



## AMERICANS *for the* ARTS

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### Local Arts Funding Estimates

Until 2003, local public funding for the arts stayed ahead of inflation and even showed growth during the recession years of the early 1990s.

In 2003, aggregate funding estimates dropped for the first time in 15 years, from \$800 million to \$770 million.

In 2004, local arts funding will drop an estimated 4 percent to \$740 million.

This *Monograph* discusses a number of factors that decision-makers should consider when evaluating public funding for the arts; presents an overview of policy strategies; and describes the innovative efforts of arts advocates to restore, sustain, and increase public support for the arts at the local level.

## Public Funding for the Arts at the Local Level

By Anne L'Ecuyer

### Introduction

Communities demonstrate their priorities and values in part by the programs and services they support with public funds. The arts provide a variety of public goods that make sense for community investment. The arts create access to and facilitate participation in the life of the community. They promote diversity and understanding among different cultures and broaden educational opportunities for people of all ages. It is fiscally sound for communities to invest in their arts infrastructure. Creative communities are leading the growth of the knowledge-based economy, and local cultural amenities attract tourists who spend more and stay longer in the communities they visit.

But in lean times, the demand on the public dollar is intense and communities are faced with difficult decisions. Strong arguments for the value of the arts, coupled with innovative funding sources and strategies, are needed to maintain and grow public investment. Public funding strategies are as diverse as the communities that pursue them, and no single strategy is right for everyone. Decision-makers consider a number of factors when developing taxes, fees, and other funding options to support the arts.

## Factors To Consider for Local Taxes

**R**evenue source. Most decision-makers try to link revenue streams to expenditures in ways that their communities understand. For example, hotel taxes are a common source of support for the arts because of the close relationships between the arts and cultural tourism. It makes sense to tax visitors for the benefit they gain from the community's cultural offerings. While some unusual revenue streams are quite lucrative—like the utility late fees that support the arts in Wilson, NC—usually taxes are met with the least resistance when the revenue source and the beneficiaries are closely linked.

**Revenue designation.** Tax revenue designation is a means by which voters and/or decision-makers explicitly determine the use of the revenue collected rather than depositing it directly to the general fund. Revenue may be designated by voters through the initial tax proposal or decision-makers may formally determine the use of certain funds through legislation. Different from the annual budgeting process, designation prevents the reallocation of funds for other purposes. City administrators often oppose designation on the grounds that sound fiscal management requires that all sources and expenditures be reconsidered in each budgeting cycle. In reality, earmarking funds for specific use is a common practice: even general fund allocations come with historical precedents that allow for consistency in provision of services. Designation adds a measure of security to funding levels that is harder to reverse. Many arts advocates argue that designation of funding for the arts is appropriate because they are an essential part of the community that should be securely funded in both lean and ample budget cycles. Others favor general fund appropriations because they align the arts with other fundamental public services.

**Tax base fluctuation and growth.** Some tax revenue streams—like sales or amusement taxes—are closely associated with market fluctuations. If the retail economy slows, revenue generated through tax on purchases likely will slow as well. Other taxes—such as property, utility, or transportation-related taxes—have a more stable base with modest growth and decline. Revenue sources have different horizons as well. A tax that provides a boon in one year may be difficult to sustain and fail to keep pace with the overall growth of the arts in years to come. It is important to evaluate the stability of the revenue source as well as its potential to provide ongoing support for the arts and cultural community.

**Renewal and voter approval.** Each municipality's code determines which revenue streams require voter approval and how often those measures must be reauthorized. Gaining voter support is laborious, but can result in a more secure revenue stream. However, most decision-makers have the authority to direct revenue sources without voter input. Arts and culture advocates should evaluate funding policies according to the effort required to maintain and increase those sources in the future (i.e., what is the cost of annual lobbying for appropriations versus the cost of a large voter awareness campaign to adopt a new designated tax?).

**Longevity and investment matching.** Most public funding is appropriated for use within the fiscal year. Some communities have developed designated revenue streams that fund endowments meant to secure the future of the arts and culture in perpetuity. Missouri and Texas have established endowment funds with the goal of replacing general fund support for the arts. Establishing an endowment may also create an opportunity to leverage public dollars to secure or match private support.

## Common Tax and Fee Structures

**W**hile the right approach to tax funding is determined by local circumstances, a number of strategies have proven successful in a variety of communities.

### Tourism Taxes

Taxes on hotel accommodations, car rentals, beverages, and meals have emerged over the last three decades as a primary means to finance activities that encourage tourists and visitors. With the phenomenal growth of the tourism industry and the troubling fiscal situation in many cities, leaders have sought new ways to promote and develop their tourism economy without placing additional burdens on residents. American and foreign tourists spent more than \$545 billion in the United States in 2003, according to the Travel Industry Association of America. At the same time, the Government Finance Officers Association reports that federal contributions to cities and counties have dropped sharply in the past three decades. Not surprisingly then, state and local governments around the country look to tourism taxes to support this important sector of the local economy.

Typically, tourism taxes are levied as a percentage of the total amount paid by consumers for a service or accommodation provided. All states have tourism taxes at either the state or local level—some have several—but each applies them differently. Forty-one states have a *local option accommodation tax*, meaning that municipalities and/or counties in those states can elect to implement a tourism tax in addition to the tax levied by the state. Other states apply the tax at the state level and share a portion of the revenue with the jurisdiction in which it was generated. A 1998 survey by the National Conference of State Legislatures found that the local level hotel tax ranged from a low of 1 percent of the hotel room rate in Sioux Falls, SD, to a high of 14 percent in Los Angeles.

Tourism taxes have historically been used for a broad range of services and activities—from operating support for visitors bureaus to funding summer concerts and fireworks displays. More recently, they have served as economic development tools to build tourism infrastructure, including convention centers, sports stadiums, and cultural facilities. Communities differ tremendously in the ways they fund the arts through tourism taxes. A portion of the revenues can be dedicated to a specific art facility or event, forwarded to a local arts agency, disbursed through a re-granting program, or paid directly to arts presenters or producers. A common thread, however, is that funded programs and services have some connection to local tourism.

For example, Andy Vick, director of the Allegany Arts Council in Cumberland, MD, co-chairs a tourism committee in partnership with the local Chamber of Commerce. The Chamber promotes the arts through a tourism website, and the Arts Council coordinates with artists and organizations to keep the countywide calendar current and create arts getaway packages. “The arts play an important role in tourism and economic development in Allegany County,” says Vick, “and the hotel tax funding that the Arts Council receives each year is used to help develop new programming that attracts even more visitors to our area.” Two cities and the county contribute hotel tax funds to the Council, but none of those funds are specifically designated for the arts. Each municipality contributes annually at its own discretion. The Council must demonstrate a focus on tourism when it is time for the annual request.

Mesquite, TX, receives about one-half the revenue generated in the city limits from the state-levied 13 percent hotel tax. The state designates the use of the revenue through the tax code to support, among other things, “the encouragement, promotion, improvement, and application of the arts.” The Mesquite City Council funds the Convention and Visitors Bureau with 4 percent of the revenue and designates 1 percent each for arts, historic preservation, and beautification. The Mesquite Arts Council receives about \$100,000 annually—nearly 70 percent of its budget—which it

re-grants to arts organizations. Arts Council Director Michael Templeton reports that tax revenue was down 10 percent in 2003, but the arts-specific designation allows the Council to rely on that revenue even if it does fluctuate with the economy. In return, the Council tracks visitors to the Mesquite Arts Center by zip code and provides quarterly statements to the city secretary.

In larger cities, long-established hotel tax legislation can have an even greater impact on the arts. Columbus, OH, began funding the arts using general funds in 1973 through the Greater Columbus Arts Council (GCAC). In 1978, the source of these funds changed to hotel tax revenue. Following an intensive advocacy effort undertaken by GCAC and its constituent organizations in 1982, the city revised its tax code to increase the municipal room tax and direct up to 20 percent of the revenue to GCAC and its grants program. In 1985, the total tax increased from 4 to 6 percent and the tax code was changed to provide "up to 25 percent" of the revenue to the arts. Funding for the arts has continued to rise since the beginning of the program. The 1982 allocation to GCAC was \$425,000. By 1990, the allocation had grown to \$1.7 million. In 2001, GCAC allocation peaked at approximately \$3.3 million. A modest increase in tax revenue is projected for 2004, reports GCAC President Ray Hanley, but that growth will be returned to the general fund. Still, current hotel tax funding represents approximately 60 percent of the total GCAC budget.

GCAC maintains a close relationship with the tourism industry in Columbus. Its premier annual event is the Columbus Arts Festival, which brings 500,000 people to downtown Columbus. GCAC board members and staff sit on the boards of the Convention and Visitors Bureau and the Chamber of Commerce, acting as a conduit between the arts and tourism industries. Though there is no legislation that guarantees the arts allocation of the hotel tax, the income stream is relatively secure due to the strong history of arts funding and the clear benefits the allocation provides to the arts, the tourism industry, and the community as a whole.

## Property Taxes

The property tax is the largest single revenue source for local governments, providing 75 percent of all local tax revenue. Property taxes are determined by multiplying the assessed value of the property by the tax rate (also called the mill rate). Each mill raises \$1.00 in revenue for every \$1,000 of taxable value. For example, a taxpayer owning a home with a taxable value of \$100,000 would pay \$100 in property tax for one mill of tax rate ( $\$100,000 \div 1,000 = 100 \text{ mills} \times \$1.00 = \$100$  in tax revenue).

Property taxes support arts programs both directly and indirectly. As the primary local revenue source for schools, they fund school-based arts programs. Decision-makers may support local arts agencies through annual allocations from the general fund, provide one-time direct support to community-based arts organizations, or fund specific projects such as public art included in a public works project.

The property tax is the most stable of all state and local revenue sources, providing a predictable and dependable income during economic downturns. Arts programs and services that receive general funds are in good company; other basic services are usually funded through general allocations as well. The property tax also reinforces the relationship between taxation and the public good, since the value of the service is broadly enjoyed by local residents and businesses paying the tax.

The funding scenario for the Jasper (IN) Community Arts Commission is common to many local arts agencies. The Arts Commission is a city department and receives up to 50 percent of its annual budget from the city's general fund. No specific portion of funds is designated. Executive Director Darla Blazey submits an annual operating budget to the city council that may change depending on new needs and the city's overall financial picture. While property taxes make up the majority of the funds available, there is no specific relationship between the levy of property tax and its use to support the Arts Commission.



## What Is a Public Endowment?

Like its private counterpart, a public endowment is a stable investment fund that produces interest earnings to be used in support of the arts. The principal of the fund is intended to remain intact, and interest earnings are often distributed annually as competitive grants to artists and arts organizations. Some communities develop public endowments to provide greater stability and opportunity to the arts community; others intend the endowment to replace existing public sources over time. In both cases, the endowment is established through a commitment of public funds—usually subject to a term of years and an annual cap—that may be used to leverage gifts from private sources such as corporations, foundations, and individuals.

In 1996, Arizona established Arizona ArtShare with a total funding goal of \$20 million by 2007. The state legislature may appropriate up to \$2 million per year for 10 years from an existing amusement tax. The arts community, local foundations, and corporate citizens committed to generating at least \$20 million in new private contributions to create endowments for arts organizations (designated funds) and funds at community foundations for statewide benefit (non-designated funds). The state treasurer manages the state funds and the Arizona Commission on the Arts distributes the interest earnings through fiscal stabilization grants to nonprofit arts organizations, and uses them to promote the implementation of arts education standards and educational outreach programs. Disbursements in 2003 totaled \$443,540.

Despite the intent to develop the fund incrementally over time, legislative appropriations have been inconsistent. Two years of deposits were delayed and \$1 million intended for the fund was rescinded in November 2002. In response to the state's fiscal crisis, the legislature proposed taking the entire fund principal in June 2003. The measure was vetoed by Governor Janet Napolitano. The legislature's initial fiscal year 2005 budget recommendation did not include the promised funds; the governor's recommendation did. At the time of publication, the State Senate Appropriations Committee is recommending the annual \$2 million deposit into the endowment. As of 2002, private contributions in designated and undesignated funds totaled \$23.5 million; public funds are at \$8 million.

Public endowments are public-private partnerships that signal stability to the greater giving community and build awareness of the long-term needs of the arts community. Developing a large fund that generates interest earnings is an investment practice familiar to corporations, foundations, and individuals alike. In times of public deficit, though, the large sum held in endowment may be attractive to decision-makers trying to close budget gaps. Founding legislation should carefully address the source, amount, and term of public appropriations while protecting the accumulating principal from being used for other projects. Public endowments require the cooperation of an array of community members and institutions—foundations, private citizens, policymaking bodies, arts leadership, and administrative and elected officials—to be effective.

The Heard Museum in Phoenix is a participant in the Arizona ArtShare Working Capital Reserves Grant Program. Shown: Alex Wells, Lil' Wat First Nation 2002 World Champion Hoop Dancer. Photo courtesy of the Heard Museum.

Designating property taxes for a specific use is uncommon, but some communities have found ways to direct a portion of their property tax revenue to the arts. In 1985, for example, the Montana Legislature allowed counties to levy a property tax for the purpose of "...maintaining, operating, and equipping parks and cultural facilities." The law required voters to approve the initial imposition of the tax, and they must vote to reauthorize it every two years.

Twenty-four of Montana's 56 counties levy a local arts and cultural facilities property tax. Tax rates range from a high of 2.64 mills in Missoula to just .01 mill in Rosebud County. The tax raised a total of \$1.2 million statewide in fiscal year 2002–03, with county revenues ranging from \$408,318 in Missoula to \$1,248 in Garfield County. The Montana Arts Council reports that the use of funds favored historical museums over arts facilities three to one. Liberty County uses funds from the tax to support the Liberty County Museum and the Liberty Arts Village. Yellowstone County supports several museums, a local western heritage center, and the Yellowstone Art Center.

## General, Retail, and Amusement Sales Taxes

Taxing the sale of products and services is a common mechanism for collecting public funds. Nearly everybody pays sales tax on the products they buy, and most products and services are taxed in some way. But the specific rates, exemptions, and designated uses of sales tax vary by jurisdiction. Sales taxes that support the arts also come in great variety. Communities may adopt a general sales tax increase and designate a portion of the revenue for the arts. Amusement taxes specifically target entertainment consumers and return the value of that tax to its related industry. Special tax districts—like some cultural districts—may also be created to impose a tax at a specified level, usually for a fixed period of time, on particular goods and services within a defined area.

Sales taxes for the arts have a number of advantages. They can be crafted to target consumers who benefit the most from the arts, and a portion of the

revenue raised may come from outside the taxing jurisdiction through the sale of goods and services to visitors or commuters. Sales taxes are often viewed more favorably by voters than income or property taxes. Increases are usually incremental and consumers can vote with their pocketbooks by refusing to buy highly taxed products.

Sales taxes require a steady or growing tax base to provide stable support for the arts. In a strong economy they may become a long-term funding source that generates considerable revenue. But establishing a sales tax increase can require expensive public campaigns, periodic reauthorization, and revenue sharing among a number of community priorities.

In St. Paul, MN, the Cultural STAR (sales tax revitalization) program supports arts and cultural organizations located in or doing business in the city. The program is funded through a half-cent sales tax, and the STAR program receives a nominal management fee. The rest is divided into three pools—50 percent for St. Paul Civic Center improvements, 40 percent for neighborhood capital projects, and 10 percent for arts and cultural projects. The cultural portion of the tax revenue averages \$1.5 million annually and is distributed to arts and culture organizations through competitive grants and low-interest loans. The legislation that authorized the half-cent sales tax was passed in 1993 and will expire as the bonds issued for the Civic Center are paid in full. At that time, new legislation must be introduced to sustain or increase funding.

In Shreveport, LA, there is no tax dedicated to the arts, but the Shreveport Regional Arts Council is one of about 30 organizations funded through the proceeds of the Riverfront Fund, established in 1993. Riverboat casinos on the Red River pay a percentage of their "win" (a figure that is set by contract and varies among the three casinos) to the Riverfront Fund, generating approximately \$13.5 million in annual revenue. Technically, the Riverfront Fund is not tax revenue and thus is not subject to public vote. The program operates much like an amusement tax, though, generating revenue from the



*Once in a Millennium Moon*, by artist Meg Saligman, is the nation's largest publicly funded mural at 30,000 square feet on the AT&T Building in downtown Shreveport, LA. The project engaged more than 3,000 residents in the design and production of the mural at the turn of the millennium. Photo courtesy of Shreveport Regional Arts Council.

for-profit gaming industry to benefit local organizations, including the arts. The Shreveport Regional Arts Council receives approximately \$640,000, representing 29 percent of its annual budget. Shreveport reports that the Riverfront Fund stabilized at its current level in response to the national economic slowdown, but the fund will continue to generate revenue as long as the gaming industry thrives in Shreveport.

In 1988, voters in the Denver metro area created the Scientific and Cultural Facilities District (SCFD), a special tax district to provide a consistent source of unrestricted funding to scientific and cultural organizations. The district is funded through a 0.1 percent retail sales and use tax within a seven-county area and distributes more than \$30 million to local organizations annually. A 10-member board of directors oversees the distribution of funds. Seven members are appointed by county commissioners and the Denver City Council, and three are appointed by the governor of Colorado. SCFD recipient organizations are divided into three tiers.

- Tier I includes four regional organizations: the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Nature and Science, and the Denver Zoo. It received 59 percent (\$20.5 million) in 2003.
- Tier II includes 20 regional organizations, each having an operating income of \$914,368 or more (adjusted annually for inflation). Tier II received 28 percent (\$9.7 million) in 2003.

- Tier III has more than 280 local organizations such as small theaters; orchestras; art centers; and natural history, cultural history, and community groups. Tier III organizations apply for funding to the county cultural councils via a grant process. This tier received 13 percent (\$4.5 million) in 2003.

According to a survey conducted by the Colorado Business Committee for the Arts and Deloitte & Touche, more than 9 million people—twice the population of Colorado—attended Denver metro area scientific and cultural activities in 2001, including almost 860,000 out-of-state visitors who helped defray the costs to residents by spending millions of dollars on tourism. The study also found that SCFD provides a \$14.92 per capita return on the public investment.

“Public funding for culture through mechanisms like SCFD ensures access, affordability, quality, and choice for citizens,” says District Administrator Mary Ellen Williams, “The commercial market cannot guarantee that we have programs that are fun and educational, that reflect the distinctive cultural heritages that make America unique, or that provide a safe place to explore the nature and connections of our communities.” The legislation that created the district included a sunset provision that allows for operation of SCFD until 2006. Voters in Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties will have the opportunity to reauthorize SCFD by vote in November 2004.

## Percent-for-Art

The percent-for-art model is the most common funding source for public art in the United States. Percent-for-art ordinances set aside a percentage of funds from the construction budgets of public capital projects for the acquisition and commissioning of artworks. Specific ordinances vary by community, but most address three critical elements: the definition of Capital Improvement Projects (CIP) that are eligible, the percentage of the CIP budget identified for public art, and guidelines for the expenditure of percent-for-art funds.





The mosaic mural of a traditional Oneida calendar by artist Sharon Sarnowski is a public artwork commissioned by the Oneida Tribe of Indians. Photo courtesy of the Oneida Nation Arts Program, Oneida, WI.

The CIP eligibility criteria have a great influence on the scope of the public art projects supported. The wide variety of city, county, or state building projects makes for an impressive list of potential CIPs to consider: office buildings, transit projects, libraries, schools, parks, airports, hospitals, street/sidewalk improvements, fire stations, county/state buildings, freeways, bridges, etc. A broad definition of eligible CIPs expands the scope of the public art program.

Likewise, the percentage of CIP funds allocated affects the total dollars available for public art projects. Percentages typically range from 0.5 percent to 2 percent. Funds generated also support public art project administration and maintenance costs, unless those expenses are provided for from the general fund or other sources. Recent programs have allocated at least 1.5 percent to provide sufficient funding for both artwork and program administration.

Guidelines for percent-for-art funds are used to divide the total pool between administrative funds and artwork project funds. Public art program administrative costs are typically between 15 percent and 20 percent, leaving the balance to fund artwork. Specifically designating administrative funds in the percent-for-art ordinance provides the resources necessary to appropriately manage the public art projects. Some ordinances also specify funds to be used for conservation to ensure that previous and current public artworks receive the ongoing maintenance, routine cleaning, and repairs they require.

There are distinct advantages to funding public art through the percent-for-art model. It ensures that the level of funding is commensurate with the size of the building project. It also protects the artwork funds from budget cuts in the general fund. Since artwork funds are often determined in advance, planners can select artists early in the process so that their artwork is successfully integrated into the overall project. The percent-for-art approach is flexible, allowing for small-scale, discrete objects in neighborhood parks as well as architect/artist collaborations on large municipal buildings.

In 1995, the Art in Public Places Program of the Broward County (FL) Cultural Affairs Council went through a master planning process to examine the existing program and make recommendations for its future direction. The result was a shift away from the more traditional placement of paintings and sculptures in public spaces toward the enhancement of urban design through artist participation on design teams. The county revised the percent-for-art ordinance to allocate 2 percent of CIP budgets for public art and broaden the definition of an eligible CIP. Eligible projects now include the construction or renovation of any building (except detention facilities), park, highway or arterial, bridge or causeway, sidewalk, bikeway, or above-grade utility; it also includes road beautification and beach restoration projects. “The Art in Public Places Program has produced 37 projects since 1995,” says Kerry Kennedy, program manager for public art and design, “many of which reflect the larger scope and budgets afforded by the revised legislation.”

## Other Taxes and Fees

Arts advocates across the country are developing new taxes and fees to increase funding for the arts. Here are just a few examples.

- **Tribal contributions.** The Oneida Indians of Wisconsin fund their entire human services budget (approximately \$17 million) from the profits of Indian gaming. The tribe owns the



casinos, so the majority of profits—not just a small percentage—are public funds. Gaming profits actually increased in the recent economic slowdown, but demand for public services countered those gains. All tribal members vote every year on the allocation of funds for specific services. The Oneida Arts Council typically receives \$250,000 annually.

- **Per Capita Funds.** Kent, WA, population 84,210, funds its public art program through a per capita allocation. For every Kent citizen, two dollars are designated to the City Art Fund, which earns interest and may be carried over from year to year. The city art collection has grown from 13 pieces in 1985 to more than 200 two-dimensional works and more than 60 public art pieces.
- **License Plate Fees.** Many states sell specialty license plates to generate revenue for the arts. In Tennessee, the arts receive a percentage of revenue for all 75 specialty plates, not just those that feature the arts. The license plate program generates \$3.35 million dollars annually, which supports two-thirds of the Tennessee Arts Commission's grants budget.
- **Credit Card Partnerships.** Huntington Beach, CA, is working to change the way it funds the Huntington Beach Art Center. The current cultural enrichment fee attached to residential building permits dedicates eight cents per square foot of new residential construction to the Art Center, but building permits in this coastal community are down and the fee is considered a disappearing source of revenue. The city recently introduced a Surf City credit card. Through a partnership with VISA, the city receives \$20 for every new card issued, and 10.4 cents for every \$100 spent on the card. "Creative thinking on the part of city staff established the credit card as a new source of revenue to support arts and cultural programs," says Art Center Director Kate Hoffman. "Unique as this approach is, it speaks to the need for creative planning and partnerships, and a community commitment to ensure the survival of the arts."

## What Is Regionalism?

The largest metropolitan areas in the United States span several municipalities, each with its own decision-making bodies, policy precedents, and community interests. Regionalism is a broad term that describes any number of issues that arise when service areas cross over municipal boundaries. Regional concerns may include basic service provision, disaster prevention, or transit planning, as well as issues that arise from a locality's geography and culture.

Regionalism creates both challenges and opportunities for public funding of the arts. Most metropolitan areas are home to arts institutions that are located in one city but serve the larger region. Some cities—including Pittsburgh, St. Louis, and Indianapolis—have passed regional taxes that extend the costs of those amenities to regional residents and visitors. Such efforts create a greater base of support and a reasonable system of cost sharing, but come with complex political scenarios and a need for broader consensus.

The metro Kansas City area, for example, is governed by two state legislatures, five county governments, and more than 100 local mayors. Arts leaders in the region are working together to get a bi-state cultural tax—projected to generate up to \$28 million annually in new revenue for the arts—included on the November 2004 ballot. The road ahead is far from certain, though, as the arts initiative is paired with a proposal for stadium funding and there are a number of other voter considerations. "Establishing a dedicated source of public revenue in the Kansas City metropolitan area is challenging, but the complexity of our political and geographical structures makes a regional approach the only feasible one," says Council President Joan Israelite.

## Developing a Funding Policy Strategy

**B**ring arts leaders to the table. Arts leaders in the same community may have different interests depending upon their organization size, program offerings, and populations served, not to mention varying leadership styles and familiarity with elected officials and policy-making strategies. Decisions about the best use of public dollars are complex and competition among equally deserving priorities is the standard. Arts leaders have a legitimate place at the table in a wide variety of civic issues, including quality of life, social services, urban infrastructure, and economic development. But the power to negotiate can be compromised by a lack of clarity in policy goals and strategy. The first step in effective funding policy is to initiate discussion in the arts community, solicit multiple perspectives, and reach agreement on key policy and funding issues. In some communities, an arts advocacy organization has the lead role in developing policy strategies and key relationships with elected officials. In others, the process for effecting policy change is more informal.

**Consider the options.** Research, arguments, and multiple policy options are key elements of any advocacy effort. Look to neighboring communities as well as other regions for possible approaches. Consider the rationale for a particular funding source and a possible arts designation, different approaches to fluctuation and growth, strategies to gain constituent approval, and a long-term plan to make the public investment sustainable. Present options that fairly represent the breadth of the arts community, and look for opportunities to help decision-makers solve other pressing problems such as regionalism. While the demand for the public dollar is intense, arts funding at the local level can help meet any number of civic goals.

**Understand the legislative climate.** Decision-makers and voters are likely to support measures that coincide with pressing community issues, or conversely, that avoid competition with immediate needs. Related industries also may support or detract from the climate necessary to win approval. Communities considering a hotel tax, for example, should develop strong relationships with local travel and tourism industries. Support for a measure that taxes residents may require a broad public awareness campaign.

**Communicate your success.** Communities deserve to know how public funding benefits them. Decision-makers and voters may be inclined to support an unproven strategy initially but will expect evidence to justify appropriations renewal or a second ballot approval. Develop methods of ongoing communication about the direct benefits of public funding, and be prepared to respond to inquiries with periodic reports and long-term evaluations.

### Making the Case

The arts play an important role in every community, and public dollars that support the arts are well spent. Decision-makers who face competing priorities need to hear from arts advocates—in terms of clear arguments, compelling stories, and constituent support—that the arts are vital to economic health and the quality of community life. By considering the factors associated with different taxes, making strong connections to industries that benefit from the arts, and organizing the arts community in support of public funding strategies, arts advocates can win public support and send a signal to individual, foundation, and corporate sources that the arts are a community priority.

## What Is a Cultural District?

A cultural district is a well-recognized, mixed-use area of a community in which a high concentration of cultural facilities serves as an anchor for cultural and economic vitality. More than 100 communities in the United States have cultural districts. Some—like the Scientific and Cultural Facilities District in Denver—are officially designated and rely on tax revenue for support. Others have more informal or traditional boundaries—like an old warehouse district—that become a focal point for the arts, often because inexpensive space conducive to art-making is widely available. Some cultural districts also provide income tax and sales tax incentives to artists and arts organizations working in the district.

In 1998, the Rhode Island General Assembly established a cultural district around the 307-acre area that includes downtown Pawtucket and nearby mills. The old mills, originally used for cotton manufacturing and later abandoned, have become the homes and studios for more than 300 artists. Rental rates average \$4 to \$6 per square foot. Herb Weiss, economic and cultural affairs officer for Pawtucket, reports that more than 850,000 square feet of historic mill and other commercial property in the district has been restored.

The state and city provide tax incentives to artists who live and work in the district and to art galleries within the district boundaries. “One-of-a-kind” or limited production works of art sold in the district are exempt

from state sales tax. The law also exempts artists in the district from state income tax on the income generated from their creative work.

Neighborhood revitalizations and economic development are at the root of most cultural districts, and there are good reasons to support a cultural district through public funding. The arts attract residents and tourists who also support adjacent businesses such as restaurants, lodging, retail, and parking. The presence of the arts enhances property values, the profitability of surrounding businesses, and the tax base of the region. The arts attract a well-educated work force—a key incentive for new and relocating businesses. Finally, the arts contribute to the beauty, creativity, and innovation of a community.

Cultural districts also give arts organizations, artists, and other community members a framework with which to advocate for increased public funding. Because a cultural district boundary is geographic, it may appeal to decision-makers in terms of the political districts they represent. The boundary is also helpful in tracking economic growth, cultural amenities, and property values. A cultural district creates cooperative opportunities to promote a region as well, leveraging arts marketing dollars to draw more attention, more visitors, and increased spending.



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