of \$1.8 million Gross and \$1.0 million GF/GP.
- Appropriations for arts and cultural planning grants are for the purpose of assisting in the completion of program statements and schematic planning documents directed towards the remodeling, repair, renovation, or construction of certain arts and cultural institutions.
- Planning grants are awarded to counties, cities, villages, townships, community foundations and non-profit organizations operating arts and cultural institutions.
- MCACA approves the distribution of arts and cultural planning grants using a competitive grant process and uses published criteria to evaluate planning grant applications.
- MCACA gives priority to projects that serve multiple counties, leverage public and private investment, or demonstrate potential to increase tourism or attract or retain businesses or residents.
- MCACA ensures recipients of planning grants have adequate funding to sustain the ongoing operations of the institution.
- Applicants submit applications for planning grants and pay a nonrefundable application fee of \$1,000.
- Within one year of receiving planning grants, applicants must submit to MCACA professionally-developed program statements and schematic design plans for projects.
- MCACA recommends projects to State Budget Director to be included in a budget recommendation; projects will not exceed \$100,000,000 in total cost.
- Debt services bonds will be issued to finance projects and will be paid by annual appropriations.
- MCACA reports annually on the status of each arts and cultural institution planning or construction project.