



Perfect Pitch: Considerations for a Dedicated Funding Source for Arts and Culture

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**PERFECT PITCH:
CONSIDERATIONS FOR A DEDICATED
FUNDING SOURCE FOR ARTS AND CULTURE**

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PERFECT PITCH: CONSIDERATIONS FOR A DEDICATED FUNDING SOURCE FOR ARTS AND CULTURE

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Perfect Pitch:

Considerations for a Dedicated Funding Source for Arts and Culture

EXECUTIVE SUMMARY

Convinced by a compelling business case that showed how arts and culture contributes to a strong knowledge economy, the Maricopa Regional Arts and Culture Task Force called for a region-wide commitment to arts and culture development. The 30 elected, business, arts, and philanthropic leaders also agreed that, given the current financial limitations of the region's arts and culture sector, a new era of achievement would require a "well-rounded system of funding and support through public, private, and philanthropic means." Without this, the potential for arts and culture to help ensure "a high skill, high innovation economy in a great, livable place"¹ would go unfulfilled.

The task force's conclusions were based on a host of facts and figures. For example, data compiled by the Battelle Technology Partnership Practice revealed that per capita total revenues for nonprofit arts and culture organizations in metropolitan Phoenix were roughly half or less of those in comparable regions.² The task force's summary said: "The Valley has much upon which to build, but the needs are

of a sobering size. For example, annual total revenues for arts and culture organizations in the region would have to more than double to reach the average per capita level for the benchmark regions. Arts and culture organizations in the Valley spend more time than their benchmark counterparts raising funds simply to stay in business. Their 'fragile present' prevents the actions and initiatives that would bring them to the top..." In fact, the task force called the gap "'unbridgeable' in the existing environment."³

For arts and culture to fulfill its regional promise, the task force calculated that an additional \$30-50 million in arts and culture funding would be needed annually to "leapfrog" metropolitan Phoenix to the mid-point of the nine cities studied. A reliable stream of this magnitude would support current efforts, allow for expansion, and be a catalyst for the envisioned "center of creativity."

Numbers Reveal a Financial Crisis for Arts and Culture
Arts, Culture, and Humanities Organizations Revenues, FY 2001

Metro Area	Total Revenues* (\$millions)	Contributed Revenues (\$ millions)	Per Capita Total Revenues (\$)	Per Capita Contributed Revenues (\$)
Atlanta	298	134	70	31
Austin	79	42	60	32
Charlotte	128	68	83	44
Denver	258	125	119	58
Indianapolis	284	107	188	71
Phoenix	94	40	29	12
Portland	162	80	70	34
Salt Lake City	75	51	56	38
San Diego	143	66	50	23
Seattle	430	215	119	60

*Includes all contributed, earned, and grant revenues.
Source: *Vibrant Culture – Thriving Economy*, May 2004.

FIRST WHY, NOW HOW

The task force explained why arts and culture is important to the region's businesses, communities, and residents. Morrison Institute for Public Policy (School of Public Affairs, College of Public Programs) was asked to address how other regions have developed major, particularly public, funding sources and what their experiences might mean for metropolitan Phoenix. Commissioned by the Maricopa Partnership for Arts and Culture – MPAC, the follow up organization to the task force – *Perfect Pitch*:

¹*Vibrant Culture—Thriving Economy*, Maricopa Regional Arts and Culture Task Force, May 2004, P. i.

²The benchmark regions included: Atlanta, Austin, Charlotte, Denver, Indianapolis, Portland, Salt Lake City, San Diego, and Seattle.

³*Vibrant Culture—Thriving Economy*, May 2004, P. 4.

Considerations for a Dedicated Funding Source for Arts and Culture presents insights from interviews with arts and culture professionals and observers from across the country and information from a wide range of materials from local and national sources.

In *Perfect Pitch*, the phrase “arts and culture” refers to the thousands of individuals, businesses, and organizations involved in arts disciplines, “creative industries,” public art, history and heritage, and science and nature. However thus far, most funding mechanisms in Arizona and across the U.S. have supported the nonprofit portion of the sector. This focus is maintained in *Perfect Pitch* because of the critical financial need among nonprofit arts and culture organizations in this region. Given the task force’s vision and MPAC’s mission, though, other parts of the sector will warrant study in the future. Also in this report, the terms greater Phoenix, Maricopa region, and metropolitan Phoenix are used synonymously.

Given the economic imperatives, size of the arts and culture sector, and various election results, creating a “well-rounded system of funding and support” for arts and culture in metro Phoenix would seem to be realistic. Yet, for all of these and other pluses, the task force’s members realized that their successors would have to have “perfect pitch” on any proposal for a dedicated funding source for arts and culture.

What Will Make a Good Source for the Maricopa Region?

Nonprofit arts and culture funding today is a public-private hybrid. Private donors play an important part, as do public sources. For regional development at the level envisioned and to supplement what is done privately, a public source was viewed as a major missing piece in the Maricopa region. The task force discussed the necessary characteristics of sources and some options that could generate all or most of \$30-50 million a year, but they left a detailed examination to MPAC. The following list shows the attributes task force members noted, plus those favored by most fiscal policy experts. For this region, a dedicated arts and culture funding source should be:

- ▶ Able to provide approximately \$30-50 million annually for regional development
- ▶ Able to grow with the economy
- ▶ Able to be adopted elsewhere in the state, if legislative authorization is required
- ▶ Complementary to municipal and state arts agencies’ funding programs
- ▶ Able to deal with multiple governmental entities
- ▶ Easy to collect and administer
- ▶ Stable, visible, simple, and fair

The Maricopa region is just one of many urban areas looking for or experimenting with new dollars to commit to arts and culture. Recent economic hardships, the embrace of arts and culture by economic development and vice versa, and the evolution of arts and culture in many places have spawned the current nationwide interest in dedicated sources. As a result, arts and culture funding models can be found across the nation. Some have been in place for decades; others are brand new. Some solved a public policy problem that just happened to involve arts and culture. Others set out to benefit specific institutions and ended up supporting many organizations and purposes. Voters approved some mechanisms, although others did not require such approval. What stands out with each, however, is a commitment to public benefits and achieving broad community goals, often through private institutions. Dedicated funding for arts and culture often exemplifies mutually beneficial public-private relationships.

What also stands out is the combination of circumstances and people that put funding programs in place. Those described here and others came out of both good times and bad because of a combination of:

- ▶ Crisis
- ▶ Timing
- ▶ Leadership
- ▶ Planning
- ▶ Advocacy

Potential Funding Sources for Metro Phoenix

Members of the Maricopa task force suggested that a variety of public and private mechanisms be investigated for possible adoption in metropolitan Phoenix. The following table shows the vehicles mentioned and their current availability and use in the region.

10 Sources Suggested by the Task Force

Source	Examples of Regions Using for Arts and Culture	Is Mechanism Available in Arizona?	Is it Specifically Used in the Phoenix Region for Arts and Culture?	Where
Retail sales tax	Denver, Salt Lake City, Pittsburgh region	Yes	Yes at city level	Mesa and Tempe for arts facilities
Secondary property or special district levy	St. Louis	Yes	No	
Hotel/motel tax	Austin, St. Louis, Columbus, San Diego, Miami	Yes	Yes at city level	Phoenix and Scottsdale
Admissions or amusement tax	Seattle	Yes	Yes for statewide endowment	Arizona ArtShare
Impact fee	Los Angeles	Yes	Yes at city level	A portion of Mesa's impact fee supports the Performing Arts Center
Real estate transfer tax or transaction fee	Aspen, Connecticut	No	No	
United Arts Fund and Workplace giving	Seattle, Charlotte, Portland, St. Louis	Yes	No	
Special license plate	California, Georgia, Pennsylvania, Texas	Yes	No	
Tax incentives	Oregon	Yes	No*	
Endowments	Oregon	Yes	Yes for statewide endowment	Arizona ArtShare
Lottery	Massachusetts	Yes	Yes at city level	Phoenix for arts grant program

*Oregon's tax incentive touches many eligible nonprofit organizations. While Arizona does not have one as Oregon does, there are tax incentives available for such things as the Arizona film industry. Public and private school tax credits may be earmarked for arts and culture activities.
Source: Morrison Institute for Public Policy, Arizona State University, 2005.

A BAKER’S DOZEN OF LESSONS FROM OTHER REGIONS

To move from its current low ranking to even a middling position in comparison to other regions, arts and culture in metro Phoenix cannot just move forward — it must leapfrog ahead. Doing so quickly and dramatically will take substantial public and private investments. The “Take Aways” from each area suggest a baker’s dozen of lessons for consideration in the Maricopa region.

Region and Funding Type	Take Aways
Denver Sales tax	<ul style="list-style-type: none"> ▶ Broad public and voter support, in part, comes from the long reach of dollars into communities and determined “brand” building by the Science and Cultural Facilities District. ▶ Composition of and allocations to size- and statute-based “tiers” have been a source of tension among arts and culture organizations. ▶ Numerous county and city interests can be accommodated in one overarching district. ▶ Regular studies track regional impact and services.
Salt Lake City Sales tax	<ul style="list-style-type: none"> ▶ An arts-only tax failed initially in a special election. Adding parks and recreation put the sales tax in the winner’s circle. ▶ An existing county department was chosen to administer new dollars and uses Tier I and Tier II advisory councils for local input. ▶ Organizations have been perceived to start up or change their activities to fit the dollars available. ▶ Tier II growth has forced shifts from Tier I.
Albuquerque Sales tax	<ul style="list-style-type: none"> ▶ “Arts only” in this case means without the business community. ▶ If approved by voters, now city-sponsored zoo, museums, and libraries will move to a regional funding base. ▶ County administration is anticipated, yet city institutions benefit most.
Kansas City Sales tax	<ul style="list-style-type: none"> ▶ Voters want details on how the money will be used and who will control it. ▶ Bi-State I won with a compelling icon. Bi-State II lost with a complex group of arts and sports programs. ▶ Without a popular common cause, political infighting can doom changes. ▶ Lack of regional identity is at the heart of disagreements.
Allegheny County (Pittsburgh) Sales tax	<ul style="list-style-type: none"> ▶ The move to a regional district from city-based funding provided a lifeline to institutions. ▶ “Regional Asset District” sends a signal about the importance of the institutions. ▶ Change resulted from the fortuitous convergence of local issues and served interests beyond arts and culture.
Philadelphia and Boston Liquor & convention center taxes	<ul style="list-style-type: none"> ▶ Opportunities for arts and culture may come from expirations of other earmarks. ▶ Arts and culture often travels on the coattails of tourism, sometimes as an afterthought. ▶ Expansion of an existing source offers new recipients a chance without affecting other beneficiaries.
St. Louis Property tax	<ul style="list-style-type: none"> ▶ Different sources with different niches complement one another. Various sources are needed because the main source is relatively inflexible. ▶ Substantial dollars for a few institutions may mask financial distress in the entire sector. ▶ The long-established Zoo Museum District (ZMD) property tax touches only part of what many see as metro St. Louis. ▶ The requirement for ZMD recipients to be free increases accessibility, while creating a negative perception of institutions that must charge.
Detroit Property tax	<ul style="list-style-type: none"> ▶ A tough economy makes arts and culture funding a tough sell. ▶ Urban-suburban splits can contribute to defeat even when arts and culture is a key issue to the business community. ▶ Public skepticism of arts and culture as “elitist” is a powerful force to overcome.
Cleveland Property tax	<ul style="list-style-type: none"> ▶ “Just another tax” trumped the benefits of what the money would pay for. ▶ Organizing the arts and culture community over time pays off in influence and advocacy. ▶ A short campaign creates questions and restraints.
Miami Hotel/motel	<ul style="list-style-type: none"> ▶ Pieces of several tourism-related sources contribute to a diverse funding package for arts and culture. ▶ With investment over time from a variety of sources, regions can reach lofty goals for arts infrastructure, institutions, and impacts.
Columbus Hotel/motel	<ul style="list-style-type: none"> ▶ A private organization can play the part of a public agency to distribute tax-generated funds. ▶ Public-sector appointees augment a private board. ▶ Annual arrangements force yearly evaluations.
Charlotte Car rental	<ul style="list-style-type: none"> ▶ Business leadership makes a substantial difference in starting and completing complex funding processes. ▶ Arts and culture has to compete with other issues and amenities. ▶ Arts and culture is taking up a challenge, but still wants a source of its own.
Austin and San Diego Hotel/motel	<ul style="list-style-type: none"> ▶ Rates for long-established funds often need to be reviewed to ensure continued adequacy. ▶ Tourism may be a perfect partner for arts and culture, but not every marriage is a happy one.

► Opportunities for “Leapfrog” Development Come from Small Increments on Broad Bases

Whether in sales tax, property tax, real estate transfer, or something else, a small increase on a big base creates large amounts of revenue quickly through familiar mechanisms. With metro Phoenix’s dollar goal, the “small change” route stands out as the one most likely to provide the sums that have been shown to be needed by arts and culture. Success in developing such a source depends on the perspectives of regional leaders and residents, competition from other issues, and the local history of public investments. Regional identity makes a difference, as do compelling icons and simple programs. The more residents see themselves and their families as benefitting from arts and culture, the more likely they are to support the source.

► Arts and Culture Does Not Have to Go It Alone

Denver, St. Louis, and Salt Lake City have shown the positive side of combining dollars for zoos and parks with arts and culture. Cleveland married arts and culture with economic development. Despite some unfortunate experiences, arts and culture and tourism continue to be powerful partners. Arts and culture has a place in any quality of life package. But if arts and culture are simply one part of a large number of amenities, the sector may end up getting less than is needed or be viewed as less important than other components. The regions that set out to fund arts and culture, rather than solve another problem, tend to have the greatest appeal.

► Tourism Taxes and United Arts Work Best as Parts of a Portfolio

Unless the rates are much higher than they are now or all of a tourism source is given to arts and culture, the tried-and-true hotel/motel and car rental taxes may not generate sufficient funds to allow the region to leapfrog ahead. The same holds true for united arts funds, which have turned out to be a fall back measure for some regions. These sources are better as parts of a funding portfolio. Unfortunately in terms of the needs of this region, those areas with balanced portfolios have created them over time, not all at once. Endowments also appear to work better in concert with other sources since they tend to be well-matched to the state, instead of a regional, level.

► Compelling Icons Create Common Bonds

From “Save Union Station” to Denver’s polar bear, icons that reflect common experiences build common bonds and make arts and culture a part of everyone’s experience. Building a strong brand for arts and culture has been a winning strategy. A powerful symbol reminds residents what they are contributing to and getting for their participation.

► Public Sources Require Public Institutions or Private Institutions Selected by the Public

From Denver to Columbus to the Pittsburgh region, public funding mechanisms have necessitated the development of a new entity, required an elected body to contract with a private entity, or asked an existing government agency to administer the funds. Regardless of the organizational structure, the governance ensures local input to the region, provide accountability for funds, and works effectively with municipalities or other jurisdictions to reach regional goals. The public’s representatives hold important places in the oversight of publicly generated funds. In addition, public funds serve public purposes through a variety of public and private organizations.

► Funding Categories Ensure Fairness – “Tiers” Sow Seeds of Discontent

Arts and culture grant programs, including those in Arizona, have distributed funds for decades based on the size of organizations. While some type of categorization ensures fair competition, a rigid system of assigning a percentage to a type of organization may be counter productive. The inflexibility of such systems over time may do more harm than good.

► Distribution Should Balance Stabilization with Innovation

Some funding programs are rooted in the desire to help a particular institution or group of major organizations. Today with a broad range of arts and culture, a desire for arts and culture to support such issues as economic development, education, and urban revitalization, and the need to integrate regional efforts with state and municipal initiatives, the questions are: What is the best balance between stabilization for groups of all sizes with the regional development and innovation desired? How can that balance be established and maintained as the community changes?

► Benefits Accrue to Those Who Give to the Greater Good

No matter how cohesive a region might be, each jurisdiction wants to make sure it is receiving its fair share. This is key to the participation and satisfaction of consumers and policy makers alike.

► Keep Track of Participation, Development, and Impact to Communicate ROI

Counting participants, tracking cultural tourists, and deciding how quickly the arts and culture sector is growing are difficult, but necessary to continuing to inform the public and policy makers of the value of and return on, their investment.

► Organizing and Consensus Building in the Arts and Culture Community Pays Off

Because of arts and culture's hybrid public-private tradition of support and the fact that dedicated sources provide only a portion of the financing needed, competition in the field can be as apparent as cooperation. Making sure the arts community is "on pitch" has been an important lesson in a number of regions.

► Yours, Mine, and Ours: Geography and Regional Identity Matter

Feelings about arts and culture may matter less for many than those based on geography and regional identity. As Kansas City shows, it is easy for residents to focus first on what divides them instead of what unites them.

► The Next Frontier is Growing All of Arts and Culture

The line is fading between for profit and nonprofit arts and culture. For the greatest benefits over time, regional entities will next need to study how to develop all of the arts and culture, not just the nonprofit.

► Choices Have to Reflect Local Culture, Context, and Competition

The structures are available and other regions provide models for many aspects of funding systems, including how to develop a hybrid public-private organization for distribution of funds. Thus for metro Phoenix, the question is what best fits the culture, context, and competition of this region now. For distribution, the choices are the balance between innovation and stabilization and how to provide support to move the region ahead dramatically, rather than incrementally. For governance, a goal is to integrate with state and municipal sources to produce a balanced portfolio for the region.

Metro Phoenix has accepted the challenge of developing arts and culture as a contributor to a livable region and an innovative economy. Creating the "well-rounded" system of funding is the next step. Other regions have shown the possibilities for people, places, and prosperity when new dollars develop arts and culture.

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Regional Task Force Vision for Arts and Culture

“The Valley is a center of creativity renowned for the distinctiveness of arts and culture experiences that contribute to the region’s economy, showcase the vibrancy of a large, growing urban area, and reflect the region’s uniqueness.”

Source: *Vibrant Culture—Thriving Economy*, May 2004.

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Arts, Culture, and Humanities Organizations Revenues, FY 2001

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The Business Case for Arts and Culture Speaks to People, Places, and Prosperity

Economic Value	Creative People	Metro Identity	Sense of Community	Urban Appeal
Puts substantial dollars into the region’s economy	Provides entertainment and enrichment opportunities	Creates a sense of place	Promotes tolerance of diversity	Spurs downtown and neighborhood revitalization
Returns dollars to state and local governments	Improves the quality of the workforce	Differentiates one metro region from another	Offers shared experiences	Creates meeting places
Attracts tourists and conventions	Attracts creative knowledge workers	Highlights quality of place	Provides points of community pride	Fills desire for places to go and things to do
Creates business opportunities	Enhances academic achievement in K-12	Brands a community	Offers diverse family options	Supports adaptive reuse of buildings
Attracts investors and business leaders	Enhances the teamwork desired by employers	Highlights a region’s history and traditions	Increases a region’s livability and “lovability”	
Supports growth in for-profit entities			Offers volunteer opportunities	
Supports economic growth in knowledge sectors				

Source: *Vibrant Culture – Thriving Economy*, Maricopa Regional Arts and Culture Task Force, May 2004.

OPPORTUNITY AND CHALLENGE

More than 300 nonprofit arts and culture organizations exist in the Phoenix metropolitan region.⁴ At last count, arts and culture attendance in the area totaled an estimated 8 million a year. Maricopa County consumers annually spend a bit more on books, movies, theater, opera, and ballet than the national average.⁵ More than one in four Maricopa County residents said arts and culture is “very important” to the region’s quality of life in a recent survey, while one in five Arizona adults donated to an arts and culture organization in 2004. Every City of Phoenix arts and culture bond proposal has passed since 1988, as have sales tax increases in Tempe and Mesa for new performing arts centers.

Given the economic imperatives, size of the arts and culture sector, and various election results, creating a “well-rounded system of funding and support” for arts and culture in metro Phoenix would seem to be realistic. Yet, for all of these and other pluses, the task force’s members realized that their successors would have to have “perfect pitch” on any proposal for a dedicated funding source for arts and culture.

City of Phoenix Arts and Culture Bonds: 1988, 2001, and 2006

Voters in the City of Phoenix approved major arts and cultural bonds in 1988 and 2001. The next bond election is in March 2006. These dollars may only be used for construction and development. Facilities funded by the 1988 bonds include: Burton Barr Central Library, Arizona Science Center, Phoenix Art Museum renovations, Phoenix History Museum, Phoenix Little Theatre, and Orpheum Theatre. The 2001 bonds supported: Tovrea Castle, Phoenix Art Museum expansion, Phoenix Children’s Museum, Museo Chicano, Phoenix Symphony Hall improvements. Proposed 2006 projects include: Memorial Hall at Phoenix Indian School, cultural facilities maintenance, Black Theatre Troupe, Downtown Artist Storefront Program, Herberger Theater, Phoenix Theatre, Arizona Opera, Ballet Arizona, Phoenix Center for the Arts North Building, Phoenix Art Museum, and Carver Museum and Cultural Center.

What Will Make a Good Source for the Maricopa Region?

Nonprofit arts and culture funding today is a public-private hybrid. Private donors play an important part, as do public sources. For regional development at the level envisioned and to supplement what is done privately, a public source was viewed as a major missing piece in the Maricopa region. The task force discussed the necessary characteristics of sources and some options that could generate all or most of \$30-50 million a year, but they left a detailed examination to MPAC. The following list shows the attributes task force members noted, plus those favored by most fiscal policy experts. For this region, a dedicated arts and culture funding source should be:

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The Maricopa region is just one of many urban areas looking for or experimenting with new dollars to commit to arts and culture. Recent economic hardships, the embrace of arts and culture by economic development and vice versa, and the evolution of arts and culture in many places have spawned the current nationwide interest in dedicated sources. As a result, arts and culture funding models can be found across the nation. Some have been in place for decades; others are brand new. Some solved a public policy problem that just happened to involve arts and culture. Others set out to benefit specific institutions and ended up supporting many organizations and purposes. Voters approved some mechanisms, although others did not require such approval. What stands out with each, however, is a commitment to public benefits and achieving broad community goals, often through private institutions. Dedicated funding for arts and culture often exemplifies mutually beneficial public-private relationships.

What also stands out is the combination of circumstances and people that put funding programs in place. Those described here and others came out of both good times and bad because of a combination of:

- ▶ Crisis
- ▶ Timing
- ▶ Leadership
- ▶ Planning
- ▶ Advocacy

Cultural Landscapes and Natural Areas

As noted in some of the examples in *Perfect Pitch*, zoos and parks are often included as beneficiaries along with more traditional arts and culture organizations. Increasingly landscapes, historic places, and natural areas are being appreciated for their cultural value. The reasoning is that these amenities contribute to a sense of place and urban appeal just as other arts and culture institutions do.

Parks, natural areas, and historic preservation have been important to residents and policy makers in metro Phoenix and throughout Arizona. For example, the Arizona Game and Fish Department has an income tax check off that allows residents to earmark portions of their tax refunds for a special game and fish fund. Nearly all cities and Maricopa County develop and maintain parks. In addition, Phoenix, Scottsdale, Tempe, and Mesa have city-based historic preservation programs. Voters in Phoenix, Scottsdale, and some other areas have authorized sales taxes to purchase land for desert mountain preserves. In the West Valley following the path of Rio Salado in Tempe and Phoenix, the Agua Fria Recreational Corridor is being developed to restore the Agua Fria River as an amenity with trails and other features. The Arizona Heritage Fund, which was approved by voters in 1990, marks up to \$20 million per year for wildlife programs, historic preservation, and environmental education. Although on hold currently, the Arizona Preserve Initiative, which voters approved in 1998, marks state funds for the acquisition of sensitive lands for conservation.

Parks and open space are the natural complement to history and, thus, to arts and culture.

Maricopa Region Trends

How do local trends reflect the catalysts in other parts of the country? As the task force noted, metro Phoenix starts with a definite crisis.

►Crisis: Living on the Financial Edge

Nonprofit arts and culture organizations rely on a combination of earnings, individual, corporate, and foundation contributions, and public grants. In Arizona and most places, public dollars are the smallest piece of the budget “pie” and relatively few organizations receive funds. As has been shown, many metro Phoenix organizations exist on the edge of financial crisis. The 2002 report *Arts in Arizona* and Battelle Technology Partnership’s research for the Maricopa task force documented the undercapitalization of arts and culture organizations in metro Phoenix. A Rand Corporation study scheduled for release in 2006, which the Pew Charitable Trusts commissioned on behalf of Philadelphia-area arts organizations, reconfirms that metro Phoenix organizations remain underfunded in comparison to their peers.

The financial crisis is complicated by the need to adapt to complex shifts in consumer patterns and preferences. With an aging, increasingly diverse population, uneven arts education in schools, more competition for consumers’ attention, and technology that simultaneously has broadened and narrowed arts audiences, arts and culture professionals are understandably concerned about audience development and participation. At the same time, new national data and insights from such efforts as the Understanding Participation program at the Arizona Commission on the Arts have shown arts participation to be more varied, social, and casual than previously thought. Just as their potential has become apparent to those outside the field, arts and culture organizations of every stripe are grappling with the challenge of divining who they will play to — and how — in the future.

Arts and culture has expanded in metropolitan Phoenix along with the population. As it is across the country, a “building boom” is underway locally with the recent expansion of Symphony Hall, the Mesa Performing Arts Center opening, construction of the Tempe Center for the Arts, and groundbreaking for a west-side Heard Museum, to cite just a few examples. An arts and culture community full of achievement and potential is evolving. But the dollar figures in the headlines for construction can give a false impression of the health of arts and culture and the level of investment overall. New facilities create value, but they also present new operating costs that are more difficult to cover. The continual challenge is both paying for facilities and what goes on in and around them.

►Timing: Gaining Regional Traction

In the past, leaders and the public only pegged “boundary-less” issues such as transportation as regional. State and municipal arts agencies were left to serve arts and culture, despite the reach of organizations and programs. Now for an increasing number of leaders and residents, arts and culture is a regional issue because:

- ▶ Production, consumption, and development of arts and culture knows no boundaries, whether geographic or for-profit and nonprofit
- ▶ Collaboration among organizations is growing across the metropolitan area
- ▶ Residents, businesses, and visitors in a major metropolitan area expect arts and culture to be available anywhere and everywhere in the region
- ▶ Municipal, regional, and state activities all have a part to play in the desired support system

►Leadership: A Core of Believers

Many leaders and residents are already convinced of the power of arts and culture to benefit the economy and everyone in communities. For others, these ideas still take some getting used to. Arts and culture still labors under an elite stereotype for some and no image for others. Many report feeling

good about arts and culture as part of “quality of life,” but have never thought about it in relation to the competitiveness of their current hometowns. Thus, the trend of seeing arts and culture in competitive terms strikes those who are not yet true believers as, at best, an interesting novelty and, at worst, a notion from out of left field. As the task force noted, much remains to be done to increase awareness of arts and culture

► Planning: Voters Are Used to Being Part of the Funding Picture

The amount of funding recommended by the task force suggests a public source or combination of sources and, thus, possibly a need for voters’ approval. In Arizona, citizens are used to being asked to dedicate revenue sources to specific programs. For example, a statewide ballot decision increased education funding in 2000. At the regional level, a tax for county-wide transportation funding was extended in 2004. Voters in several cities have approved special funds for desert preservation, transportation, and performing arts facilities among other items. (See the Appendix for more information on state and local ballot measures.)

Revenues from Selected Voter-Approved Sources, 1990-2004

Year	Proposition #	Where	Description	Fund Source	Annual Revenue (millions)
2004	400	Maricopa	Extension of 1985 transportation improvements	0.5% sales tax*	\$304.0
2002	303	Arizona	Expansion of eligibility for Arizona Health Care Cost Containment System	\$0.58 more per pack tobacco tax	\$119.0
2002	411	Maricopa	Extension of 1990 tax for county jail construction for jail operations	0.2% sales tax	\$121.0
2001	402	Glendale	City-level transportation improvements	0.5% sales tax	\$27.0
2000	301	Arizona	K-12 education improvements and university science and technology research	0.6% sales tax	\$444.0
2000	302	Maricopa	Funding for Arizona Sports and Tourism Authority	0.5% state hotel tax, 0.5% local hotel tax; 3% car rental tax	Car rental: \$8.0 Hotel: \$12.0
2000	200	Phoenix	City-level transportation improvements	0.4% sales tax	\$110.0
2000	400	Tempe	Construction of Tempe Arts Center	0.1% sales tax	\$3.9
1998	1	Mesa	“Quality of life” package, including Performing Arts Center, public safety, and other programs	0.5% sales tax	\$69.0
1996	400	Tempe	City-level transportation improvements	0.5% sales tax	\$19.4
1994	200	Arizona	Expansion of eligibility for Arizona Health Care Cost Containment System	\$0.40 more per pack tobacco tax	\$80.0
1993	301	Phoenix	Police and fire protection	0.1% sales tax	\$27.0
1990	200	Arizona	Portion of lottery proceeds for Heritage Fund	Arizona Lottery	\$20.0

*Sales tax is the popular term for the “transaction privilege tax.”
Sources: Arizona Game and Fish Department, Arizona State Parks, Arizona Department of Revenue, City of Phoenix, City of Tempe, City of Mesa, City of Glendale, Maricopa County, and Arizona Tourism & Sports Authority.

► Advocacy: Starting with a Quarter

Morrison Institute for Public Policy and *The Arizona Republic* have done regional surveys since 1997 as part of the series on *What Matters: Quality of Life Indicators in Greater Phoenix*. Arts and culture is one of nine quality of life areas rated and explored. In the 2004 survey, arts, culture, and recreation are “very important” to quality of life in greater Phoenix to more than a quarter (27%) of area adults. A slightly smaller number of Arizonans, 21% according to a 2004 survey from the ASU Center for Nonprofit Leadership and Management, donated funds to arts and culture organizations in the past year.

Looking at Arizona’s Arts and Culture Funding Sources

Less money for arts and culture does not mean the area is without resources. At the state, county, and municipal levels, Arizona has developed a variety of arts and culture funding mechanisms similar to those in other regions and states. State sources, excluding National Endowment for the Arts and annual legislative appropriations, are detailed below.

Municipalities provide significant dollars to public art and city arts and culture programs.⁶ A total of some \$2 million is devoted to municipal grant programs across the region. Grants are usually given to city-sponsored institutions, those based in the municipality, and local schools. Grant programs are the most relevant to regional arts and culture development since, in most cases, the dollars are for general operating support or projects in which residents from any part of the region may participate. For some programs such as arts classes, residents and non-residents may pay different fees. Municipal grant programs tend to use general fund dollars, although some, such as the City of Phoenix, utilize a portion of the Arizona lottery proceeds allotted to municipalities.

One in Five Arizonans Gives to Arts and Culture

Organization Type	% Households Giving	\$ Median Annual Contribution
Religious	62.6	524
Youth Development	53.4	71
Human Service	52.7	97
Education	43.0	188
Health	43.6	88
Private/Community Foundation	41.7	128
Arts and Culture	20.8	87
Environmental	14.0	58
Foreign/International	13.1	88

Source: *Arizona Giving and Volunteering*, ASU Center for Nonprofit Leadership and Management, 2004.

Public Libraries as Cultural Institutions

Public libraries have long provided arts and culture programs, but they generally have not been considered to be part of the nonprofit arts and culture sector. This situation may be due to libraries being primarily funded through municipalities or regional districts. Unlike nonprofit arts and culture organizations, public libraries have long been supported by tax dollars — often dedicated property taxes.

In Maricopa County, municipalities provide most of public library dollars. However, the Maricopa County Library District supports library services in unincorporated areas and municipalities when requested. Through its property tax, the district also pays for “reciprocal borrowing” for all public libraries in the county. This service allows residents to use libraries in cities even though they are not residents there.

The Arizona Legislature authorized counties to create library districts in the mid-1980s. Only four Arizona counties have not adopted the district mechanism. The district offers a stable source of funding and prevents city residents from being the only ones to provide funds for services that are used by everyone. The Maricopa County Board of Supervisors also serves as the library district’s board. In 2004, the library district levy produced approximately \$17 million in revenue.

Public libraries have been included in some funding sources that are usually viewed as “arts and culture.” With their broad reach, deep public expertise, and existing cultural programs, public libraries may play an important part in ensuring public support and offering an existing mechanism for funding.

Current Major State Funding Sources for Arts and Culture

Source	Beneficiary	Amount	Programs	Creation
Earmark of \$15 corporate filing fee through the Arizona Corporation Commission	Arizona Arts Trust Fund – Administered by Arizona Commission on the Arts	\$1 million annually	Statewide competitive grant programs	Legislative approval in 1989
Earmark on amusement sales tax of \$2 million annually for 10 years; slated to end in 2008	Arizona ArtShare – Statewide public-private arts endowment administered by Arizona Commission on the Arts and community foundations in Arizona	\$13 million total invested now	Arizona Alliance for Arts Education; Artist/Teacher Institutes, Large and Mid-Size Arts Organizations Capacity Building and Working Capital Reserves	Legislative approval in 1996
Racketeer Influenced and Corrupt Organization Act (RICO)	A.P.P.L.E. Corps Drug prevention program administered by Arizona Commission on the Arts	< \$100,000	Statewide grants	Maricopa County Attorney's Office
Arizona Lottery	Arts and Culture at Local Level	Up to 10%	Arts and culture programs	Proposition 200 in 1980

Source: Arizona Commission on the Arts.

Potential Funding Sources for Metro Phoenix

Members of the Maricopa task force suggested that a variety of public and private mechanisms be investigated for possible adoption in metropolitan Phoenix. The following table shows the vehicles mentioned and their current availability and use in the region.

10 Sources Suggested by the Task Force

Source	Examples of Regions Using for Arts and Culture	Is Mechanism Available in Arizona?	Is it Specifically Used in the Phoenix Region for Arts and Culture?	Where
Retail sales tax	Denver, Salt Lake City, Pittsburgh region	Yes	Yes at city level	Mesa and Tempe for arts facilities
Secondary property or special district levy	St. Louis	Yes	No	
Hotel/motel tax	Austin, St. Louis, Columbus, San Diego, Miami	Yes	Yes at city level	Phoenix and Scottsdale
Admissions or amusement tax	Seattle	Yes	Yes for statewide endowment	Arizona ArtShare
Impact fee	Los Angeles	Yes	Yes at city level	A portion of Mesa's impact fee supports the Performing Arts Center
Real estate transfer tax or transaction fee	Aspen, Connecticut	No	No	
United Arts Fund and Workplace giving	Seattle, Charlotte, Portland, St. Louis	Yes	No	
Special license plate	California, Georgia, Pennsylvania, Texas	Yes	No	
Tax incentives	Oregon	Yes	No*	
Endowments	Oregon	Yes	Yes for statewide endowment	Arizona ArtShare
Lottery	Massachusetts	Yes	Yes at city level	Phoenix for arts grant program

*Oregon's tax incentive touches many eligible nonprofit organizations. While Arizona does not have one as Oregon does, there are tax incentives available for such things as the Arizona film industry. Public and private school tax credits may be earmarked for arts and culture activities.
Source: Morrison Institute for Public Policy, Arizona State University, 2005.

FINDINGS ON OPTIONS AND EXPERIENCES

Regardless of what motivated the creation of an arts and culture funding source, when representatives of other regions were asked why a specific public arts and culture funding source was chosen over another, the most frequent answers were:

- ▶ It was the one available.
- ▶ It was the politically feasible one.
- ▶ It had been proven in another city.

These realistic considerations show how choices are shaped by what is possible and practical in each place and by a wide variety of circumstances.

The last recession hit arts and culture hard because it hit consumers, donors, corporations, foundations, states, counties, and cities hard. But that is just one source of the continual “sturm und drang” governments, businesses, and arts organizations are experiencing. Population shifts and the movement of jobs from traditional centers to faraway places have presented challenges as well. From Albuquerque to Boston and Kansas City to Philadelphia, governments and organizations are looking for new dollars, not just for the survival of arts and culture but for it to increase competitiveness in localities. Yet, arts and culture advocates are not alone in wanting to advance their cause. Workforce housing, math and science education, regional parks, transportation, school facilities, early childhood education, and many other issues are jockeying for the same attention and money.

In much of the last century, arts and culture was synonymous with popular culture in the U.S. Performances were social occasions, and museums exhibited all of the wonders of the day.⁷ Actors and musicians played close to the audience, even as patrons engaged in activities besides watching what was happening on stage. Only with the advent of electricity was it possible to “bring down the lights” and, in turn, to train attendees to watch quietly. Over time as the setting, protocol, and sponsorship changed, arts and culture and popular culture diverged. Yet, as reiterated by recent reports, interest in arts and culture continued to take many forms and involve more people than participated in formal events. In the regions considered here, access, civic engagement, education, and economic growth — in addition to stabilization of institutions — are at the heart of the policies that created more dollars.

Examples in the following pages illustrate:

- ▶ Sales taxes (including tourism-related items) — Denver, Salt Lake City, Albuquerque, Miami, Kansas City, Allegheny County, Philadelphia, Boston, San Diego, Austin, St. Paul, and Des Moines
- ▶ Property tax options — St. Louis, Detroit, and Cleveland
- ▶ Real estate transaction fees or taxes — Aspen and Connecticut
- ▶ Tax credits — Oregon
- ▶ United Arts Funds — Nationwide

These are, of course, mostly tried-and-true public financing mechanisms. The difference is that they are targeted at arts and culture and urban amenities. The regions discussed here were chosen because they have been recognized as funding models or were suggested for follow up by task force or MPAC leaders. Some regions that were included in the task force’s earlier research have not been included because, as with Atlanta, the issue is still being studied or in Portland and Seattle mechanisms were very similar to others. The regions included have tended to define arts and culture in traditional nonprofit terms, but often have added zoos, botanical gardens, and parks. In some cases, sports facilities have been included because the effort was focused more on regional attractions than specifically on arts and culture.

Some regions that tried and failed to implement a source are included as are several where mechanisms have been proposed, but not yet approved. When several examples of one form are included, such as sales tax, each one illustrates a different governance structure. In addition, an overview of how a source works generally in Arizona is provided.

Arts and culture funding mechanisms that can sustain the “intense development” envisioned by MPAC fall into three categories: Public, Private, and Public-Private.

Public Mechanisms	Private Mechanisms	Public-Private Mechanisms
<p>Sales tax Most state and local governments have a “transaction privilege tax,” or sales tax. Nonprofit arts and culture tends to garner a percentage of a public source at its inception or is a later small “add on.” The broader the source’s base, such as sales or property tax, the smaller the increment needed to generate substantial funds. Also, increases may be made in one or many categories. Sales taxes for arts and culture are usually across retail categories and tourism-related areas such as lodging and car rental. While often considered separately, the tourism-related taxes are essentially sales taxes and will be considered with them here.</p> <p>Property tax Economists rate property tax highly as a local revenue source because:</p> <ul style="list-style-type: none"> ▶ Escaping the tax is difficult since property is immobile ▶ Housing prices reflect, in part, the quality of government services ▶ Property values, and thus revenues, are fairly stable over time <p>But citizens usually disagree. Surveys consistently show property tax and federal income tax as the least-favored ways of generating revenue.</p> <p>Tax incentives Donors to nonprofit organizations receive a tax deduction, which reduce tax liability in proportion to the tax bracket. Tax credits are another form of incentive that dollar for dollar reduces tax liability.</p> <p>Real estate transfer tax or fee Based on a flat fee or a portion of the value, sellers or buyers pay when a piece of real estate changes hands.</p>	<p>United Arts Funds These private, nonprofit organizations tend to coordinate giving to arts and culture from corporations, employees, and individuals. These are based on the model of United Way. Some started because United Way tended to choose to support health and human services.</p>	<p>Endowment Arts endowments based on public and private contributions for a finite period assume that arts organizations and legislative bodies will someday be independent of one another. The trend is rooted in the private-giving nature of arts and culture as well as in the painful political confrontations that have marked many budget processes. Endowments’ appeals include:</p> <ul style="list-style-type: none"> ▶ Limited time encourages public participation ▶ Their tradition in the arts ▶ Appeal to public officials and private donors

SALES AND PROPERTY OPTIONS

▲ Denver Region’s Residents Have Given “Small Change for a Big Difference” Since 1988

Type	Multi-county, regional sales tax in place
Amount	0.1% for \$35 million annually
Governance	Special Science and Cultural Facilities District. Public officials appoint oversight board. District administration is a separate entity with dedicated staff.
Distribution	Formula and competitive annual distribution according to budget-based tiers

TAKEAWAYS FROM DENVER

- ▶ Broad public and voter support, in part, comes from the long reach of dollars into communities and determined “brand” building by the Science and Cultural Facilities District (SCFD).
- ▶ Composition of and allocations to size- and statute-based “tiers” have been a source of tension among arts and culture organizations.
- ▶ Numerous county and city interests can be accommodated in one overarching district.
- ▶ Regular studies track regional impact and services.

Colorado is home to the “nation’s most restrictive state spending limitations”⁸ and “the most celebrated example of a local-option tax in the country”⁹ for arts and culture. Thanks to dedicated business leadership, straightforward campaigns, arts community consensus when it counts, and an aware public, Denver’s sales tax levy for the Science and Cultural Facilities District has been approved three times in good economic times and bad. In 2004, the renewal of the Sciences and Cultural Facilities District (SCFD) passed with 66% support.

SCFD Origins

The SCFD story touches on all of the catalysts noted for developing a dedicated funding source.

- ▶ **For crisis**, there is the 1982 budget crunch in which the state line items for the “Big Four,” (art museum, zoo, natural history museum, and botanic garden) were eliminated despite a 50-year history of state funding. The city and county already supported these institutions and were unable to pick up the state’s portion.
- ▶ **For timing**, there is the feeling among analysts of the first vote in 1988 that residents realized the pay offs of such funding, despite tough economic times.
- ▶ **For leadership**, there are the organization trustees and business leaders who realized that a regional solution was key to supporting specific institutions and the Denver region as a whole. St. Louis’ Zoo and Museum District provided a regional model.
- ▶ **For planning**, there is the process of the institutions’ partisans, business leaders, and officials: 1) creating a regional mechanism with ongoing local input and benefit; 2) learning to work together to present a strong case to the Colorado legislature since the body had to authorize a regional district and vote; and 3) building consensus for legislative reauthorization and changes to policies and procedures to adapt to growth.
- ▶ **For advocacy**, there is the first professionally run, yet still grassroots, campaign with the signature polar bear logo, which is remembered for its “creativity, focus on message, and penetration of the region.”¹⁰ The polar bear continues to be the district’s standard bearer. The zoo and family activities have proven to be powerful symbols and motivators for voters.

The SCFD region at first was the same as the Regional Transportation District, but with population growth, the boundary has grown to encompass seven counties. The district tax generates dollars for “the enlightenment and entertainment of the public through the production, presentation, exhibition, advancement or preservation of art, music, theater, dance, zoology, botany, natural history or cultural history.” However, not every organization in Denver is created equal. Organizations are divided into “regional” and “local” and placed in an appropriate “tier” based on size. Support is distributed according to three tiers with statutorily required organizations – Denver Art Museum, Denver Botanic Gardens, Denver Museum of Nature and Science, Denver Zoological Foundation and, since 2005, Denver Center for the Performing Arts – in Tier I.

Tier I organizations receive 59% of the total mostly via formula. Another 28% goes to Tier II by formula. This category includes more than 20 organizations with budgets of just under \$1 million and some municipal recipients. The much smaller Tier III members garner 13% through competitive grants.

Governance

Although much of the governance and distribution structure was set by statute, Denver’s SCFD had to develop policies and procedures to distribute and track large amounts of public funds. The problem for the SCFD now is not public support, but election costs. Reportedly because of TABOR, the state-level Taxpayers Bill of Rights, the district was charged \$700,000 for the 2004 election.

According to district director Mary Ellen Williams, the election costs are at odds with how they are supposed to operate. We are “supposed to be lean and mean and pass the money through.” Indeed, the district can only spend ¾ of a percent on administration. A combination of local and regional entities oversees the funds and distribution, including:

- ▶ An 11-member board with a member appointed by the county commission of each participating county (Denver’s and Broomfield’s representatives are selected by city councils) and four governor-appointed members watch over the district’s operations.
- ▶ County Cultural Councils represent their areas’ needs.
- ▶ Counties receive funds in proportion to the amount generated in their jurisdictions. Counties develop their own guidelines for Tier III recipients.
- ▶ Detailed “Economic and Social Activity Reports” show how dollars serve each area and track participation county by county.

This public entity also faces challenges. For example:

- ▶ SCFD is coping with growth in Tier II that leaves mid-sized, high profile organizations with less support than many think they should have. Recent changes may alleviate some of these concerns, but flexibility in programs will continue to be an issue.
- ▶ As expected, more organizations have developed as Denver’s population has grown. However, the district’s dollars have motivated groups to organize simply because funds were available. Small organizations have applied for funds before they were ready to manage them. New, administrative requirements are intended to prevent both situations.
- ▶ The tension between support for institutions and facilities continues to be present.
- ▶ Being representative of the region’s current interests and forward thinking is difficult. Funding processes favor incumbents when community changes demand flexibility.

City of Denver Office of Cultural Affairs Is Focusing on Business Development in Arts and Culture

Denver’s city-level office is seeking to help the for-profit side of arts and culture through developing programs for “commercial arts,” including film and TV production, galleries, music, and individual artists. Portland and Chicago are also in the forefront of this trend. The focus is on tailoring support programs to often very small businesses. Traditional economic development programs, such as enterprise zones, do not work well in this case because job creation requirements are usually too high. A revolving loan fund for creative businesses and an artist housing expo are some of the first steps.

- ▶ SCFD has been blamed for the misfortunes at the state arts commission. The perception of Denver-region organizations not needing state commission dollars because of SCFD funds has put unwelcome restraints on metro organizations. The SCFD funds may be a source of resentment for those without access to them in light of recent crises at the state level.

Tracking Impact

Regular studies from the Colorado Business Committee for the Arts have documented the cultural sector's growth. The most recent report in 2003 noted that arts and culture has an impact of \$1.3 billion¹¹ on Denver's economy. The district's success is readily acknowledged in terms of stabilization, development, and community access. It is fixed in the minds of business leaders and residents as part of how Denver works.

SCFD is now in place until 2018. For this pioneering arts and culture district, the next frontier reportedly is bridging the gap between the nonprofit sector and for-profit arts. With the strong history of its "small change" effort, the next stage will be worth watching as well.

▲ZAP – “Zoo, Arts and Parks – For a Better Community”

Type	County-wide sales tax in place
Amount	0.1% for \$15 million annually
Governance	County department oversees funds with input from advisory boards
Distribution	Formula and competitive annual distribution by tiers

TAKE AWAYS FROM SALT LAKE CITY

- ▶ An arts-only tax failed initially in a special election. Adding parks and recreation put the sales tax in the winner’s circle.
- ▶ An existing county department was chosen to administer new dollars and uses Tier I and Tier II advisory councils for local input.
- ▶ Organizations have been perceived to start up or change their activities to fit the dollars available.
- ▶ Tier II growth has forced shifts from Tier I.

Salt Lake County manages a one-tenth of a cent sales tax known as ZAP for Zoo, Arts, and Parks. Rooted in crisis for the symphony and ballet, ZAP has a lower profile than Denver’s SCFD but operates on a similar model.

ZAP, approved in 1996 and renewed in 2004, follows in Denver’s footsteps in form and popularity. Seven out of 10 voters approved ZAP in 2004 compared to not quite six out of 10 the first time. The ZAP did not expire until 2006, but advocates chose to go to the voters early to ensure that if the tax failed (as it did when first tried), there would be sufficient time to try again. Also, they wanted to be on a ballot with high turnout. Leaders viewed a victory in a “big” election as evidence that the community at large approved of ZAP. As it turned out, supporters prepared for the worst and got the best. ZAP received a greater percentage of “yes” votes than anything else on the county ballot. The second 10 years starts in 2006 with some minor modifications to the distribution percentages.

ZAP’s Distribution, 1996 and 2006

Recipients	1996	2006
Tier I	52.5%	48.875% ^a
Tier II	5.0%	9.0% ^b
Zoo	12.5%	12.125% ^c
Parks and Recreation	30.0%	30.0% ^d
Administration	1.5%	1.5%

a. Will be limited to no more than 23 groups.
 b. Funding doubles in response to organizational growth.
 c. Now includes aviary.
 d. Will use some funds for maintenance and operations, instead of only facility development.
 Source: ZAP Salt Lake County.

Origins

Stabilizing large institutions was a major motivator for ZAP’s creation. Supporters realized that a “Save the Symphony” campaign would only work once or twice. In addition, other organizations needed and deserved assistance. Salt Lake City’s situation called for a reliable, long-term fund. With Denver as an example, the chair of the symphony board and others convened a combination of key business people and the head of the Utah Arts Council. Together they asked the Utah Legislature to authorize counties to go to the people with arts and culture tax proposals. The Utah Legislature authorized the *County Option for Botanical, Cultural, and Zoological Organization* for Salt Lake County. Any of the state’s counties may ask voters to approve an arts and culture tax. Thus far, two counties besides Salt Lake County have adopted the mechanism.

The first vote on a sales tax for major arts organizations and the zoo took place in 1993. Proponents had key support from mayors in every city in the county. Unfortunately, the special election effort failed. Advocates learned from their mistakes and tried again. They added a parks and recreation

component and designated three of every 10 dollars for it. In addition, a professional ran the campaign.

Parks and recreation were added to the package because they could be enjoyed by everyone, the reasoning went, and would defuse the arts' lingering elitist image. The addition of parks also ensured the continuing support of municipalities, which, reportedly, wanted extra parks dollars as much or more than they wanted stable arts organizations. According to the 1996 campaign manager, the addition of parks brought about the victory and is at the heart of the measure's popularity.

Salt Lake City chose a sales tax because it was the most politically palatable, particularly in comparison to a property tax. Also, it seemed to complement the Transient Room Cultural Convention tax (TRCC). Dollars from this combination of car rental tax, restaurant tax, and an additional room rental tax may be used for convention facilities and "establishing and promoting recreation, tourism, and conventions and film production." Cultural uses are allowed but not mandated.

Governance

Salt Lake County's Department of Community Services administers ZAP with assistance from Tier I and Tier II advisory groups, which make funding recommendations to the county commission. Tier I (about two dozen larger organizations based on budget size and "qualifying expenditures") receives nearly half of the 70%, while all of the others (designated as Tier II) acquire dollars competitively. ZAP is seen locally as an inclusive "cultural" fund since it supports a wide variety of museums and historical societies as well as arts organizations.

With the renewal of ZAP, the emphasis is on the parks portion and some changes in the distribution to Tier II. The Salt Lake County's Parks and Recreation Division Master Plan will guide where the next recreation venues might be built. Municipal representatives are expected to have more say than in the past about where those facilities should go. In addition, Tier II organizations will be in line for more of the funds. Some dollars may be used for operating recreation facilities, and other zoos and animal parks besides the Utah Hogle Zoo may obtain funding.

Challenges on the Horizon

ZAP's future may be affected by state-level tax reform. Utah has been a leader nationally in seeking ways to streamline sales tax and open the way for collecting revenues from online sales. Efforts have been discussed to make sales tax more uniform across the state. Changes that would affect local options may threaten ZAP. In addition, a flat-tax movement has picked up steam in the state.

ZAP has provided over 100 organizations with general operating support or project funding. ZAP reportedly offers something for everyone and has served to stabilize arts and culture organizations and expand cultural and recreational amenities throughout the region. ZAP illustrates how an existing county department can administer new funds hand-in-hand with the community.

▲Albuquerque — A Would-Be Denver Acolyte with a Twist

Type	County-wide sales tax to be proposed to voters
Amount	0.25% for \$30 million annually
Governance	Bernalillo County Commission would oversee county administration with resident input
Distribution	City agencies and nonprofit organizations

TAKE AWAYS FROM ALBUQUERQUE

- ▶ “Arts only” in this case means without the business community.
- ▶ If approved by voters, now city-sponsored zoo, museums, and libraries will move to a regional funding base.
- ▶ County administration is anticipated, yet city institutions benefit most.

Reports about metro Phoenix often label Albuquerque as an economic competitor. The largest urban region in New Mexico has a number of similarities to metro Phoenix, including university influence, a growing technology sector, and one county with a number of municipalities. When Bernalillo County voters go to the polls in 2006, the Albuquerque region will try to replicate Denver’s sales tax model. Albuquerque chose a sales tax because there were few acceptable alternatives which would be able to generate sufficient funds. Albuquerque’s effort focuses on moving municipal institutions to a regional funding base, while increasing support for private, nonprofit organizations.

Looking to County Administration

Arts Alliance, Inc. a private, nonprofit organization under contract to the City of Albuquerque for cultural planning, is organizing the call for dedicated funding. The Arts Alliance led the planning process that named dedicated funding as one of three major goals in 2001. In addition, the Arts Alliance has shepherded authorizing legislation through the New Mexico Legislature.

The statute authorizes any municipality or county to choose to enact up to 0.25 of one percent for 10 years as a “quality of life gross receipts tax.” The legislation requires that 65% go to the City of Albuquerque’s zoo, museums, and libraries with 5% going to Bernalillo County for cultural programs. Another 16% may be given to private nonprofit organizations with 2% dedicated to groups with budgets under \$100,000. Administration may not exceed 5%. The revenue cannot be used for capital projects or endowments and some must go to publicizing the source and its beneficiaries.

If successful, Arts Alliance expects to continue to play a cultural planning role and receive 1-3% of the dollars set aside for such activities. Currently, the Arts Alliance is preparing policies and procedures to recommend to the county commission, trying to make the administration as easy for the county to adopt as possible.

The program’s goals as stated in the legislation include:

- ▶ Promoting and preserving cultural diversity
- ▶ Enhancing the quality of cultural programs and activities
- ▶ Fostering greater access to cultural opportunities
- ▶ Promoting culture to further economic development within the county
- ▶ Supporting programs, events, and organizations with direct, identifiable, and measurable public benefit

The legislation intends to “expand and sustain existing programs and to develop new programs, events, and activities, rather than to replace other funding sources for existing programs, events, and activities.”¹² Despite the legislative language, the substitution of sales tax funds for city funds is a concern. An advisory board will oversee the distribution of the funds and recommend funding to the Bernalillo County Commission.

The business community overall has not been involved in the effort. Other than a statewide arts advocacy group, few are yet aware of the potential ballot issue. Whether or not Albuquerque-region voters decide to pay more for arts and culture remains to be seen.

▲ Kansas City’s Blues

Type	Bi-State II, multi-county sales tax failed
Amount	0.25% for \$500 million over 12-15 years
Governance	County-based advisory councils and Kansas and Missouri Metropolitan Cultural District would oversee distribution
Distribution	Formula allocations and competitive process

TAKE AWAYS FROM KANSAS CITY

- ▶ Voters want details on how the money will be used and who will control it.
- ▶ Bi-State I won with a compelling icon. Bi-State II lost with a complex group of arts and sports programs.
- ▶ Without a popular common cause, political infighting can doom changes.
- ▶ Lack of regional identity is at the heart of disagreements.

“I’m goin’ to Kansas City.” What this jazz and blues standard does not say is that Kansas City is a metro region that includes two states, five counties, and 86 municipalities. These entities acted as one to approve the Bi-State I sales tax, but failed to do so with Bi-State II.

Bi-State I was the first cross-state sales tax in the nation. Approved by Kansas and Missouri state legislatures, counties, and voters, Bi-State I was created to “Save Union Station.” Bi-State II was thought to have a good opportunity of passing. However in 2004, voters rejected it.

Two other proposals preceded the 2004 vote:

- ▶ The Greater Kansas City Chamber of Commerce, a powerhouse behind Bi-State I and a leader in Bi-State II, had suggested a 20-year sales tax extension to renovate baseball and football stadiums, build a performing arts center, and support arts organizations. But, due to a poor economy and questions about the stadium lease agreements, the proposal was not pursued in 2002 when Bi-State I ended.
- ▶ Then, the Arts Council of Metropolitan Kansas City recommended a 1/8 cent sales tax to be collected on each side of the state line. This version of Bi-State II eventually was authorized, but supporters saw little hope of passage after inequitable spending provisions between Kansas and Missouri were inserted.

A Big Bi-State II for the Ballot

Bi-State II was revived with better economic times. Collection of Bi-State I ended in 2002, but the ballot measure was still discussed as an “extension.” A 0.25% sales tax in Johnson and Wyandotte counties in Kansas and Jackson, Clay, and Platte counties in Missouri was expected to renovate stadiums for the Kansas City Chiefs and Kansas City Royals and create a metropolitan arts and culture fund to build a performing arts center, establish a competitive grant program for regional institutions, and create pools of funds in each of the counties that approved the tax. Capital arts projects in Kansas and Missouri counties would receive funds. The county portions were to be allocated based on how much each county had contributed. County-based citizens’ advisory committees, plus a regional advisory committee, were expected to review grant applications. The Kansas and Missouri Metropolitan Cultural District, which had been formed as the oversight body for Bi-State I, would make the final decisions. The commission included representatives from Kansas and Missouri, four counties, and five cities.

Bi-State II had to be approved in at least Johnson, Jackson, and Clay counties. Jackson County voters said “yes,” but others said “no” to the effort that would have generated an estimated half a billion dollars over 12 to 15 years. The length of the tax was tied to the time needed to pay off bonds for the stadium renovations and the arts center. The number of counties in which it passed would alter the years needed. Proponents failed to overcome the drawbacks of a complex funding formula and traditional divisions among the counties and states. Jackson County will go ahead with stadium renovation through other funding mechanisms and a local philanthropist is still spearheading the performing arts center, but broader arts and culture will have to wait for another opportunity.

Behind the “No” Vote

Bi-State I had been popular because of the desire to “Save Union Station.” Everyone could agree on renovating this beloved regional landmark as a museum/science center complex. Now an affiliate of the Smithsonian Institution, Union Station has had its ups and downs and became an issue in the second campaign, one observer noted, because it is not yet self-sustaining. Leaders in suburban counties may not have felt there was enough accountability for the proposed funds and the arts continued to battle a “not for me” image. In addition, one advocate said, “The second package did not paint the clearest picture to appeal to the voters. It’s not that what we were trying to accomplish was flawed, it is the mechanism was not as clear and compelling as we would have liked.”¹³

Kansas City has not given up on regional actions or on a dedicated arts and culture source. However, little will happen, an expert predicted, until touchy stadium issues have been resolved. And transportation is likely to be the next regional issue. In the meantime, the Kansas City Performing Arts Center is going ahead with mostly private support, and the Arts Council of Metropolitan Kansas City is starting a regional united arts fund. The Bi-State efforts, reportedly, brought the chamber and arts council closer together and hope remains for another try. After all, one observer noted, “Bi-State I took a decade.” Time will tell what “goin’ to Kansas City” will mean in the future.

▲How Pittsburgh and Allegheny County Became RAD

Type	Sales tax county-wide
Amount	1% split between local governments and arts, culture, and sports institutions
Governance	Board appointed by public officials oversees this separate entity with dedicated staff
Distribution	Formula allocations and competitive grants

TAKE AWAYS FROM RAD

- ▶ The move to a regional district from city-based funding provided a lifeline to institutions.
- ▶ “Regional Asset District” sends a signal about the importance of the institutions.
- ▶ Change resulted from the fortuitous convergence of local issues and served interests beyond arts and culture.

The Vital Question

What happens when:

- ▶ A major municipality says it can no longer afford to operate or support libraries, parks, and cultural organizations that serve the entire region?
- ▶ Policy makers want to provide tax relief to low-income seniors and change an unpopular personal property tax?

The Allegheny Regional Asset District (RAD) was the answer from the governor, the state legislature, and elected leaders from one county and 130 municipalities.

While gaining agreement from these players was tough enough, the district plan did not have to be put to citizens. One observer commented that he would not want to go before voters now. The 11-year-old RAD is from a special time when the right combination of people, issues, and opportunities came together. He did not think the district could be created today because of changes in attitudes among elected officials and the public about taxes and government.

RAD came about because the City of Pittsburgh — as it was losing population — was bearing the brunt of paying for institutions used by the region’s residents and visitors. The crisis that created the opportunity came when the city warned that it would soon not be able to support its museums, parks, and libraries. A regional solution was needed. The business community stepped in to help ask the legislature for assistance. A process that many observers expected to take some time came together in just a year thanks, in part, to the combination of the district option, the desire to reform an unpopular personal property tax, and provide tax relief for seniors.

Authorized by the legislature and created by the Allegheny County Commission on March 31, 1994, RAD is a special purpose unit of local government whose area is the same as Allegheny

Des Moines: A Smaller Metro Seeks to Follow a Similar Path

Des Moines is looking to Project Destiny for its future. As with RAD, leaders want to reduce property taxes while funding a broad range of programs throughout the region. A 1% regional sales tax has been proposed, with 50% of the revenue targeted to property tax relief. The remainder of the revenue would go to support arts and culture, recreational trails, human services, and regional planning efforts. The tax is expected to raise \$30 million annually: \$15 million to local governments for debt reduction and property tax relief; \$6 million for regional cultural facilities; \$5.25 million for recreational trails; and \$3.75 million for arts and cultural organizations. In addition, a 2% hotel tax would add another \$2.1 million to the arts and cultural organizations. The election to authorize the tax increase is expected to take place in 2006.

County. RAD has no taxing powers beyond the 1% sales tax. Half of the sales tax proceeds come to RAD to fund “libraries, parks and recreation, cultural, sports and civic facilities and programs.” The other half is sent to county and municipal governments by the state treasurer.

For 2004, the district adopted a \$75.7 million budget for “contractual,” “multi-year,” and “annual” grants, including among many others, the Allegheny Library Association, Pittsburgh Zoo, Sports and Exhibition Authority, African-American Cultural Center, Manchester Craftsmen Guild, and Pittsburgh Symphony Society. Overall distribution includes:

- ▶ 31% for public libraries
- ▶ 27% for parks
- ▶ 22% for sports facilities
- ▶ 10% for zoo, aviary, and conservatory
- ▶ 9% for arts and culture organizations
- ▶ 1% for administration

The “contractual” entities now supported by RAD were once City of Pittsburgh agencies. With RAD, the libraries associated under one umbrella and the zoo, aviary, and garden became private, nonprofit institutions. These changes resulted in increased fundraising capacity and the transformation reportedly has created stronger institutions. The funds that support community institutions seek to:

- ▶ Sustain and enhance the growth and quality of a diverse group of well managed and financially sound district-based regional assets
- ▶ Extend the benefits of asset programming to the widest possible audience
- ▶ Encourage the involvement of young people as both audience and participants

Governance

A board of directors makes the funding decisions. The County Chief Executive appoints four members; the Pittsburgh mayor selects two. These six appointees then elect a seventh member. Each proposed allocation requires the support of six members. The board also appoints an advisory board to provide public input and comment on policies and procedures. Currently, 27 members serve as advisors.

In RAD’s first five years, collections grew, providing an opportunity to add some sports funding. However, revenues have been flat since 2001. RAD is “reliable and dedicated” but right now it is also “static.” With costs escalating for all types of institutions, concerns have arisen about not having sufficient funds in the near future since RAD cannot increase the sales tax rate.

The polling done by RAD over time shows that residents believe in public support for the best-known “headline” assets, although support softens for those without high profiles. In short, RAD’s leaders see positive public outlooks for the assets that produce civic pride, motivate community involvement, and contribute to economic development.

RAD started to save rather than develop arts and culture and other institutions. With the stability provided by the funds, both have become a reality.

▲Philadelphia and Boston: Proposing to Use Existing State Sources for Regional Benefits

TAKE AWAYS FROM PHILADELPHIA AND BOSTON

- ▶ Opportunities for arts and culture may come from expirations of other earmarks.
- ▶ Arts and culture often travels on the coattails of tourism, sometimes as an afterthought.
- ▶ Expansion of an existing source offers new recipients a chance without affecting other beneficiaries.

Looking to a Statewide Source to Aid the Philadelphia Region

Philadelphia is home to some of the nation’s best known arts and culture institutions and has enjoyed a reputation as a “come-back” story. But the good news has not prevented recent financial problems that have affected arts and culture.

Hard times for public budgets and the unsuitability of Pittsburgh’s regional asset district model in this multi-county region provided the motivation for Philadelphia’s arts and culture organizations to look again at a portion of proceeds from the state’s liquor tax, an idea that has been in the air since the mid-1990s. Several changes in state liquor laws, most notably adding Sunday sales, has increased the revenue stream. In addition, approaching the state seemed the best way to bring new dollars to a fragmented region. “Piggybacking” on an existing tax was preferable to attempting to create something new.

As proposed in the state assembly last session, a portion of state liquor tax above the 2003 benchmark would be marked for arts and culture statewide, generating about \$3 million for the greater Philadelphia region. Tourism interests would also benefit. A challenge to progress on approval has been the lack of detail on distribution. The state’s 14 cultural service organizations are expected to distribute funds locally because of their experience with grant programs and local development. Will liquor pay for more arts and culture? The answer may come during the next legislative session.

Funding options are also being explored locally by a mayor’s task force and city officials. Suggestions thus far have included a united arts fund, “naming” rights for facilities and programs, and online giving.

St. Paul’s Cultural STAR:

Civic Center Target Also Supports Arts and Culture

In 1993, Minnesota’s legislature authorized the City of St. Paul to put an additional 0.5% sales tax into effect. The St. Paul Civic Center was the main target, but the funds were also slated for capital projects to “further residential, cultural, commercial, and economic development in both downtown Saint Paul and Saint Paul neighborhoods.” The city council developed the Sales Tax Revitalization (STAR) program, including the Neighborhood STAR and Cultural STAR. The cultural portion receives 10% of the total tax revenue “to promote economic growth in Saint Paul by strengthening the arts and cultural sector and by supporting downtown as a vital cultural center.” The city’s Cultural District receives 8 out of 10 of the Cultural STAR dollars with other projects throughout the city gaining the remainder. Funds support:

- Capital Grant Program for facilities improvements, equipment, and materials
- Organizational Development Grants for strengthening the capacity of cultural organizations
- Loan Program for low-interest loans for capital or organizational development projects

The highly competitive Cultural STAR grants about \$1.4 million per year to arts and cultural organizations in St. Paul. At this time, it is the only program of its kind in Minnesota. Administrative changes are under consideration to increase the long-term benefits of the program, instead of organizations using it as a short-term fix for temporary situations.

Campaign for Cultural Facilities Follows Up on Planning Process

Massachusetts was the first and only state to mark its lottery funds solely for arts and culture. In practice, however, arts and culture benefits from the lottery, but not nearly to the degree envisioned. And as the Boston Foundation noted after a long period of study, Boston's arts and culture foundation needs shoring up. A variety of dollars could come to the rescue, but a statewide legislative initiative, the Campaign for Cultural Facilities, is in the spotlight now.

The proposed 10-year revenue pool would combine several public sources to generate at least \$250 million. A \$13 million annual appropriation would be added to dollars raised by an increase in the hotel/motel tax to create \$25-29 million per year in grant funds to be administered by the Massachusetts Cultural Council and managed by Mass Development. The hotel/motel money is not new. Instead, it redirects dollars dedicated to paying the Hynes Convention Center debt, which will be completed in late 2005. Those funds could then be targeted to helping cultural organizations throughout the state.

Advocates expect the public dollars to attract substantial private funds because of the many landmark buildings involved, and the proposed legislation's matching requirement. Private dollars must equal the grant for projects up to \$1 million; be twice the grant between \$1 million and \$2.5 million; three times the grant between \$2.5 and \$4 million; and four times the grant between \$4 and \$5 million. Skeptics question whether the state proposal will get off the ground, but the proposed legislation follows up on a significant planning process.

Sales Tax Basics in Arizona

Everyone who shops in Arizona pays “sales taxes” — specifically transaction privilege taxes (TPT) — to support state, county, and local governments. (The two terms are used interchangeably here.) Of the three basic government revenue sources — property, sales, and income tax — sales accounted for some 28% of Arizona’s total revenue and 51% of state general fund dollars in FY 2004. TPT is a state tax that cities and counties may augment by “local option,” although counties must receive authorization first from the state. Each municipality and county may have a different rate because of local choices.

The TPT taxes the gross receipts of more than 20 different “classes” of entities from mining to contracting to retail trade. For most, however, the state rate is 5.6%. Cities may determine the add-on TPT rate and the items on which it is paid. For example, Arizona does not impose sales tax on food, but many cities do. Some municipalities apply higher tax rates on certain businesses, such as restaurants and bars, than on others. With authorization from the state legislature in a county’s case and a citizens’ vote at the city level, sales tax rates may be changed.

Additions to sales tax are often given a time limit. For example, the Mesa “quality of life” 1998 sales tax add on includes ¼ cent for construction of the Mesa Performing Arts Center and ¼ cent for operations, police and fire services, and other programs. The construction piece ends in July 2006, while the second ¼ cent has no expiration.

TYPES OF SALES TAXES: AMUSEMENTS AND LUXURIES

The sales tax umbrella covers several items often associated with arts and culture. In Seattle, a portion of an admissions or “amusements” tax is used to support the city’s Office of Cultural Affairs. This source brings \$3-4 million to local grant coffers each year. Miami also harnesses this source of revenue for the arts. The public portion of Arizona ArtShare is funded by some of the state’s amusement tax. The amusements tax is a sales tax on entertainments and exhibitions such as sporting events, concerts, movies, bowling, golf, coin-operated video games, and carnivals. Even pinball games, pool tables, and jukeboxes contribute to Arizona’s treasury. The nonprofit sector does not collect the amusements tax.

The amusement portion accounts for about 1% of total sales. As with most other portions of the TPT, Maricopa County amusements are taxed at 6.3% of gross receipts with 5.6% of the revenues returned to the state. State revenues from the amusements tax yield roughly \$3.5-4.0 million per month or \$45.6 million for FY 2003-2004. As a result, the \$2 million of the amusements taxes devoted to Arizona ArtShare amounts to less than one month of the state’s revenue from the source. As of March 2005, fiscal year-to-date receipts of state revenues from amusements equaled \$30.4 million. In FY 2003-2004, the amusements tax generated approximately \$30.5 million in Maricopa County.¹⁴ Municipalities traditionally have not added on an amusements portion for city revenue, but could.

As one professional noted in an interview, arts and culture should try to be “a decimal on an alcohol tax.” But “sin” or “luxury” taxes assigned to alcohol and tobacco products have been targeted in Arizona over the years for health, corrections, and other programs. Most of these tax revenues serve specific purposes. For example, in Arizona tax revenues from alcohol sales go to the state school aid fund, corrections fund, corrections revolving fund, and the drug treatment and education fund. The majority of dedicated revenues from tobacco taxes are distributed to health care programs, followed by education. Some of these revenues go to the general fund. The remainder goes to corrections.

Unlike sales taxes, these taxes are often a flat amount per volume measure (e.g., “packs” of cigarettes, gallons of beer). These taxes are levied and collected from the products' wholesalers or producers. Laws outlining the alcohol and tobacco taxes and administration of the luxury taxes were adopted in 1981.¹⁵ The excise tax on alcohol and tobacco is collected at the wholesale level, and the TPT at the retail level. Only the state of Arizona has authority to levy luxury taxes. All other entities (such as cities and counties) are prohibited from levying luxury taxes as long as the urban revenue fund exists. Adopted in the early 1970s, this fund shares state TPT revenues with cities and counties via formula.

For tax collection purposes, alcohol is divided into three categories: spirituous liquor, vinous liquor, and malt liquor/cider. Each category maintains its own tax rates. Tax rates on alcoholic beverages have not changed since 1984.¹⁶ Inflation has eroded this tax: In 2004, based on the Consumer Price Index, it would require \$5.41 to equal \$3.00 worth of 1984 buying power.

Like alcohol, various tobacco products are taxed at different rates. Tobacco tax rates, unlike the alcohol tax rates, have increased occasionally. The most recent change, which was made through an initiative approved by voters in 2002, doubled tobacco tax rates.¹⁷ State revenues from tobacco taxes for FY 2003-2004 totaled \$196.6 million.¹⁸

Arizona Tax Receipts for Luxury Taxes, FY 2000-2005

FY 2000-2001	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005*
\$209,448,087	\$210,231,655	\$266,413,642	\$243,687,452	\$252,646,161

* July through March 2005 only.
Source: Arizona Department of Revenue, Tax Facts, June 2001, 2002, 2003, 2004, and March 2005.

County Sales Tax Rates in Arizona, 2005

Counties	% County Rate	% County Rate + State Rate*
Apache, Cochise, Graham, Greenlee, Navajo, and Santa Cruz	0.50%	6.1%
Coconino	0.925%	6.525%
Gila, La Paz, and Pinal	1.00	6.6%
Maricopa	0.70%	6.3%
Mohave	0.25%	5.85%
Pima	0.00%	5.6%
Yavapai	0.75%	6.35%
Yuma	1.50%	7.1%

* State rate is 5.6%.
Source: Arizona Department of Revenue.

Municipal and Total Rates in Maricopa County, 2005

Municipalities	City Sales Tax Rate	Total* Sales Tax Rate
Apache Junction	2.20%	8.80%
Avondale	2.50%	8.80%
Buckeye	2.00%	8.30%
Carefree	2.00%	8.30%
Cave Creek	2.50%	8.80%
Chandler	1.50%	7.80%
El Mirage	3.00%	9.30%
Fountain Hills	2.60%	8.90%
Gila Bend	3.00%	9.30%
Gilbert	1.50%	7.80%
Glendale	1.80%	8.10%
Goodyear	2.00%	8.30%
Guadalupe	3.00%	9.30%
Litchfield Park	2.00%	8.30%
Mesa	1.50%	7.80%
Paradise Valley	1.40%	7.70%
Peoria	1.50%	7.80%
Phoenix	1.80%	8.10%
Queen Creek	2.00%	8.30%
Scottsdale	1.65%	7.95%
Surprise	2.20%	8.50%
Tempe	1.80%	8.10%
Tolleson	2.00%	8.30%
Wickenburg	1.70%	8.00%
Youngtown	2.00%	8.30%

* Total rate is the sum of the state, county, and city rates.
Source: Arizona Department of Revenue.

▲St. Louis' Property Tax is Part of a Balanced Portfolio

Type	County-wide property tax in place
Amount	\$50 - 60 million annually
Governance	Publicly appointed board of directors, and dedicated district staff operate a separate entity
Distribution	Allocation for five institutions based on specific tax rates

TAKE AWAYS FROM ST. LOUIS

- ▶ Different sources with different niches complement one another. Various sources are needed because the main source is relatively inflexible.
- ▶ Substantial dollars for a few institutions may mask financial distress in the entire sector.
- ▶ The long-established Zoo Museum District (ZMD) property tax touches only part of what many see as metro St. Louis.
- ▶ The requirement for ZMD recipients to be free increases accessibility, while creating a negative perception of institutions that must charge.

Metropolitan St. Louis has been called one of the nation's most fragmented urban regions. However, when it comes to arts and culture, the region has a balanced funding portfolio with public and private mechanisms and long-established traditions. For example, City of St. Louis residents began paying property taxes in 1907 for an art museum and soon thereafter started paying for the zoo.

Responding to Populations Shifts

Like many regions in the 1960s, St. Louis' population shifted from the central city to the suburbs. The flight of taxpayers and the reduction of the tax base left the City of St. Louis with financial crises and bills for institutions with a regional reach. Local leaders began exploring the creation of a metropolitan funding mechanism for the zoo, art museum, and science center. Backed by the required authorization from the Missouri legislature, city and county residents approved the Metropolitan Zoological Park and Museum District (ZMD) in 1971. The district was expanded in 1983 to add the Botanical Garden and in 1988 for the Missouri History Museum. Today, many regions would not consider a property tax or have reformed fiscal systems to de-emphasize property tax. The ZMD has been in place long enough to be woven into the fabric of St. Louis' life.

Each beneficiary has a "sub-district" with its own capped tax rate and oversight board with an equal number of city and county appointees. A requirement of this dedicated funding is that the institutions be free to the public (except the Botanical Garden). Admission fees may be charged for special exhibitions however.

The ZMD generates approximately \$50-60 million annually. Approximately 8 out of every 10 dollars comes from the primarily suburban St. Louis County.¹⁹ An executive director administers the district and an 8-member board, again with equal city (mayor appointed) and county membership (county executive appointed), makes final decisions. Two percent may be spent for administration. The district has no sunset clause.

A Balanced Funding Portfolio for St. Louis

Types	Target Organizations	Source*
ZMD	Zoo, botanical garden, art museum, science center, historical society	Property tax
Regional Arts Commission	Non-ZMD groups	Hotel/motel tax
St. Louis Arts and Education Council	Arts and education groups in 16 Missouri and Illinois counties	Workplace giving and United Arts Fund

*Other sources of city, county, or state funds may be utilized by these institutions.
 Source: ZMD, Regional Arts Commission, and St. Louis Arts and Education Council.

With such a pool of funding, it would make sense for more institutions to want to become members of this exclusive club. However, joining is not easy. For institutions to be added:

- (1) Voters must approve the addition. The revenue “pie” is not simply re-cut if another piece is required. Rather, it must increase in size.
- (2) The organization must give up any funding from the St. Louis Regional Arts Commission, since the commission cannot fund a ZMD organization.

The St. Louis Symphony sought to join in 1989, but voters turned the idea down. The symphony decided against a try on the November 2004 ballot because of a negative economic and political climate.

In recent years, discussions have been held often about pushing the “region” into other counties because the metropolitan area has expanded beyond St. Louis County. However, such changes have not been made as yet.

With accessibility and participation key topics in arts and culture today, the ZMD offers an important example of how dedicated dollars can make arts and culture a common regional experience. According to one observer, the policy creates opportunities for participation, encourages an ethic of service, and puts an emphasis on public education. According to others, though, the “free” policy has had a downside. Some describe the ZMD’s policy as something that makes residents “cheap,” expecting everything to be free without thinking about whether or not an institution receives public support. In addition, the requirement leaves St. Louis-area residents paying a large share of the bills when many visitors are from outside the region.

The ZMD exists to support a few institutions, while the broader regional reach of arts and culture is encouraged by other entities. The region shows that a well-balanced portfolio is possible and necessary.

St. Louis ZMD Property Tax Levies

Institution	\$ Mil Rate*	2002 Allocation (millions)
St. Louis Zoo	0.787	\$14.2
St. Louis Art Museum	0.787	\$14.2
Science and Natural History Museum	0.394	\$7.2
Missouri Botanical Gardens	0.394	\$7.2
Missouri History Museum	0.394	\$8.8

* (per \$1,000 of assessed value) Reported in 2004. Statutory limit.
 Source: *Local Option Tax Strategies for Supporting the Arts*, Americans for the Arts, 2005 Zoo-Museum District, *St. Louis Post Dispatch*, 1/13/2004.

▲ **“K is for Kids”: Detroit’s Tries at Property Tax**

Type	Property tax in two counties failed
Amount	.5 mil (50 cents per \$1,000 taxable value) for \$46 million annually
Governance	Oversight board
Distribution	Formula allocations and competitive grants

TAKE AWAYS FROM DETROIT

- ▶ A tough economy makes arts and culture funding a tough sell.
- ▶ Urban-suburban splits can contribute to defeat even when arts and culture is a key issue to the business community.
- ▶ Public skepticism of arts and culture as “elitist” is a powerful force to overcome.

Twice in recent years campaigns for approval of a two-county property tax for major institutions and community programs have failed despite funded campaigns, business community leadership, and high hopes. Most recently, in 2002, voters in Wayne and Oakland counties rejected “Proposal K.”

The Detroit regional funding effort is rooted in part in the crises produced by the state’s economic ups and downs and a long-term, love-hate relationship with state-level arts funding. For example, reductions in state funding in 1992 prompted the nonprofit Citizens Research Council of Michigan to research regional alternatives. In 1995, 15 organizations joined with Detroit Renaissance, a business-led revitalization and economic development organization, to create the Cultural Coalition. One of the group’s goals was to develop a funding source to improve the arts and culture environment. Michigan lawmakers passed enabling legislation in 1998 that paved the way for the regional proposals.²⁰ The first Detroit-area ballot measure appeared – and failed – in 2000.

Today, economic woes continue to plague the Detroit region. At the same time, positive signs for arts and revitalization are evident. “The Max” – the rehabilitated and expanded Max M. Fisher concert hall – is doing its part to bring life back to a part of downtown. The University of Michigan recently announced university facilities will take up residence at Orchestra Place. And Gretchen Valade, a local philanthropist and jazz record label owner, recently stepped forward with a long-term plan for the Detroit International Jazz Festival, after having saved the 2005 event from near-fatal financial troubles.

If Proposal K had passed in November 2002, beneficiaries such as the Detroit Institute of Art and the Science Center might be celebrating other gains. When conventional wisdom says ballot measures work if they include recreation and children, Proposal K seemed to have all of the right stuff:

- ▶ A title of “Arts, Parks, and Kids”
- ▶ A well-funded “yes” campaign
- ▶ No organized opposition
- ▶ Business community leadership and endorsement through Detroit Renaissance and the Detroit Regional Chamber
- ▶ Formulas to spread the funds throughout the two-county area
- ▶ Experience from the defeat of an almost identical ballot measure in 2000

Funds for Regional and Local Activities

The 2002 Metropolitan Arts and Culture Council – Arts, Parks, and Kids Milage Proposal was intended to “support nonprofit regional history, science and arts institutions, and local arts and recreation programs” in Wayne and Oakland counties. A property tax increase of .5 mil (50 cents per \$1,000 taxable value, defined as half of the market value) was called for to fund the changes. Advocates estimated that the add on would produce \$46 million annually, which would be divided one-third and two-thirds. One-third would go to the municipalities where the dollars were generated for community recreational and cultural programs and facilities. Seventeen regional arts and cultural institutions and smaller organizations would receive the two-thirds in a combination of formula and competitive grants.

To pass Proposal K, 60% of Wayne County voters had to say “yes” and 50% in Oakland County. Macomb County, a county usually considered to be part of the Detroit region, declined to take part. This, according to a study by Georgia State University public policy scholar Michael Rushton, may have created resentment among other voters. Residents of two counties were seen to be bearing the expenses for amenities that everyone in the region and throughout Michigan could enjoy.

An analysis of the Proposal K vote²¹ revealed:

- ▶ Distance from the cultural center made voters reluctant to approve the tax increase.
- ▶ Higher education levels translated into more “yes” votes.
- ▶ Black voters were more positive about Proposal K than White voters.
- ▶ Renters favored the arts proposal, perhaps calculating benefits without costs.
- ▶ The “free ride” received by regional residents who do not pay the tax may have created a backlash.
- ▶ Those who voted for the Democratic gubernatorial candidate were most likely to support Proposal K.

Other analyses blamed the defeat on: a hard-times economy, taxpayer fatigue, an ineffective campaign, and the lingering notion of arts and culture as “elite” activities. In this case, Detroit Renaissance and other organizations demonstrate the power of business leadership to push issues ahead. The region’s arts and culture organizations and communities worked for passage, but skeptical voters always have the last word.

▲Cleveland: A Work in Progress

Type	County-wide property tax failed
Amount	\$20.5 million annually for five years
Governance	Oversight board
Distribution	Competitive grants

TAKE AWAYS FROM CLEVELAND

- ▶ “Just another tax” trumped the benefits of what the money would pay for.
- ▶ Organizing the arts and culture community over time pays off in influence and advocacy.
- ▶ A short campaign creates questions and restraints.

Cleveland’s arts and culture community won’t take “no” for an answer on new dollars, even though it means trying again with voters.

Cleveland, like many other regions, is searching for ways to adapt to the effects of regional population shifts and economic transformation. Arts and culture has emerged as an under-appreciated asset, deserving of time, attention, and money. In recent years, Cuyahoga County has developed an arts-granting process, and Cleveland has adopted percent for art and artist-housing programs. An Arts and Culture as Economic Development grant program has debuted, as has business assistance for arts entrepreneurs. The Convention & Visitors Bureau of Greater Cleveland has opened an arts-tourism office.²²

The now highly energized arts community in Cuyahoga County (thanks to committed people and institutions with dollars to devote to organizing and planning) has another chance coming for dedicated dollars. The county commission approved creating a special taxing district for arts and culture, which could be expanded to include other counties. The next step is to ask voters to give arts and culture a stable stream of public funds.

Ohio’s legislators approved legislation in 2004 to allow counties of 500,000 or more residents to establish districts with the power to raise property tax for cultural purposes. Before the legislative change, state law said that only a county with a municipality of 500,000 people or more could set up such a district. Because Cleveland’s population is below 500,000, the Cuyahoga County Board of Commissioners could not put an arts-only tax measure on the March 2003 ballot. It had to opt for an economic development measure that included arts and culture. The county district would be similar to the library and parks boards, which are appointed by the county commissioners.

This activity stems in part from the failure of Issue 31 (54% no to 46% yes), one of several property tax measures on the March 2003 ballot. The measure would have generated an estimated \$20.5 million per year for five years with half of the money going to individual artists, arts and culture organizations and projects, and the remainder to economic development. Would Issue 31 have passed as an arts-only measure if that had been an option? Some say yes.

Words of Experience

“There’s always an anti-tax sentiment. Roughly 33% will be against any tax and that could be as high as 40%. Early polling showed the “anti” base was 35% in December, when we started the campaign. So you have to get 75% of the remaining 65% to pass it.” — Jeff Rusnak, Issue 31 Campaign

“We came within 3.2% of the 50% overall needed to pass.” — Tom Schorgl, Community Partnership for Arts and Culture

Issue 31 had a short timeline and a tough task, considering that the:

- ▶ Ballot language was unclear about the arts portion, making it hard to communicate to voters
- ▶ Public campaign lasted only about five weeks
- ▶ Source of dollars was the unpopular property tax
- ▶ Economic development/arts was just one of several issues asking for a tax increase
- ▶ *Crain's Cleveland* editorialized against another property tax
- ▶ Business community's support was tentative
- ▶ Anti-tax sentiments were fairly strong

In contrast, the measure had strong endorsements from the Mayors and Managers Association, religious and neighborhood groups, and some business organizations.

The Community Partnership for Arts and Culture (CPAC), a regional advocacy organization, has been behind the funding efforts and the five-year planning effort that paved the way for county policy makers to agree to arts inclusion in a tax measure and advocates to organize and raise money (\$680,000 from arts and culture and \$120,000 from business) to try to pass it. Community pressure, in part because of the substantial planning efforts of CPAC, pushed commissioners to put Issue 31 to voters. Clearly, advocates will be back armed with the lessons of 2003.

Property Tax and Special District Basics in Arizona

New Arizona residents often remark about the low property taxes at the state and local levels in comparison to other places. This way of generating revenues garners less attention than sales or income taxes, but it remains vital to many jurisdictions in Arizona.

Property is classified by use and taxed on a share of its assessed value. For example, commercial and industrial properties are taxed on 25% of their assessed value. An owner-occupied residence is taxed at 10% of its assessed value. Personal property such as business inventories are taxed also. Cities, counties, school districts, and some special districts have the authority to levy property taxes, although nearly half of the state’s municipalities have chosen not to do so. Throughout Maricopa County, 75% of total property tax dollars supports education, 10% provides revenue for county government, and 15% goes to cities, towns, and special districts.

Arizona has a “primary” and a “secondary” property tax. The “primary” property tax may be put to broad use, but the tax rate and the total levy are restricted by the state. The “secondary” property tax, which is not restricted, may be used for voter-approved purposes. The primary tax generally provides funds for operations and maintenance of government functions. The secondary pays off bonded debt and generates funds for capital projects. The constraints and various types of levies account for much of the system’s complexity and the complications governments face in funding current and new programs. At the same time, a small increase in the property tax rate can generate a large sum. For example, Maricopa County’s 2004 property tax levy indicates that a 0.1% tax rate increase county-wide would realize the approximately \$30 million.

Arizona also mandates “truth in taxation,” which requires local governments to notify taxpayers when their primary property taxes will be higher than they were the previous year. This notice is done whether the tax increase results from growth in the property’s assessed value or from the local government’s decision to increase the tax rate. This provision requires elected officials to adopt the increase through a roll call vote. Many Arizonans have been fortunate in these years of rising property values and population growth. The rate paid by residents can go down because of increases in values and the number of properties on the rolls.

Lodging taxes are the most common form of earmarked arts and culture support. San Francisco pioneered the practice of coupling arts and culture with tourism and paying for both through “hotel/motel” taxes. This type of sales tax is popular because it taps mostly travelers for amenities that residents use.

Selected Maricopa County Propert Tax Rates, FY 2005-2006

Type	2005 Property Tax Revenue \$	2005 Assessed Valuation \$	2005 Tax Rate \$
Operating Levy	371,224,118	31,010,284,705	1.1971
Flood Control District	62,733,411	29,605,196,407	0.2119
County Library District	17,295,751	33,197,218,398	0.0521

Source: Maricopa County 2005 Tax Levy, Maricopa County Department of Finance.

Special Districts

Special districts are distinct units of government that are formed to perform a specific, limited function. They are often created because existing units of government lack the authority or financial flexibility to provide a particular service. Special districts often have the authority to impose and collect taxes within their statutory limits. Generally special districts will be authorized to collect a certain type of tax (*i.e.*, property, ticket surcharge, bonds for capital construction) up to a stated amount. Special district directors may be elected by popular vote or appointed by other government officials. They are elected or appointed on a non-partisan basis and serve without pay.

According to the U.S. Census of Governments, Arizona had 305 special district governments in 2002, excluding school districts and community college districts. In various forms, special districts exist for everything from an airport authority to flood control to public libraries to regional transportation to water and health care.

▲Miami: Offering More than Sunshine

Type	Hotel/motel taxes in place
Amount	2% for \$3 million annually
Governance	Local government agency administers the funds with community participation
Distribution	Competitive grant process

TAKEAWAYS FROM MIAMI

- ▶ Pieces of several tourism-related sources contribute to a diverse funding package for arts and culture.
- ▶ With investment over time from a variety of sources, regions can reach lofty goals for arts infrastructure, institutions, and impacts.

Miami used to be thought of only as a sunshine destination. An array of hotel/motel taxes at various government levels has helped provide the desired dollars for arts and culture development. Thanks to a portion of hotel/motel taxes authorized by the state legislature and adopted by county voters in 1978, the Miami-Dade Department of Cultural Affairs (a joint city-county agency) has approximately \$3 million per year with which to support a broad range of arts and culture and advance the goal of the Miami region as “a great cultural center.” Lawmakers designated county tourism (60% to Convention & Visitors Bureau), the cultural affairs department (20%), and Orange Bowl Stadium and other tourism promotion in the City of Miami (20%) as beneficiaries. The hotel/motel tax was a natural link to tourism and the plans for the Orange Bowl. Three municipalities in the county (Miami Beach, Cal Harbor, and Surfside) are exempt from the county portion and maintain their own collection systems, rates, and distribution vehicles.

Business and civic leaders, who were active in the arts and understood the importance of creating a stable funding environment, led the drive to enact the tax and reserve an arts portion. They worked in conjunction with the arts community, but the power behind the message came from the private sector.

Currently, the Office of Strategic Business Management forecasts hotel/motel tax revenue annually for the Department of Cultural Affairs. The dollars support 15 competitive operating support grant programs, each with specific guidelines, applications, and peer review panels. Some grants are formula driven, and others are at the panels' discretion. Other investment pools underwrite facility construction and renovation. In the early 1990s, leaders mounted an effort to develop a county-wide hotel food and beverage tax (Miami Beach already had one.) to benefit the Convention & Visitors Bureau, Culture & Tourism, and an extensive homeless program. This package did not pass however.

A Portfolio of Support

Florida has invested in the combination of arts and culture, tourism, and urban amenities in a variety of ways. For those in Dade County, public dollars come from several sources. In addition to the 2% county-based hotel/motel tax, the state-authorized 3% “convention development tax” may be adopted for performing arts centers and other public facilities, such as baseball stadiums and convention centers. Dade County’s commission controls this source for grants with “benefits to the public.”

These sources of operating support are complemented by bond programs for facilities as well as creative private philanthropy. The long-awaited Miami Performing Arts Center is expected to open in October 2006. Efforts were underway at the time of this writing to garner a total of \$20 million for naming rights for the center. In 2004, voters approved a county-wide bond package with \$452.5

million for a cultural facilities component, which will build a new Miami Art Museum, Miami Museum of Science, historical museum, and other institutions.

The Florida Division of Cultural Affairs, a state agency, distributes annual separate legislative appropriations for 11 different Grant & Aid Programs, including the Cultural Endowment Program List, the Challenge Grant List, and Fixed Capital Outlay. Florida had a Fine Arts Trust Fund until 2001. Funded through corporate filing fees and other sources, this dedicated fund and others throughout other departments were abolished and the dollars returned to the state's general fund. The governor sought to have greater legislative control over all funds.

Hotel/motel taxes are just one piece of Miami's funding picture for arts and culture — but an important one.

▲Columbus: A Long-Term Public-Private Partnership

Type	City-wide hotel/motel tax in place
Amount	Approximately \$2 million
Governance	City appointees on private, nonprofit board of directors
Distribution	Competitive grant processes

TAKE AWAYS FROM COLUMBUS

- ▶ A private organization can play the part of a public agency to distribute tax-generated funds.
- ▶ Public-sector appointees augment a private board.
- ▶ Annual arrangements force yearly evaluations.

In Columbus, Ohio it is not unusual that hotel/motel tax dollars benefit arts and culture organizations. What makes Columbus different is that a private, nonprofit organization serves as the city’s cultural affairs agency and distributes a portion of the travel tax dollars. City policy directs the dollars to the Greater Columbus Arts Council (GCAC). GCAC negotiates each year with the city for the amount to be distributed to arts organizations as well as the dollars needed for administration and services to arts organizations. Approximately \$2 million comes from the portion set aside for the promotion of the arts. Today, those dollars support more than 70 organizations. Grant categories with specific guidelines and review processes include individual artist fellowships, operating support, and project support. GCAC reports their activities to city officials twice per year. Two city appointees occupy seats on GCAC’s 26-member board of directors.

More than 20 Years of Experience

Columbus’ commitment to arts and culture began nearly 20 years ago. In January 1977, the Columbus City Council recognized the potential of cultural activities “to promote and publicize the City of Columbus as a desirable location for conventions, trade shows, and similar events.” Members amended city codes to allow arts organizations to share with the Greater Columbus Convention and Visitors Bureau in revenue from the hotel/motel tax. In May 1981, the council made another commitment to the arts as an investment in the economic development of the city. Ordinance 947.81 designated a fixed percentage of hotel/motel tax revenues (20% of a 4% tax) for the support of the arts to be distributed by GCAC. The commitment followed years of a successful funding relationship between GCAC and the city that had brought Columbus distinction as a leader in arts development. In 1985 the hotel/motel tax increased from 4% to 6%, with GCAC’s allocation rising from 20% to 25%.

Columbus’ hotel/motel tax has worked out to the benefit of the city and the GCAC. The annual contract requires arts council leaders to justify their work and benefit to the community regularly. Periodically, efforts have been made to redirect dollars to another organization or purpose, but the GCAC’s 30-year history and more than two decades of grant experience are hard to argue against.

▲Charlotte: United Behind a Car Rental Tax for New Facilities

Type	County-wide car rental tax proposed
Amount	4% annually
Governance	Local government agency will oversee funds for construction
Distribution	Facilities development

TAKE AWAYS FROM CHARLOTTE

- ▶ Business leadership makes a substantial difference in starting and completing complex funding processes.
- ▶ Arts and culture has to compete with other issues and amenities.
- ▶ Arts and culture is taking up a challenge, but still wants a source of its own.

Charlotte has long been known for having one of the nation’s most productive “united arts” campaigns and for the creative combination of public and private funds. Currently, the region is creating yet another public-private venture that bears watching. An anticipated car rental tax will help make new publicly owned arts and culture facilities a reality, but a private endowment, developed by the private, nonprofit Charlotte Arts & Science Council, will keep them going. Now, after a back-and-forth political process, the council, which also receives city and county funds, will coordinate a \$65 million endowment campaign to operate the facilities and plan programming for them.

Three sources of dollars will pay for approximately \$140.5 million worth of facilities:

- ▶ \$41.0 million in bonds based on the additional property taxes generated by a new downtown Wachovia Tower
- ▶ \$18.8 million in savings when the city shifts most of the facilities’ operating costs to the Arts & Science Council
- ▶ \$80.7 million in revenue from a 4% car rental tax, which is an increase from the current level

Next Facilities Planned for Charlotte

Facility	\$ Cost (millions)
Discovery Place	\$31.6
Afro-American Cultural Center	\$17.9
Wachovia Tower Projects <ul style="list-style-type: none"> • 1200 seat theater • Bechtler Art Museum • Mint Museum 	\$91.0

Source: Charlotte Arts and Science Council.

Proponents estimated the tax, which must be approved by the legislature, will generate between \$6.5 and \$7 million per year over 12 years for construction of the facilities. The increase in the car rental tax, which at the time this was written was still in the process of being approved, would bring Charlotte’s rental tax in line with the Raleigh-Durham and the Greensboro-Winston regions. The legislation affects six other municipalities in the county in addition to Charlotte. They will each receive a portion of the funds generated in their communities for cultural facilities.

When Arts and Sports Meet

This current effort relates to the failure of a 2001 referendum for a sports arena and cultural projects. After the defeat, the Arts & Science Council then joined with others, at the request of the mayor, to develop new options. As a result, a facility master-planning process began in 2002 and lasted until early 2004. By then, the city had decided to build an arena for the Charlotte Bobcats (NBA team) in such a way as to not need voters’ approval.

The 2004 25-year cultural facility master plan was adopted to fill needs across the county. The facilities under consideration now represent the first phase of the plan. Car rental levies were one of a

limited number of financing mechanisms deemed feasible, particularly given that some other tourism and sales tax options may support a potential NASCAR Hall of Fame.

Work on the car rental issue has brought city and county economic development committees closer together and built on the corporate leadership already evident in the area. The Arts & Science Council's board, the arts community, the Chamber of Commerce, Foundation for the Carolinas, the Visitors Authority, and the Center City Development Corporation supported the car rental funding package. To raise the private endowment funds, the CEOs of Bank of America, Wachovia, and Duke Energy have agreed to co-lead the campaign.

One observer commented that this has been a time-consuming, up-and-down process during which it has been difficult to keep the arts community and residents engaged. With much of the work being done behind the scenes after big announcements are made, few realize what is involved to make them happen. In the next decade, the Charlotte region, in conjunction with surrounding counties, would like to have a dedicated stream for many types of arts and culture development. Rapid population growth increases the need and desire for more cultural activities in many areas. Leaders are starting conversations with partner agencies in the surrounding counties to build consensus around the idea. But for now, attention is on building and operating a new place for arts and culture in an ever-changing environment.

▲Hard Times and Hard Feelings in San Diego and Austin

TAKE AWAYS FROM SAN DIEGO AND AUSTIN

- ▶ Rates for long-established funds often need to be reviewed to ensure continued adequacy.
- ▶ Tourism may be a perfect partner for arts and culture, but not every marriage is a happy one.

Many regions' travel-tourism taxes are not new. For example, San Diego's Tax on Tourism (TOT) — essentially a hotel/motel occupancy tax — has been in place since the 1960s. Arts and culture is a beneficiary of this source, but a specific percentage is not set. Funds to the Commission for Arts and Culture have been as high as approximately \$11 million. But with recent budget hardships in San Diego, including a pension-funding scandal, more than a third of the funds were taken to offset deficits. San Diego now has approximately \$7 million from TOT for arts and culture.

That is not the only bad news in San Diego. Ballot propositions in March and November 2004 to increase the hotel/motel tax from 10.5% to 13.5% failed. The first time the campaign noted allocations for police, fire, and amenities (including arts). Because of its structure, the measure required a two-thirds vote to pass. It failed 62% to 38%. The second proposition needed only a majority vote to pass, but it still lost with just 41% approval. Voters had to look carefully to find that arts and culture would benefit.

Issues with San Diego's Losses

According to observers, there were several reasons for the losses — and one cause for hope.

- ▶ Hotel operators mounted opposition to the second proposition. A notion reportedly prevails that only “blockbusters” will put “heads in beds.” Overall arts and culture development, it is thought, will not help tourism.
- ▶ With the city's recent history, no one wanted to give the city government more money.
- ▶ Others thought all additional funds raised should go to the general fund so that policy makers could decide where they could best be used.
- ▶ The effort put the arts and culture community in a positive light despite the loss. Advocates proved they had the capacity to put dollars into campaigns and turn out people and influence.

San Diego has gone back to the drawing board, since, reportedly it is unlikely for this hotel/motel increase to be considered again. Other options have been thought of somewhat, but nothing has developed thus far. A hotel-industry proposed “tourism improvement district”, if approved, potentially could free up current hotel/motel tax money for other uses, such as arts and culture.

Austin and HOT

The City of Austin collects between \$2 and \$3 million a year from a state HOT (hotel tax). With a limit of 15%, 7% goes to the state to pay for state tourism marketing programs. The remaining percentage, which varies by municipality, may be up to 8%. Cities may spend it on arts, historic preservation, convention center debt, and convention & visitor bureaus. Within a city, though, a maximum of 15% may support the arts. HOT provides arts organizations with a local match for dollars from the Texas Commission for the Arts. The money in Austin is distributed through a competitive grants program. Most see a natural “marriage” between arts and culture and travel and tourism. Yet, in Texas that is not always the case. Reportedly, much of the state's hotel industry would prefer that all of the funds go specifically into tourism and convention development and has actively worked toward that end. Texans for the Arts, a statewide arts advocacy organization, has taken HOT up as their main “watchdog” activity. The group hired a respected lobbyist to help build bridges between arts and hotel supporters this legislative session.

The tax dates to the 1970s, but changes often. This year the legislature added the ability to fund sports arenas in larger cities. Austin arts advocates want to identify more funding sources because the hotel tax is insufficient and city general funds reportedly are out of reach. They are gearing up for a comprehensive community cultural plan, but wishing for something simple. As one person said, “Sin tax is what you want. You want to be a decimal on an alcohol tax.”

Tourism Tax Basics in Arizona

Whether known as “transient lodging tax,” “bed tax,” or “hotel/motel,” these taxes are a logical levy because arts and culture is a draw for visitors. The transient lodging tax has long been used in Arizona at the state and city levels. In 2000, the Arizona Legislature created a separate hotel tax to fund tourism and sports in Arizona. Car rental taxes are common and increasingly tapped for tourism development and arts and culture. Arts and culture traditionally has garnered only a relatively small portion of these sources. The major shares tend to support convention and visitors bureaus (as with the Valley or Phoenix Convention and Visitors Bureau and the Scottsdale Convention and Visitors Bureau) and convention facilities (as with the Phoenix Civic Plaza Fund). In many cities, a hotel/motel tax generates general fund dollars as well as support for a wide range of earmarked purposes.

Currently, businesses in Maricopa County are assessed a transient lodging rate of 7.27%²³ on total gross receipts with 5.5% of collected revenues returned to the state. The hotel tax is 1% of total gross receipts which are distributed to the Arizona Sports and Tourism Authority (AZSTA). Both the hotel bed tax and the car rental surcharge were enacted in 2000 to fund the Arizona Sports and Tourism Authority, the entity approved by Maricopa County voters which supports professional baseball, the Cardinals football stadium, the Office of Tourism, and a variety of youth sports activities. The hotel and car rental taxes were amended in 2002 to stipulate a 30-year life for the charges. Records indicate that Maricopa County's share of the hotel tax and the car rental surcharge raise between \$13 and \$19 million per year. Fiscal year-to-date state collections of the transient lodging tax from July 2004 to March 2005 equaled \$75.4 million,²⁴ although monthly collections vary widely depending on travel patterns. January 2005 state revenues totaled \$7.7 million, while March 2005 collections came in at \$12.9 million.

Cities often add on additional hotel/motel taxes to support a broad range of purposes from convention and visitors bureaus, to the Phoenix Civic Plaza fund, to parks and preserves, and general funds. The city levy throughout Maricopa County is generally 3%. The amounts raised depend on the size of the sector in the city as well as the health of tourism generally. For example, the 3% hotel/motel tax in Tempe produces \$2.3 million annually. In Mesa, a year's collection yields approximately \$1.7 million.

Car Rental Surcharge

The car rental surcharge for the Arizona Sports and Tourism Authority is a county-imposed surcharge on motor vehicles rented or leased for less than one year. The business' gross income is taxed at either 3.25% or a total of \$2.50 on each vehicle leased, whichever method produces the higher tax revenue. The first \$2.50 on each transaction goes to the Maricopa County Stadium District (MCSD) for debt service. The remainder goes to the Arizona Sports and Tourism Authority. Maricopa County collected \$354,842 in revenue during January 2005 and \$539,005 in March 2005²⁵.

BEYOND THE BIG THREE: REAL ESTATE TRANSFER, TAX CREDITS, AND UNITED ARTS FUNDS

REAL ESTATE TRANSACTIONS

In Aspen, Colorado, the historic Wheeler Opera House owes its new lease on life to real estate transfer taxes. In the mid-1980s, the historic building needed rehabilitation and repair. A 0.5% real estate transfer tax (RETT) on the first \$100,000 of the purchase price and 1.5% on the price above \$100,000 pays not only for the Wheeler, but also for Aspen's affordable housing program. Today, the Wheeler is the city's main performing arts center.

A real estate purchaser must obtain a "paid" or "exempt" stamp on the deed recorded with the county. "The purchaser obtains the stamp by paying a fee to the City of Aspen, based on the affidavit of valuation. If an appropriate stamp is not obtained, the purchaser's property is subject to a tax lien, which will make it difficult for the purchaser to obtain title insurance upon the future sale of the property."²⁶

In Connecticut, a diverse coalition of advocates turned to a transfer fee for a combination of purposes. Connecticut's Governor Rell recently approved the creation of a permanent fund to conserve natural areas and farm land, preserve historic buildings, and develop affordable housing. Specifically, the purposes are:

- ▶ Preservation of farm land
- ▶ Conservation of undeveloped forest and other open land
- ▶ Protection or reconstruction of historic buildings and landmarks
- ▶ Construction or renovation of affordable housing²⁷

A new \$30 charge on documents that record real estate transactions in the state is the source. The bill was controversial because questions were raised about whether the fund circumvents state spending limits. A court challenge may be mounted as a result. Advocates expect the fee to raise approximately \$27 million per year. Revenue will be divided equally with each of the four major purposes receiving about \$6.5 million. Town clerks will collect the fees, keeping about 10% for local improvement projects. Observers credited the passage of the legislation to timing and new leadership in the governor's office and legislature.

Real Estate Transfer in Arizona

Arizona does not have a real estate transfer tax. Instead in Maricopa County when a piece of real estate is sold, the recorder's office collects a small fee to recover the cost of tracking the transaction. However in most other states (just 13 states lack transfer levies) and local jurisdictions throughout the U.S., transfer taxes are assessed when real property changes hands. The tax applies to all types of real property, including residential, commercial, and agricultural. Unlike a property tax that is levied each year, transfer taxes are due only when property is sold. Most often "states and localities charge the buyer or the seller either: 1) a tax based on a percentage of sale value of the property; 2) a flat deed registration tax; or 3) a combination of both."²⁸ Transfer taxes can augment general funds, but governments often mark them for such purposes as conservation and affordable housing. The rates for transfer taxes vary widely from 0.01% to 2%, "with the median of the states applying the tax being 0.4% (a tax of \$400 for a property valued at \$100,000, \$600 for the typical \$150,000 residential property, and \$2,000 for a \$500,000 property)."²⁹ In 2004, if a real estate transfer tax had been in place in Maricopa County at 0.001% of value, it would have produced approximately \$28 million, based only on the median selling price of residential property.³⁰

Governor Napolitano’s Citizens Finance Review Commission investigated “the application of a real estate transfer tax based on a percentage of sales value with an exemption for the first \$100,000 of value.”³¹ As the Transaction Privilege Tax Research Committee noted, “Arizona currently has no RETT and a mere \$9 filing fee for every deed or contract recorded with the county recorder.” The group favored the source because of its low impact on localities’ current revenue, ease of administration, and high rankings on the policy considerations of equity, economic vitality, volatility, and simplicity.³² However, the full Citizens Finance Review Commission did not recommend that Arizona adopt a real estate transfer tax. However, it remains one of the few substantial sources of revenue not currently used at the state, county, or local level.

Tax Credits for Endowment

Arts endowments based on public and private contributions for a finite period have been implemented on the premise that they will eventually allow arts organizations and legislative bodies to be independent from one another. The trend toward endowments in the past 10-15 years is rooted in the private-giving nature of arts and culture as well as in the painful political confrontations that have marked many budget processes. Endowments’ appeals include:

- ▶ Their tradition in the arts
- ▶ Appeal to public and private donors
- ▶ Limited commitment encourages public participation

Among state-level endowment efforts in about a third of states, the Oregon Cultural Trust stands out because state tax credits are its primary funding mechanism. By donating to a “qualifying” nonprofit organization and the cultural trust, taxpayers may earn a credit of up to \$1,000 for households filing jointly. Corporations may receive credits up to \$2,500.

The trust’s mission is to “enhance the lives of Oregonians by implementing a sustainable public-private integrated cultural funding program that will support, stabilize and protect Oregon culture: the humanities, heritage and the arts. The Trust will expand public awareness of, quality of, access to and use of culture in Oregon.” To achieve this, the trust sends nearly 60% of the dollars to the permanent endowment. The remaining portion is distributed in grants to every county and 9 American Indian tribes. In addition, 5 “partner” agencies — Oregon Arts Commission, Oregon Historical Society, State Historic Preservation Office, Oregon Council for the Humanities, and Oregon Heritage Commission — receive funds to support existing programs. Cultural organizations from throughout the state also apply for competitive grants. The programs further goals to:

- ▶ Increase public and private support for culture through the creation of incentives for the development of new funds and resources
- ▶ Address significant opportunities to advance, preserve, or stabilize cultural resources
- ▶ Build public cultural participation across cultural disciplines and organizations
- ▶ Increase understanding of the value of cultural development and participation to Oregonians benchmarks and evaluation, communication, and return on investment

Work to create the trust began in 1998 with the Oregon Arts and Culture Summit, and enabling legislation passed in 2001, just when recession and hard times were on their way to every state. The trust has recovered to an extent, but observers admit it has been difficult. The Oregon Trust has the potential to involve many Oregonians in its funding efforts. However, some observers warn that it will take much longer than expected to reach its potential. The initiative illustrates again the attraction of mechanisms that build on the public-private tradition of funding.

Ten Largest United Arts Fund Campaigns, 2001

Location	Name	Revenues \$
Charlotte	Arts & Science Council of Charlotte/Mecklenburg County	10,023,5990
Milwaukee	United Performing Arts Fund	10,001,386
Cincinnati	Cincinnati Institute of Fine Arts	9,175,000
Louisville	Fund for the Arts	7,338,086
Atlanta	Woodruff Arts Center	7,186,794
Orlando	United Arts of Central Florida	6,601,335
New York	Lincoln Center Consolidated Corporate Fund	4,970,000
Seattle	Corporate Council of the Arts (now Artsfund)	4,044,254
Memphis	Greater Memphis Arts Council	3,245,140
Hartford	Greater Hartford Arts Council	3,430,159

Source: Americans for the Arts, 2002.

Endowment in Arizona

Arizona ArtShare is Arizona’s public-private endowment. In 1996, Governor Fife Symington, business leaders, legislators, and arts advocates designed the Arizona Arts Endowment Fund, known now as Arizona ArtShare, to address 3 different, but related, needs. During the early 1990s, nonprofit arts institutions expanded along with the state’s economy. Soon it became clear that, to last, organizations needed to strengthen their financial foundations and build endowments. At about the same time, the Arizona State Board of Education adopted K-12 academic standards for visual art, music, dance, drama, and literature.

Schools began to look for help in meeting the new standards. As a result of these needs, Arizona ArtShare was designed to help create endowments, build organizational capacity, and help districts with arts education. Before ArtShare almost no Arizona arts organizations had an active endowment program. Now because of Arizona ArtShare, that has changed with endowments increasing nearly \$27 million between 1996 and 2001 alone.

Arizona ArtShare is a public-private partnership. The public share comes from a portion of the existing “commercial amusement tax.” Matching donations to Arizona ArtShare or an organization endowment comprise the private share. Interest on the fund will support ArtShare’s activities far into the future. Funds primarily go to stabilization and capacity building training for mid-sized organizations and working capital reserves for mid-range and large organizations.

ArtShare, like other state-level endowments, has been challenged to convince private donors to give to a public program. The connections to organizations and community foundations across the state have lessened that concern. The public sector’s ArtShare commitment currently has \$7 million remaining. Some legislative leaders have talked about paying that off soon, rather than doing it over time. In any event, Arizona ArtShare will need to be considered as local funding efforts are developed.

United Arts Campaigns and Workplace Giving

Seattle, Charlotte, Cincinnati, Portland, St. Louis, San Antonio, Louisville, and Kansas City share a commitment to united arts funds (UAFs) with numerous other areas. In Louisville and Cincinnati, among others, the united arts history stretches back decades. In San Antonio, the united arts fund is just a year old. Some funds

Ten Largest United Arts Fund Campaigns, 2001

Location	\$ Total Workplace Giving Revenue	Number of Gifts	Employers with Payroll Deduction
Charlotte	6,764,973	33,679	138
Cincinnati	4,214,994	42,959	314
Louisville	2,899,619	28,697	202
Milwaukee	1,764,755	21,134	135
Atlanta	734,012	2,092	4
Washington, DC	700,060	n/a	n/a
St. Louis	657,533	11,149	n/a
Winston-Salem	576,707	8,045	46
Dayton	506,526	5,264	38
Hartford	430,000	1,927	22

Source: Americans for the Arts, 2002.

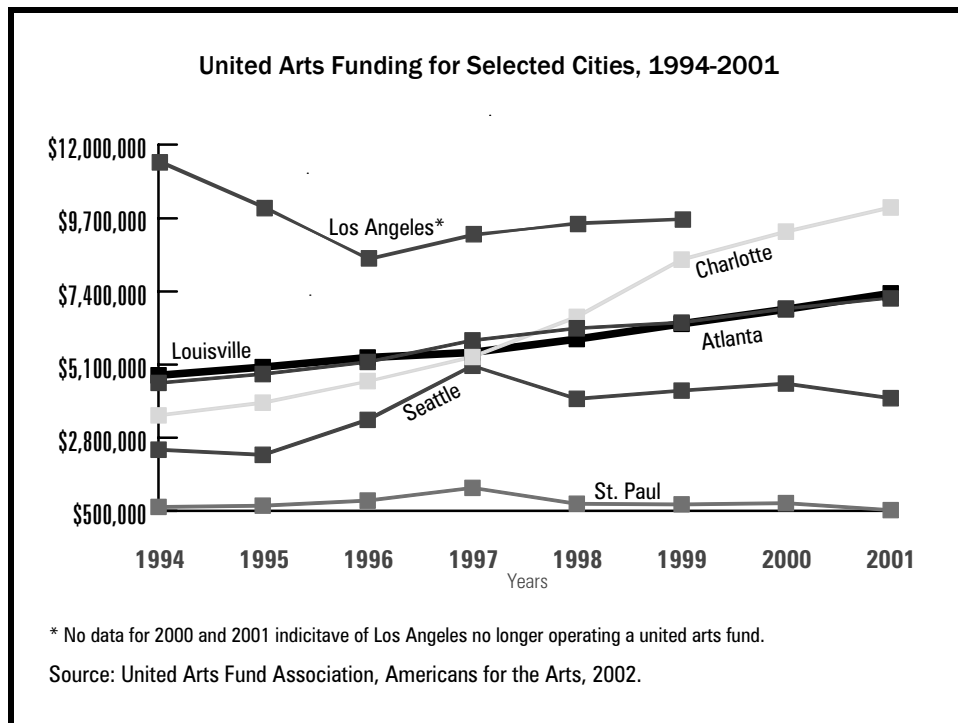
started when the predecessors of United Way decided to concentrate on health and human services. Funds in Louisville (dating back to the 1940s), Milwaukee, St. Louis, and numerous other cities have evolved into strong regional service providers to arts and culture as well as coordinators of corporate giving and individuals' contributions through the workplace.

Across the U.S. more than 75 of these community-based efforts exist. United arts funds today are notable community institutions and the focal point for arts and culture giving by corporations, individuals, foundations, and local governments for the same reasons United Way is chosen for health and human services donations. The organizations disperse funds to artists and arts organizations, make grants, develop community projects, provide services to arts organizations, and much more. As with United Way, workplace giving plays a significant part in many regions' united arts funds.

According to the United Arts Fund Association's 2001 annual report (the latest available) 38% of cities reported they exceeded their 2001 goals. Meeting expectations is reportedly easier for new united arts entities than it is for older ones. Corporations tend to give more to UAFs in the first year of operation than they gave in previous years to individual art organizations. Over one third of local governments support UAFs, with contributions exceeding \$8 million in 2001. Overall, the annual campaign revenues increased an average of 6.6% annually between 1994 and 2000 with some cities far exceeding that rate. Among those reporting, donors gave nearly \$100 million.

United Arts in Arizona

The Valley of the Sun United Way covers 25 cities and towns throughout Maricopa County. Mesa United Way serves that city. However, metro Phoenix does not have a united arts fund. The united arts appeal has a history in the Phoenix region, though, through COMPAS, the Combined Metropolitan Phoenix Arts and Sciences. Developed in the 1960s, when numerous other united arts funds began, COMPAS raised money from corporations and individuals until 2001. Then, the organization said that their mission had been fulfilled since the five recipients, Phoenix Art Museum, Desert Botanical Garden, Phoenix Symphony, Phoenix Zoo, and Heard Museum, had become effective fundraisers on their own. Over its life, COMPAS provided approximately \$10 million to the five groups. Unlike Seattle or Louisville, however, COMPAS did not become a regional service organization that continues to play an important part in the cultural life of communities, filling niches and needs not met by donors or public agencies.



A BAKER’S DOZEN OF LESSONS FROM OTHER REGIONS

To move from its current low ranking to even a middling position in comparison to other regions, arts and culture in metro Phoenix cannot just move forward — it must “leapfrog” ahead. Doing so quickly and dramatically will take substantial public and private investments. The “Take Aways” from each area suggest a baker’s dozen of lessons for consideration in the Maricopa region.

Region and Funding Type	Take Aways
Denver Sales tax	<ul style="list-style-type: none"> ▶ Broad public and voter support, in part, comes from the long reach of dollars into communities and determined “brand” building by the Science and Cultural Facilities District. ▶ Composition of and allocations to size- and statute-based “tiers” have been a source of tension among arts and culture organizations. ▶ Numerous county and city interests can be accommodated in one overarching district. ▶ Regular studies track regional impact and services.
Salt Lake City Sales tax	<ul style="list-style-type: none"> ▶ An arts-only tax failed initially in a special election. Adding parks and recreation put the sales tax in the winner’s circle. ▶ An existing county department was chosen to administer new dollars and uses Tier I and Tier II advisory councils for local input. ▶ Organizations have been perceived to start up or change their activities to fit the dollars available. ▶ Tier II growth has forced shifts from Tier I.
Albuquerque Sales tax	<ul style="list-style-type: none"> ▶ “Arts only” in this case means without the business community. ▶ If approved by voters, now city-sponsored zoo, museums, and libraries will move to a regional funding base. ▶ County administration is anticipated, yet city institutions benefit most.
Kansas City Sales tax	<ul style="list-style-type: none"> ▶ Voters want details on how the money will be used and who will control it. ▶ Bi-State I won with a compelling icon. Bi-State II lost with a complex group of arts and sports programs. ▶ Without a popular common cause, political infighting can doom changes. ▶ Lack of regional identity is at the heart of disagreements.
Allegheny County (Pittsburgh) Sales tax	<ul style="list-style-type: none"> ▶ The move to a regional district from city-based funding provided a lifeline to institutions. ▶ “Regional Asset District” sends a signal about the importance of the institutions. ▶ Change resulted from the fortuitous convergence of local issues and served interests beyond arts and culture.
Philadelphia and Boston Liquor & convention center taxes	<ul style="list-style-type: none"> ▶ Opportunities for arts and culture may come from expirations of other earmarks. ▶ Arts and culture often travels on the coattails of tourism, sometimes as an afterthought. ▶ Expansion of an existing source offers new recipients a chance without affecting other beneficiaries.
St. Louis Property tax	<ul style="list-style-type: none"> ▶ Different sources with different niches complement one another. Various sources are needed because the main source is relatively inflexible. ▶ Substantial dollars for a few institutions may mask financial distress in the entire sector. ▶ The long-established Zoo Museum District (ZMD) property tax touches only part of what many see as metro St. Louis. ▶ The requirement for ZMD recipients to be free increases accessibility, while creating a negative perception of institutions that must charge.
Detroit Property tax	<ul style="list-style-type: none"> ▶ A tough economy makes arts and culture funding a tough sell. ▶ Urban-suburban splits can contribute to defeat even when arts and culture is a key issue to the business community. ▶ Public skepticism of arts and culture as “elitist” is a powerful force to overcome.
Cleveland Property tax	<ul style="list-style-type: none"> ▶ “Just another tax” trumped the benefits of what the money would pay for. ▶ Organizing the arts and culture community over time pays off in influence and advocacy. ▶ A short campaign creates questions and restraints.
Miami Hotel/motel	<ul style="list-style-type: none"> ▶ Pieces of several tourism-related sources contribute to a diverse funding package for arts and culture. ▶ With investment over time from a variety of sources, regions can reach lofty goals for arts infrastructure, institutions, and impacts.
Columbus Hotel/motel	<ul style="list-style-type: none"> ▶ A private organization can play the part of a public agency to distribute tax-generated funds. ▶ Public-sector appointees augment a private board. ▶ Annual arrangements force yearly evaluations.
Charlotte Car rental	<ul style="list-style-type: none"> ▶ Business leadership makes a substantial difference in starting and completing complex funding processes. ▶ Arts and culture has to compete with other issues and amenities. ▶ Arts and culture is taking up a challenge, but still wants a source of its own.
Austin and San Diego Hotel/motel	<ul style="list-style-type: none"> ▶ Rates for long-established funds often need to be reviewed to ensure continued adequacy. ▶ Tourism may be a perfect partner for arts and culture, but not every marriage is a happy one.

► Opportunities for “Leapfrog” Development Come from Small Increments on Broad Bases

Whether in sales tax, property tax, real estate transfer, or something else, a small increase on a big base creates large amounts of revenue quickly through familiar mechanisms that are in place, or can be developed. With metro Phoenix’s dollar goal, the “small change” route stands out as the one most likely to provide the sums that have been shown to be needed by arts and culture. Success in developing such a source depends on the perspectives of regional leaders and residents, competition from other issues, and the local history of public investments. Regional identity makes a difference, as do compelling icons and simple programs. The more residents see themselves and their families as benefiting from arts and culture, the more likely they are to support the source.

► Arts and Culture Does Not Have to Go It Alone

Denver, St. Louis, and Salt Lake City have shown the positive side of combining dollars for zoos and parks with arts and culture. Cleveland married arts and culture with economic development. Despite some unfortunate experiences, arts and culture and tourism continue to be powerful partners. Arts and culture has a place in any quality of life package. But if arts and culture are simply one part of a large number of amenities, the sector may end up getting less than is needed or be viewed as less important than other components. The regions that set out to fund arts and culture, rather than solve another problem, tend to have the greatest appeal.

► Tourism Taxes and United Arts Work Best as Parts of a Portfolio

Unless the rates are much higher than they are now or all of a tourism source is given to arts and culture, the tried-and-true hotel/motel and car rental taxes may not generate sufficient funds to allow the region to leapfrog ahead. The same holds true for united arts funds, which have turned out to be a fall back measure or incremental step ahead, if they are not well-established. These sources are better as parts of a funding portfolio. Unfortunately for the needs of this region, those areas with balanced portfolios have created them over time, not all at once. Endowments also appear to work better in concert with other sources since they tend to be better matched to the state, instead of a regional, level.

► Compelling Icons Create Common Bonds

From “Save Union Station” to Denver’s polar bear, icons that reflect common experiences build common bonds and make arts and culture a part of everyone’s experience. Building a strong brand for arts and culture has been a winning strategy. A powerful symbol reminds residents what they are contributing to and getting for their participation.

► Public Sources Require Public Institutions or Private Institutions Selected by the Public

From Denver to Columbus to the Pittsburgh region, public funding mechanisms have necessitated the development of new entities, have required an elected body to contract with a private entity, or have asked an existing government agency to administer the funds. Regardless of the organizational structure, the governance should ensure local input to the region, provide accountability for funds, and work effectively with municipalities or other jurisdictions to reach regional goals. The public’s representatives hold important places in the oversight of publicly generated funds. In addition, public funds serve public purposes through a variety of public and private organizations.

► Funding Categories Ensure Fairness – “Tiers” Sow Seeds of Discontent

Arts and culture grant programs, including those in Arizona, have distributed funds for decades based on the size of organizations. While some type of categorization ensures fair competition, a rigid system of assigning a percentage to a type of organization may be counter productive. The inflexibility of such systems over time may do more harm than good.

► **Distribution Should Balance Stabilization with Innovation**

Some funding programs are rooted in the desire to help a particular institution or group of major organizations. Today with a broad range of arts and culture, a desire for arts and culture to support such issues as economic development, education, and urban revitalization, and the need to integrate regional efforts with state and municipal initiatives, the questions are: What is the best balance between stabilization for groups of all sizes with the regional development and innovation desired? How can that balance be established and maintained as the community changes?

► **Benefits Accrue to Those Who Give to the Greater Good**

No matter how cohesive a region might be, each jurisdiction wants to make sure it is receiving its fair share. This is key to the participation and satisfaction of consumers and policy makers alike.

► **Keep Track of Participation, Development, and Impact to Communicate ROI**

Counting participants, tracking cultural tourists, and deciding how quickly the arts and culture sector is growing are difficult, but necessary to continuing to inform the public and policy makers of the value of and return on their investment.

► **Organizing and Consensus Building in the Arts and Culture Community Pays Off**

Because of arts and culture's hybrid public-private tradition of support and the fact that dedicated sources provide only a portion of the financing needed, competition in the field can be as apparent as cooperation. Making sure the arts community is "on pitch" has been an important lesson in a number of regions.

► **Yours, Mine, and Ours: Geography and Regional Identity Matter**

Feelings about arts and culture may matter less for many than those based on geography and regional identity. As Kansas City shows, it is easy for residents to focus first on what divides them instead of what unites them.

► **The Next Frontier is Growing All of Arts and Culture**

The line is fading between "for profit" and nonprofit arts and culture. For the greatest benefits over time, regional entities will next need to study how to develop all of the arts and culture, not just the nonprofit.

► **Choices Have to Reflect Local Culture, Context, and Competition**

The structures are available and other regions provide models for many aspects, including how to develop a hybrid public-private organization for distribution of funds. Thus for metro Phoenix, the question is what best fits the culture, context, and competition of this region now. For distribution, the choices are the balance between innovation and stabilization and providing support to move the region ahead dramatically, rather than incrementally. For governance, the goal is to integrate with state and municipal sources to produce a balanced portfolio for the region.

Metro Phoenix has accepted the challenge of developing arts and culture as a contributor to a livable region and an innovative economy. Creating the "well-rounded" system of funding is the next step. Other regions have shown the possibilities for people, places, and prosperity when new dollars develop arts and culture.

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Appendix

BALLOT MEASURES

The following tables illustrate the variety of dedicated revenue sources created at the state, county, and city levels in recent decades.

State Ballot Measures Creating Dedicated Revenue Streams, 1972-2004

Year	Number*	Type	Description
1972	Proposition 200	S/I	Directed 3% of state income tax revenues be shared with cities under an urban revenue sharing program
1980	Proposition 200	S/I	Created a state lottery; Funds have been distributed by legislation and initiative votes among state, county, and local transportation, health, and other programs—10% of funds may go to arts programs
1990	Proposition 200	S/I	Created the Heritage Fund to direct lottery funds to parks, wildlife, and historic preservation
1994	Proposition 200	S/I	Increased tobacco tax for health care programs for low income residents
1996	Proposition 203	S/I	Earmarked lottery funds to finance expansion of AHCCCS eligibility
1998	Proposition 200	S/I	Marked a 10% surcharge on many civil fines and criminal penalties plus other fees for publicly funded campaigns; created a tax check off known as “Clean Elections”
1998	Proposition 303	S/L	Noted, as part of the “Growing Smarter Act,” \$20 million in general revenue each year for 11 years for the Arizona Preserve Initiative to purchase or lease state trust land as open space
2000	Proposition 301	S/L	Increased state sales tax from 5.0 to 5.6% to provide funds for K-12 education, university science and technology research, and related activities
2000	Proposition 204	S/I	Earmarked Arizona’s share of the national tobacco litigation settlement for health care programs for the poor
2000	Proposition 200	S/I	Directed portion of Arizona’s share of national tobacco litigation settlement to the “Healthy Children, Healthy Families” fund
2002	Proposition 303	S/L	Increased the state tax on tobacco and tobacco products for various public health and health care programs
2002	Proposition 202	S/I	Established Indian gaming revenue sharing; Most goes to “Arizona Benefits Fund” for schools, problem gambling, tourism, wildlife conservation, emergency services, and other programs

S/I = Statutory change proposed by initiative

S/L = Statutory Change Proposed by the legislature

* Propositions are numbered each year, thus the same numbers appear repeatedly.

Source: Morrison Institute for Public Policy, Arizona State University, 2005.

Regional Ballot Measures Proposing Funding Mechanisms, 1985-2004

Date	Number	Description	Result
10/7/85	300	Mass Transit and Freeways – 0.5% sales tax increase for freeways, buses, and transit planning	Passed 72% Yes 28% No
11/2/87		Rio Salado Project – Proposed a property tax levy of \$0.25 per \$100,000 for Salt River renovation and restoration as an urban amenity and flood control; estimated to generate \$1.3 billion over 20 years	Failed 32% Yes 68% No
03/28/89	300	ValTrans – Proposed an excise tax equal to 10% of the Arizona TPT to implement the Regional Public Transportation Plan; estimated to generate \$5.9 billion over 30 years for rail lines, buses, carpool lanes and other programs	Failed 39% Yes 61% No
11/7/94	400	Mass Transit and Freeways – Proposed a sales tax increase by 0.5% and extended the 1985 Proposition 300 tax through 2015 to complete freeways approved under Proposition 300	Failed 46% Yes 54% No
11/2/98	400	County Jail Expansion – Increased the sales tax by 0.2% for new jails; a companion proposition “401” authorized the county to spend the money on jails.	Passed 69% Yes 31% No
11/6/00	302	Football Stadium – Authorized a hotel/motel tax of 0.5% at the state level and 0.5% at the local level plus a 3% car rental tax and income tax on NFL salaries; revenue estimates are \$1.8 billion over 30 years	Passed 52% Yes 48% No
11/4/02	411	County Jail Operations – Extended the existing 0.2% sales tax from 1998 Proposition 400 for operations of the jails, following completion of construction	Passed 69% Yes 31% No
11/3/03	414	Maricopa Integrated Health System – Created the Maricopa Special Health District and authorized a property tax increase to generate up to \$40 million per year and issuance of bonds; average homeowner cost is estimated when passed at about \$21 per year	Passed 58% Yes 42% No
11/1/04	400	Transportation Improvements – Extended the existing 0.5% sales tax from 1985 Proposition 300 for 20 more years; revenue estimates at \$9 billion to implement an updated Regional Transportation Plan	Passed 58% Yes 42% No

Source: Morrison Institute for Public Policy, Arizona State University, 2005.

Selected City Ballot Measures Proposing Funding Mechanisms, 1985-2004

Date	Number	City	Description	Result
1985	NA	Mesa	Mesa Arts Center – proposed 0.2% increase in sales tax for a \$25 million performance hall	Failed
1993	3013	Phoenix	Police and Fire – Increased the sales tax rate by 0.1% to hire additional police and fire fighters	Passed 79% Yes 21% No
1995	400	Scottsdale	McDowell Sonoran Preserve – Increased sales tax 0.2% for purchase of up to 16,460 acres of land	Passed 64% Yes 36% No
1996	400	Tempe	Tempe in Motion – Permanently increased sales tax by 0.5% for non-automobile transit	Passed 53% Yes 47% No
1997	1	Phoenix	Transportation – Proposed increase of sales tax by 0.5% for 22 years for buses and street improvements; estimated revenue at \$4 billion	Failed 49.9% Yes 50.1% No
1997	1	Scottsdale	Bus Service Expansion – Proposed sales tax increased of 0.5% to improve bus service	Failed 33% Yes 66% No
1998	1	Mesa	Quality of Life – Increased sales tax by 0.5% for quality of life improvements including parks, transportation, and performing arts center	Passed 55% Yes 44% No
1999	1	Chandler	Bus Service Expansion – Proposed sales tax increase of 0.375% to improve bus service	Failed 33% Yes 66% No
1999	101	Phoenix	Phoenix Parks and Preserves Initiative – Increased 0.1% sales tax for \$256 million over 10 years for state trust land purchase and park development	Passed: 79% Yes 21% No
2000	2000	Phoenix	Transportation – Increased sales tax by 0.4% for bus service and light rail	Passed 65% Yes 35% No
2000	400	Tempe	Tempe Arts Center – Increased sales tax by 0.1 cent to build Tempe Arts Center; raised \$3.9 million annually	Passed 54% Yes 42% No
2001	100	Phoenix	Phoenix Civic Plaza expansion – Authorized \$300 million at the city level	Passed 60% Yes 40% No
2001	402	Glendale	Transportation – Increased sales tax by 0.5% for light rail extension, expansion of bus service, and road improvements.	Passed 64% Yes 36% No
2004	1	Scottsdale	Preserve tax – Additional 0.15% to purchase McDowell Sonoran Preserve land; raises an additional \$17 million annually	Passed 55% Yes 45% No

Source: Morrison Institute for Public Policy, Arizona State University, 2005.

► **Special License Plates**

Across the U.S. numerous states raise funds for particular causes through special license plates. California, Florida, Indiana, Oregon, Tennessee, and Texas have “art tag” plates. This process simply makes it easy for a resident to contribute to a state or county arts agency. The dollars from this personal choice can be substantial for a state arts agency. In Tennessee for example, two-thirds of its state arts council budget comes from license plates. The amount of revenue depends, of course, on how many people take the opportunity to participate. License plate programs may have as much a public relations benefit as a monetary pay off.

Arizona’s Motor Vehicle Division issues 104 types of specialty license plates. Forty-eight revenue-producing license plates benefit 16 different causes from child abuse prevention to environmental education, and veterans’ services. Typically, an initial \$25 fee is required to obtain the plate with an annual renewal fee of \$25. The beneficiary funds receive \$17 from each of these fees. Revenues to the organizations run from well over \$500,000 from the popular child abuse prevention plate to far less for the Legion of Valor fund. With nearly six million licensed vehicles in the state and less than 100,000 revenue-producing plates, many more could be sold. Arts and culture advocates have considered obtaining authorization for this source in the past. However, it is possible that those who would purchase an arts and culture plate have already purchased something else or the number likely to do so remains far less than the number of vehicles.

Special License Plates Available in Arizona

Beneficiary	Plates Issued	\$ Annual Revenue
Child abuse prevention programs	33,216	\$564,672
State Home for Veterans Trust Fund	23,603	332,520
State Land Dept. for Environmental Education	14,303	243,151
U of A Academic Scholarships	9,414	160,038
ASU Academic Scholarships	6,505	110,585
Professional Fire Fighters of Arizona	2,770	47,090
Spaying and neutering of animals	2,393	40,681
Organ transplantation awareness programs	1,714	29,138
NAU Academic Scholarships	1,512	25,704
Navajo Nation Department of Highway Safety	1,500	25,500
Wildlife Conservation Council	1,020	17,340
Fraternal Order of Police	606	10,302
Arizona National Guard morale, welfare and recreation fund	213	3,621
University of Phoenix Alumni Network	144	2,448
Legion of Valor	12	204
TOTAL	98,925	\$1,612,994

Source: Arizona Department of Transportation, Motor Vehicle Division, 2005.