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## Sustaining Arts and Culture in Buffalo Niagara

Institute for Local Governance and Regional Growth

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## Sustaining Arts and Culture in Buffalo Niagara

### Abstract

Like all nonprofits, arts and culture organizations are not immune to the inevitable shifts in fiscal health due to trends in the region's economy and in charitable giving. In recent years, however, the shifts have turned sharply downward due to budget crises for one of the industry's most important supporters – local government. With cherished arts and cultural assets in Erie and Niagara Counties struggling to make ends meet, the region is suddenly forced to confront a series of provocative questions. With increasingly limited resources, how can the region sustain an industry integral to Buffalo Niagara's economy and quality of life? Can the region fill this gap while providing a higher degree of funding predictability? If not, how will it be determined which organizations are left to falter? If so, whose responsibility is it to bridge the fiscal chasm – the public sector, the private sector, the cultural institutions themselves, or all of the above?

### Keywords

Buffalo, Economic Development, Arts/Culture, Funding, General, Report, Other, PDF



# Sustaining Arts and Culture in Buffalo Niagara

Final Report Submitted to the  
Consortium of Cultural Chairs

by the

Institute for Local Governance and  
Regional Growth

University at Buffalo  
The State University of New York

December 19, 2006





# Sustaining Arts and Culture in Buffalo Niagara

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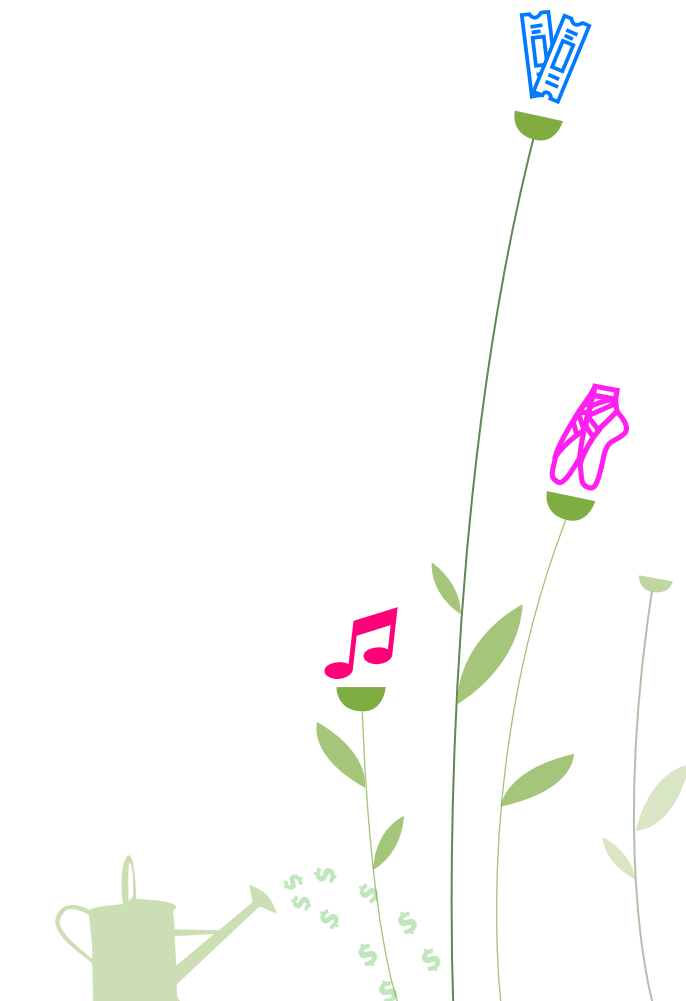
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The State University of New York

A unit of the  
University at Buffalo Law School



# Acknowledgements

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## Participating Arts and Cultural Organizations

The organizations listed below, representing the bi-county area's large cultural organizations and a cross-section of its smaller cultural groups, were invited to participate in this effort. We acknowledge those organizations that contributed their time and expertise to the study's research process.

### Erie County

African American Cultural Center  
Albright-Knox Art Gallery  
Buffalo and Erie County  
Historical Society  
Buffalo Museum of Science  
Buffalo Philharmonic Orchestra  
Buffalo Zoo  
Burchfield-Penney Art Center  
CEPA Gallery  
El Museo Francisco  
Oller Y Diego Rivera  
Graycliff Conservancy  
Hallwalls Contemporary Arts Center  
Lancaster Opera House  
Martin House Restoration Corp.  
Rocroft Campus  
Shea's Performing Arts Center  
Studio Arena Theatre  
Ujima Theatre Company  
WNED, Western New York Public  
Broadcasting Association

### Niagara County

Aquarium of Niagara  
Artpark and Company  
Castellani Art Museum of Niagara University  
Herschell Carrousel Factory Museum  
Kenan Center  
Niagara Arts and Cultural Center  
Old Fort Niagara

## Other Acknowledgements

We also acknowledge Niagara University College of Hospitality and Tourism Management and its Hospitality Training and Research Center for coordinating the visitor survey component of this report's economic impact assessment, including administering nearly 700 surveys at more than 20 arts and cultural venues between August and October 2006.

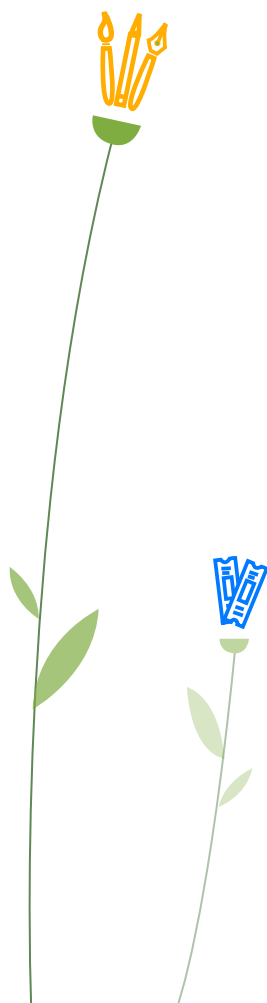
For their guidance, professional insight and support, and their commitment to improving the region's understanding of its cultural industry, we recognize the Board Chairs of the...

Albright-Knox Art Gallery  
Buffalo and Erie County Historical Society  
Buffalo Museum of Science  
Buffalo Philharmonic Orchestra  
Buffalo Zoo  
Burchfield-Penney Art Center  
Martin House Restoration Corp.  
Shea's Performing Arts Center  
Studio Arena Theatre  
WNED, Western New York Public Broadcasting Association

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# Executive Summary

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## Background

Like all nonprofits, arts and culture organizations are not immune to the inevitable shifts in fiscal health due to trends in the region's economy and in charitable giving. In recent years, however, the shifts have turned sharply downward due to budget crises for one of the industry's most important supporters – local government. With cherished arts and cultural assets in Erie and Niagara Counties struggling to make ends meet, the region is suddenly forced to confront a series of provocative questions.

With increasingly limited resources, how can the region sustain an industry integral to Buffalo Niagara's economy and quality of life? Can the region fill this gap while providing a higher degree of funding predictability? If not, how will it be determined which organizations are left to falter? If so, whose responsibility is it to bridge the fiscal chasm – the public sector, the private sector, the cultural institutions themselves, or all of the above?

## Scope

The Institute for Local Governance and Regional Growth, a public service and research unit of the University at Buffalo, has been asked to address these questions for Erie and Niagara County through *Sustaining Arts and Culture in Buffalo Niagara*. Sponsored by a consortium of board chairs from 10 major arts and cultural groups in Erie County, the report provides a five-part analysis of:

- **Funding trends** in arts and culture philanthropy
- **Economic impacts** of the industry upon the region
- **Alternative approaches** to cultural support undertaken by other regions
- **Potential funding models** for Buffalo Niagara
- **Recommendations and actions steps** for restructuring the region's funding system to provide more reliable, sustainable support

The study took place from June through November 2006 and is based on: 1) surveys of 22 Erie and Niagara County cultural organizations and their visitors; 2) analysis of data and trends in arts and culture support; 3) research of arts and culture funding in other regions; 4) a review of local cultural and fiscal policies; and 5) interviews of more than 50 arts and culture stakeholders in the region.

## Findings

### Arts and Culture Funding – Current and Historical Perspectives

- Both locally and nationally, government support for arts and culture institutions is relatively modest compared to earned revenues or private philanthropy
- The region's arts industry is more self-reliant (generates more earned revenues as a proportion of total revenues) than the nation's arts industry
- Overall, the region's private sector (foundations, corporations and individuals) gives proportionately less to arts and culture than does its national counterpart
- Total public support (federal, state and local government donations) to arts and culture in Buffalo Niagara is above the national average; local government support is slightly lower than average
- Within the region there are significant cross-county differences between Erie and Niagara Counties
- Cultural leaders and the philanthropic community differ in their perspectives on the region's key challenges in arts and culture funding, including the outlook for growth from some sources of charitable giving

### The Economic Impact of Arts and Culture

In 2005, the 22 organizations and their visitors generated significant economic impacts. In that nearly all of the region's largest cultural organizations are included in the study sample, their impacts represent a significant majority of the overall industry impact in the region. Specifically, the 22 organizations:

- **Generated a \$264 million economic impact**
- **Returned \$9.65 for every philanthropic dollar** contributed by public and private donors
- **Supported 3,819 full- and part-time jobs** in Erie and Niagara Counties
- **Generated \$11.4 million in sales taxes**, of which \$6.2 million went directly to Erie and Niagara County government
- **Attracted 2 million visitors**, a level of attendance greater than the combined 2005 season attendance for the Buffalo Bills, Buffalo Sabres and Buffalo Bisons



## Dedicated Funding for Arts and Culture

A review of more than 30 regions with dedicated support for arts and culture found a wide range of possible funding models. These fall into three main categories: **tax-based models** (sales, property and lodging); **public-private models** (United Arts Funds, cultural trust funds and creative districts); and **other public models** (casino/lottery revenue, utility bill fees and cultural license plates). Several themes emerged from this analysis:

- Implementation of dedicated funding models is typically **precipitated by fiscal crisis** in the arts and culture industry
- The **relative significance of dedicated support to cultural groups' overall budgets varies** across regions
- **Controversy over dedicated arts support concentrates on equity** (matching those who provide support to those who benefit) **and the distribution of revenues**
- **Dedicated funding models typically support a broad range of cultural organizations**

## Alternative Funding Mechanisms for Buffalo Niagara

Analysis of the status quo and **five dedicated funding models** yielded several insights:

- The **status quo** (reduced funding levels in Erie County and little or no funding in Niagara County) provides insufficient support, although Erie County's cultural governance board is highly regarded
- The **property and sales tax** models would generate significant support, but present political obstacles, although more so for a tax hike than for a tax earmark
- The **lodging tax** is attractive for shifting the fiscal burden to visitors, but could be detrimental to the hotel industry; its funding stream by itself would be insufficient for arts and culture
- A foundation and corporate collaborative effort – **Fund for the Arts** – would likely be inadequate on its own, but offers a key advantage in its flexibility for the private sector
- A **United Arts Fund** engaging public and private donors could leverage enough support for the industry, but bears high administrative costs

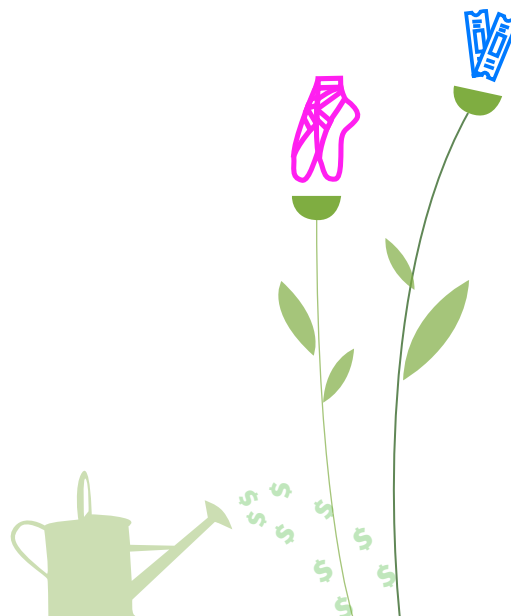
## Recommendations

The report makes a **three-part recommendation**:

- **Form a Task Group of representative cultural leaders** to serve as the coordinating entity and leader in undertaking the challenge of reforming the region's funding process
- **Implement an aggressive marketing strategy** making a stronger case for arts and culture impacts upon the region's economy and quality of life, as well as the value of dedicated funding for the sector
- **Pursue a dual-funding strategy** obligating more consistent and dedicated support from the private and public sectors

## Action Steps

- Engage a broader base of industry stakeholders to advise and complement the Task Group in implementation
- Fund and implement an advocacy and public education campaign to build support for arts and culture
- Establish a recurring Fund for the Arts for private sector funding
- Select a dedicated public funding source, determine its governance structure and draft legislation
- Investigate United Arts Fund as a long-term funding option for arts and culture
- Review capital funding for arts and culture in the region and develop long-term capital investment plan in coordination with operations support



# I. Introduction

Dana Gioia, Chairman of the National Endowment for the Arts, recently described arts and culture philanthropy in the U.S. as a dynamic and inherently unpredictable system. “One decade’s high-flying leader can suffer huge reversals the next – just as in corporate America,” he said, adding that the quality of the organization is the only guarantee of its survival. “The best institutions make themselves irreplaceable in their chosen fields.”<sup>1</sup>

That arts and culture organizations are subject to the ups and downs of the free market economy is unavoidable. At the same time, this reality must be balanced with the need to sustain a vital and diverse arts and cultural industry given its fundamental role in a community’s quality of life and economic well being.

To what degree, then, should the philanthropic community, including the public and private sectors, provide stable and predictable support so that the inevitable “huge reversals” of the free market economy do not eliminate our “irreplaceable” cultural institutions? Of course, not all cultural institutions are irreplaceable; with limited funding resources, difficult decisions must be made by donors as to the quality and value of each institution. Supporting cultural institutions simply because they exist is just as imprudent as letting economic factors dictate the fate of the region’s cultural industry.

These issues have taken on special importance in recent years, as arts and cultural groups in the Buffalo Niagara region, specifically Erie and Niagara Counties, have endured a challenging fiscal climate. Historically generous public support, especially at the local level, has declined due to budget crises. Private donors are struggling to fill the gap while meeting more immediate community needs for food, shelter, health and education. Many cultural groups have drastically trimmed expenses and are struggling to locate new revenue sources to avoid the fate of closing their doors.

At the same time, some donors question whether the region has for too long buoyed a cultural industry that is too large and diverse for a market the size of Buffalo Niagara. Yet the industry’s diversity and scope is its distinguishing factor, a tourism draw and an asset in the new, knowledge-based

economy. A stable source and fair level of support can be seen as not only a foundation for the cultural industry, but an investment in regional economic growth.

**“Public support for art, culture, tourism should not know the bounds of political parties, but should be a unifying effort that is not limited to an individual or an election cycle.”**

- Local Foundation Director

**“This is a quality-of-life investment.”**

- Local Cultural Director

**“Government funding is not an entitlement.”**

- Local Foundation Director



<sup>1</sup> National Endowment for the Arts. (2004, Oct.). “How the United States Funds the Arts.”

---

## Scope and Process

*Sustaining Arts and Culture in Buffalo Niagara* seeks to explore these critical questions and offer solutions in the interest of ensuring a healthy, diverse mix of arts and cultural institutions in Erie and Niagara Counties. Sponsored by a consortium of board chairs from 10 major arts and cultural groups in Erie County, and carried out by the University at Buffalo's Institute for Local Governance and Regional Growth, the *Sustaining Arts and Culture* report:

- 1) **Reviews trends in the funding of arts and culture operating budgets** both locally and nationally
- 2) **Assesses the economic impact and quality-of-life value** of the arts and culture industry in Erie and Niagara Counties
- 3) **Considers alternative approaches to cultural support** as implemented by other regions across the U.S. and internationally
- 4) **Evaluates potential funding models for Buffalo Niagara** in the context of their fiscal and policy implications and in light of the region's economic and political climate
- 5) **Offers recommendations and actions steps for developing a more sustainable approach to operating support** for arts and culture in Erie and Niagara Counties

### Operating Support vs Capital Support

This report focuses on the operating budgets, or spending and revenues for day-to-day operations, of the arts and culture organizations. As a measure of recurring expenses and revenues, operational budgets provide a more reliable year-to-year gauge of the industry's fiscal health. Also, there are critical gaps in this type of support in Buffalo Niagara.

An analysis of capital costs and revenues, related to the buildings, land and equipment of the arts organizations, is not incorporated in this report. However, capital support for maintenance of and improvements to the organizations' physical infrastructure is essential to the industry's sustainability and growth; improved understanding of this aspect of the industry is recommended as part of a future initiative.

Data for each project component were obtained through several methods during the study period of June through November 2006, including:

- **Surveying a sample of 22 arts and cultural organizations** in Erie and Niagara Counties, including most of the largest cultural groups in the bi-county region, to assess the sector's fiscal profile and the economic impacts of its operational spending and employment
- **Administering surveys of visitors** to the same arts and cultural organizations to measure visitor spending on food, shopping, admissions and lodging
- **Analyzing data and trends in arts and culture support** from federal, state and local governments, and private donors such as corporations, foundations and individuals
- **Researching arts and culture funding models in other regions** such as tax-based models, collaborative fundraising, cultural trusts and endowments, and cultural districts
- **Collecting relevant tax and other fiscal data and analyzing local policy** to assess prospective funding models in Erie and Niagara Counties
- **Administering personal interviews with more than 50 arts and culture stakeholders** in Erie and Niagara Counties, including leaders of arts and cultural organizations and tourism promotion agencies, local government officials, foundation directors and corporate executives

## II. Arts and Cultural Funding— Current and Historical Perspectives



The funding review reveals six key themes salient to development of a strategy for arts and cultural institutions:

- Both locally and nationally, government support for arts and culture institutions is relatively modest compared to earned revenues or private philanthropy
- The region's arts industry is more self reliant (generates more earned revenues as a proportion of total revenues) than the nation's arts industry
- Overall, the region's private sector (foundations, corporations and individuals) gives proportionately less to arts and culture than does its national counterpart
- Total public support (federal, state and local government donations) to arts and culture in Buffalo Niagara is above the national average; local government support is slightly lower than average
- Within the region there are significant cross-county differences between Erie and Niagara Counties
- Cultural leaders and the philanthropic community differ in their perspectives on the region's key challenges in arts and culture funding, including the outlook for growth from some sources of charitable giving

The first step to determining a more deliberate strategy for operating support of arts and cultural entities in Buffalo Niagara is understanding the current landscape of operations support in the nation and region. This chapter presents a historical context for arts philanthropy locally and nationally; reviews how giving to arts and culture in the bi-county region compares to giving at the national level; and takes a closer look at public and private sector giving in the region. Local funding data are based on the budgets of the 22 Erie and Niagara County arts and cultural organizations that participated in this analysis.

### Funding Arts and Culture – A National and Regional Overview

The system of arts and culture philanthropy is multifaceted and complex. Benefactors typically include local, state and federal governments, foundations, corporations and individuals. Funding modes range across grants, appropriations, sponsorships, admissions and programs, memberships, fundraising events and even volunteer labor. Funding levels are unpredictable, shaped by economic climate, tax policy, politics and public tastes, with funding pictures varying widely across cultural disciplines, from history to folk art to theater to the natural sciences.

Adding to the uncertainty has been a shifting revenue picture over the past three decades for the nation's arts and culture industry. **Public support** for the arts from federal, state and local government grew steadily until the early 1980s when it **peaked at 16.7 percent** of the average arts organization's total revenues. During the same period, private support, representing corporate, foundation and individual donations, **dipped slightly to 39.5 percent** of arts and cultural groups' revenues.<sup>2</sup>

Nationally, throughout the 1990s and into the early years of the 21st century, **public sector support declined to about 10 percent** of arts organizations' revenues. Private sector support increased during the economic boom of the late 1990s, today accounting for about 40 percent of arts and culture groups' revenues.<sup>3</sup> The remaining 50 percent of arts organizations' funding comes from earned revenues, consisting of memberships, admissions and program dollars.

<sup>2</sup> Independent Sector, Urban Institute. (2002). *The New Nonprofit Almanac and Desk Reference*.

<sup>3</sup> Unless otherwise noted, national data are from 2004. National Endowment for the Arts. (2004, Oct.). "How the United States Funds the Arts."

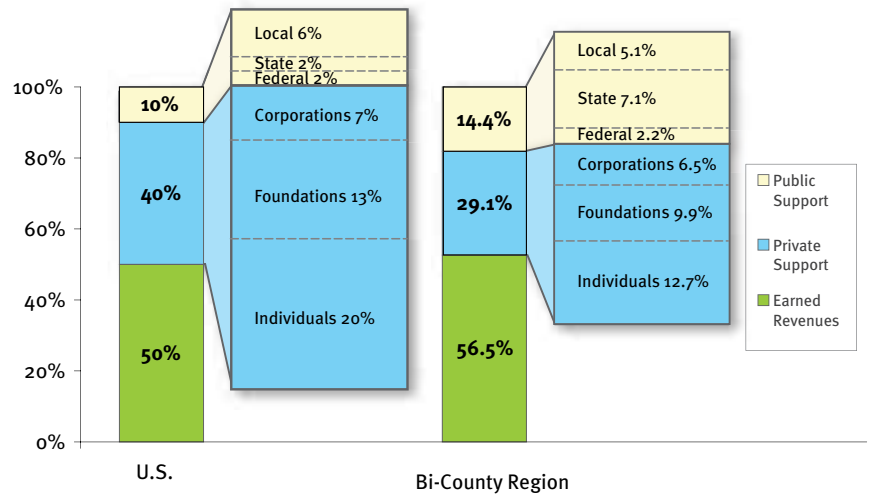
In 2005, the 22 arts and cultural organizations' operations budgets totaled \$63 million, \$27 million of which was donated by public and private sector donors.<sup>4</sup> A closer analysis of the budgets of these organizations in comparison to national averages revealed the following (Fig. 2.1):

- The region's arts industry's degree of self reliance (ratio of earned income to total revenues) was higher than that of its U.S. peers – about 56.5 percent compared to 50 percent
- The public sector covered 14.4 percent of Erie and Niagara County's arts and cultural revenues, compared to 10 percent nationally
- Private donors – corporations, foundations and individuals, collectively – accounted for a much smaller piece of the regional revenue pie (29.1 percent) compared to the U.S. sector (40 percent)
- Funding levels also varied by specific public or private sector sources (*discussed in detail later in this section of the report*)

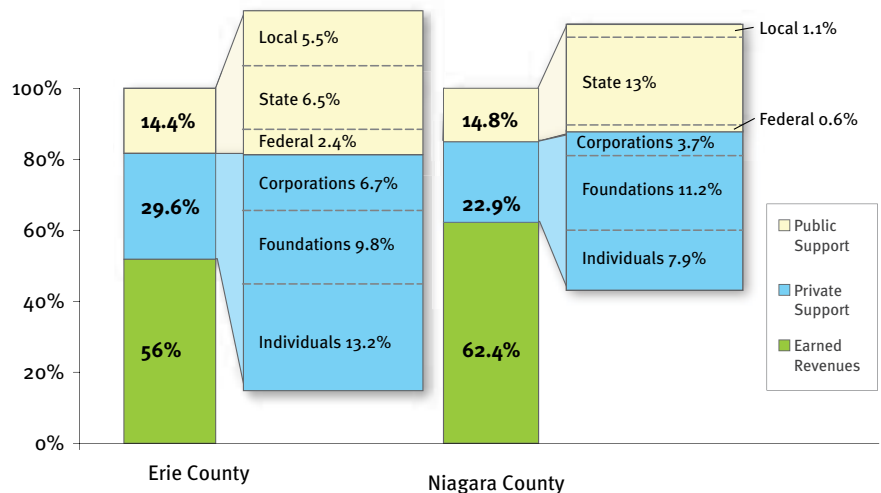
The overall regional picture masks important cross-county variations in cultural funding in Niagara and Erie Counties (Fig. 2.2):

- Niagara County organizations were more self-sufficient, generating about 62 percent of their annual revenues versus about 56 percent for Erie County organizations
- Erie County organizations received about the same public support as those in Niagara County as a proportion of total revenues, or 14.4 percent compared to 14.8 percent
- Private donors gave proportionately more to Erie County arts and cultural groups – about 30 percent of total revenues compared to 23 percent for Niagara County counterparts

**Fig. 2.1**  
Earned Revenues and Private Support Dominate Cultural Funding



**Fig. 2.2**  
Cross-County Differences Significant



- Funding levels to culturals in the two counties also varied by the specific public or private sector source, as discussed later in this section

The following sections review in closer detail the trends and patterns in public and private sector giving to arts and culture entities in Erie and Niagara Counties.

<sup>4</sup> The organizations submitted data from their last completed fiscal year, for a majority, this was 2005.

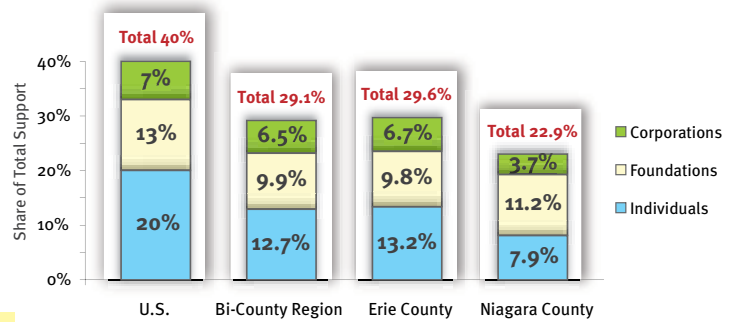
## Private Giving

Giving from individuals, foundations and corporations is the second most important component of arts and culture operational funding, both nationally and locally, far outweighing public support and just behind earned revenues. Nationally, overall private philanthropy surged in the late 1990s due to the booming economy and strong stock market. In Erie County, corporate giving to all nonprofits climbed 75 percent from 2000 to 2004, while foundation support jumped 21 percent and individual donations increased 8 percent.<sup>5</sup>

Although this report evaluates only operations support, the private sector is a significant source of capital support to the arts and cultural industry. With many of the region's cultural groups undergoing capital campaigns, this is an important part of the philanthropic picture.

However, in terms of the level of giving as a proportion of revenues, local organizations receive far less support from the private sector – overall and for each category of private giving – compared to U.S. arts and culture groups (Fig. 2.3).

**Fig. 2.3**  
Private Sector Sources Are Less Significant for Buffalo Niagara Arts and Culture Organizations Relative to National Peers



- Individuals account for 20 percent of revenues nationally, but only about 13 percent in the bi-county region
- Foundation support nationally accounts for 13 percent of revenues, but only 9.9 percent in the bi-county region
- Corporate support locally is in line with national corporate giving, or 6.5 percent compared to 7 percent
- Erie County organizations received nearly twice as much corporate support (as a proportion of overall revenues) compared to Niagara County culturals; Erie County culturals were also more successful in securing individual donations; Niagara County culturals relied relatively more on foundation support

**Fig. 2.4**  
Arts and Culture Leaders on Private Giving

With the exception of a few, corporations in Erie and Niagara Counties do not fund arts and culture

Corporations and foundations should provide more unrestricted support in addition to restricted grants

There is room for growth in giving from smaller, local companies, but this will take manpower

Individuals bear brunt in this region, but higher income families, especially those living in the suburbs, are not giving

The region lacks major endowments

Many foundations are not led to believe there is a benefit in funding arts and culture

Erie County foundations are reluctant to fund cultural assets in Niagara County

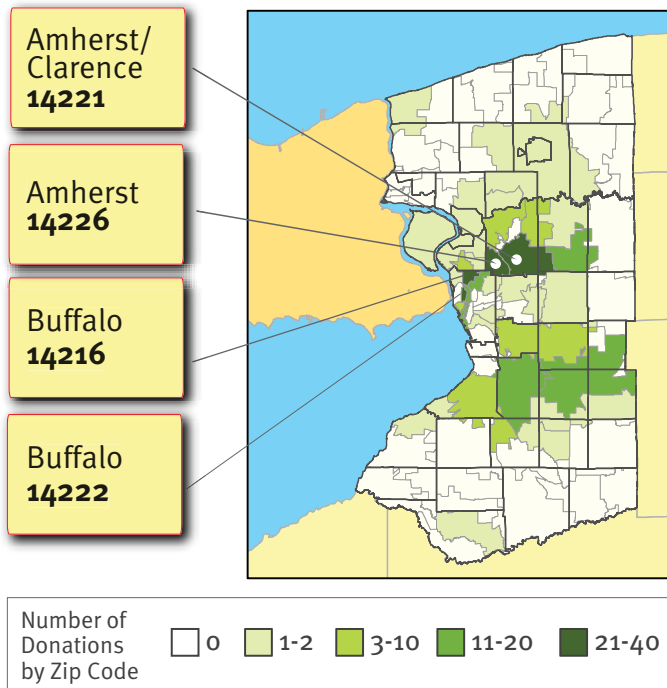
Foundations can be arbitrary as to what they fund

Beyond the numbers, arts and culture stakeholders agreed that private giving is a source of support with the most potential for growth (Fig. 2.4). Many point out that there is a well of individual support that is not being tapped. An analysis of large individual donations (over \$1,000) to four Erie County arts and cultural groups shows a concentration in only a few postal codes (Fig. 2.5). With corporate donations dominated by only a few companies, many argue the corporate base of support has room to grow. Leaders in the community's private giving sector, however, note a reluctance to provide general operations support to arts and cultural groups, while competing funding needs may impede growth in their funding of arts and culture (Fig. 2.6).

<sup>5</sup> Community Foundation for Greater Buffalo and the United Way of Buffalo & Erie County (2006, March). *Report Card on Charitable Giving in Erie County*.



**Fig. 2.5**  
**Donations from Individuals Over \$1,000 to Arts and Culture**  
 (Buffalo Zoo, Hallwalls Contemporary Arts Center,  
 Darwin Martin House Complex and Studio Arena Theatre)



**Fig. 2.6**  
**Private Donors on Arts and Culture Funding**

Not necessarily all cultural groups deserve funding; the industry may be too large for the region's resource base

Private donors prefer project-based support over general operations support; select foundations and corporations consider operational funding in special circumstances

Earned income has the most potential for growth; this, and diversifying revenues, must be a key focus for the region's cultural groups

With competing needs growing, support from major foundations and existing sponsor corporations likely won't grow in the near term; new corporate support may be tapped

Corporate giving is determined by the corporation's profit levels, and the nature of their business and customer base

Many corporations have shifted to supporting cultural groups through sponsorships rather than outright donations; others are instituting special programs, such as employee contributions, which may open up new avenues for giving

## Public Giving

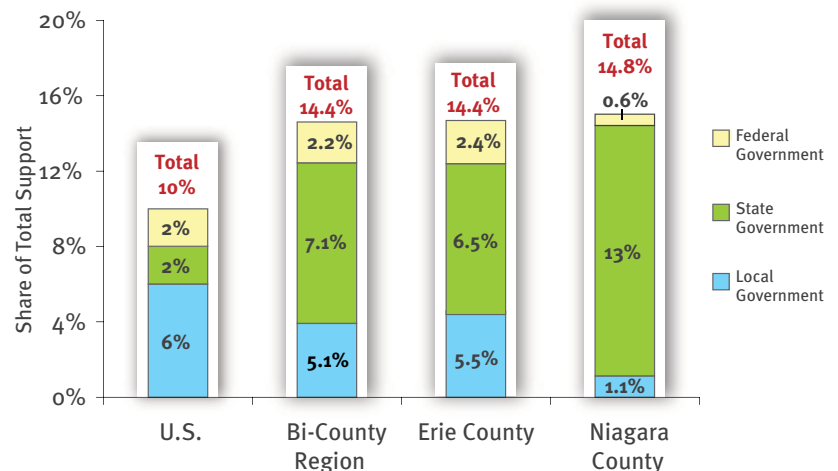
The picture of public support varies significantly across the region and in comparison to the U.S. with respect to levels of giving from the three main public sector sources – federal state and local government (Fig. 2.7).

Although regional attention tends to focus on levels and allocations of local public support, the predominant public donor of operations support to the region's arts and cultural groups is New York State government.

As a proportion of the arts and cultural groups' total operational revenues, the state accounted for 7.1 percent, more than three times the average level of state support for the U.S. On the national scale, local government is the most significant public sector donor. In the bi-county region, local government support is slightly lower than that of the nation (5.1 percent compared to 6 percent).

Federal support for the arts is similarly small for the U.S. and the region, or about 2 percent of overall revenues.

**Fig. 2.7**  
**Significance of Public Sector Sources to Overall Arts and Culture Revenues Varies Between Buffalo Niagara and U.S. and for Erie and Niagara Counties**



There are also important differences in public support between Erie and Niagara Counties:

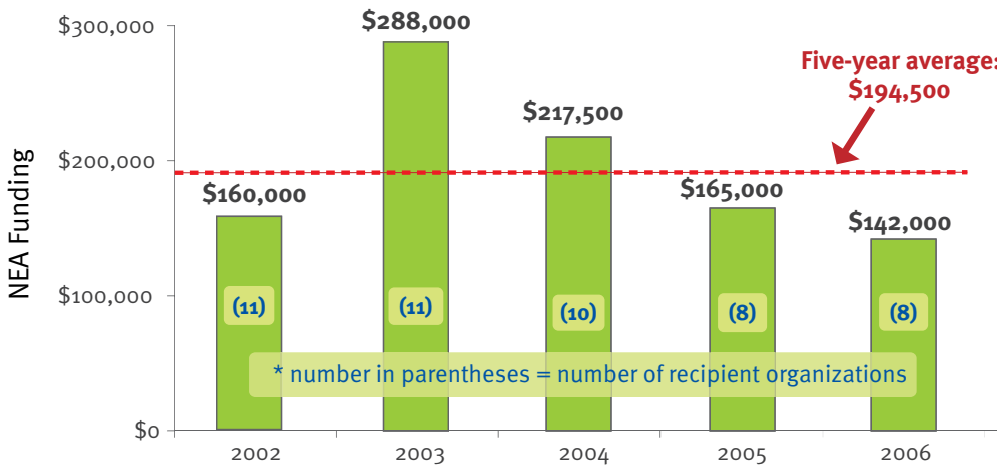
- The state is the most important public donor for Niagara County arts and cultural groups, accounting for nearly all public support. Erie County’s public support is more evenly distributed among the three public sector sources, although state government still accounts for nearly half of its total public donations
- Erie County culturals are closer to the national average for local government support (5.5 percent), while Niagara County receives minimal local government support (1.1 percent)

## Federal

Systematic federal support for the arts began in 1965 with the founding of the National Endowment for the Arts (NEA) and grew sharply in the 1970s and 1980s. It peaked in 1992 at \$176 million, but dropped off significantly in the 1990s to less than \$100 million. Federal funding today plays a minor role for total revenues of U.S. arts and cultural groups, but remains of interest.<sup>6</sup>

Erie and Niagara County arts and cultural groups receive minimal support from the NEA and other federal sources, such as agency grants and legislative appropriations. NEA funding to Erie County groups has declined 50 percent since 2003. Not one Niagara County cultural group received funding between 2002 and 2006 (Fig. 2.8). The bulk of federal support to Buffalo Niagara is received through federal agency grants.

**Fig. 2.8**  
Federal NEA Grants to Arts and Cultural Groups in Erie and Niagara Counties Have Declined Steadily Since 2003



## State

Since it founded the New York State Council on the Arts (NYSCA) as the first state arts agency in the U.S. in 1960, New York State has been a leader in arts and culture support. In 1978, the New York state legislature’s appropriations to NYSCA were the highest in the U.S. and more than 16 times the level of the second highest state, California.<sup>7</sup> New York remains a leader in terms of revenue support its arts agency receives from the state legislature and other sources. In 2006, New York ranked eighth in the U.S. for per-capita arts agency revenue and fourth for state legislative appropriations to its arts agency (Fig. 2.9). The Western New York delegation of state legislators also provides various levels of support to arts and cultural

**Fig. 2.9**  
State Arts Agency Revenue, Per Capita Ranking, FY 2006

Legislative Appropriations	Total Agency Revenue
1. Hawaii (\$5.36)	1. Hawaii (\$6.30)
2. New Jersey (\$3.42)	2. Connecticut (\$4.36)
3. Rhode Island (\$3.02)	6. Wyoming (\$2.76)
4. New York (\$2.35)	7. Vermont (\$2.48)
5. Delaware (\$2.11)	8. New York (\$2.39)
6. Connecticut (\$2.02)	9. Maryland (\$2.17)

Source: National Assembly of State Arts Agencies

<sup>6</sup> National Endowment for the Arts

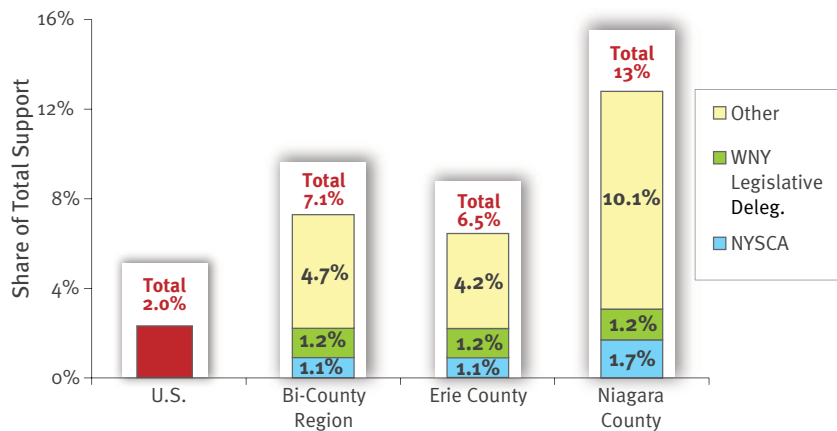
<sup>7</sup> Lowell, J.F., Heneghan Ondaatje, E. (2006). "The Arts and State Governments: At Arm’s Length or Arm in Arm?"



agencies (including significant levels of capital support<sup>8</sup>) through member item grants. Other important state support for operations is provided through the Zoos, Botanical Gardens and Aquariums Program (ZBGA) for cultural institutions with living collections, the State University of New York and other state grant programs.

As discussed, overall state support to Erie and Niagara arts and cultural groups was generous in 2005 in terms of its share of total arts and culture revenues. Comparisons of 2005 state funding between the two counties (Fig. 2.10) reveal that Niagara County groups had twice as much of their budget come from the state compared to those in Erie County. For both counties “other” state support was the most significant source of state funding, though more so for Niagara County groups. Arts organizations in both counties received proportionally similar levels of support from state legislator member items; Niagara County groups received slightly more NYSCA support as a proportion of total operating revenues.

**Fig. 2.10**  
New York State Sources of Support as a Percent of Total Arts and Culture Revenues Vary Within the Region



## Local

Historically, local government funding has been an integral component of public arts support. The United States’ first urban arts commissions formed in the late 1800s after the success of the Chicago World Fair in 1893. Local support grew consistently after the Second World War and then significantly in the 1990s as regions began subsidizing a wide range of artistic institutions to build their reputations as regional arts centers and tourist destinations.

Niagara County’s funding of its arts and cultural groups has been comparatively low. In 2001, cultural groups were among 23 nonprofits in the county that split a pot of about \$250,000.

In 2005, only one of the seven arts

and cultural groups surveyed for this report received a Niagara County grant, which totaled \$5,000. As part of this initiative’s stakeholder interview process, Niagara County officials indicated that county support for the arts should not be expected to increase in the coming years.

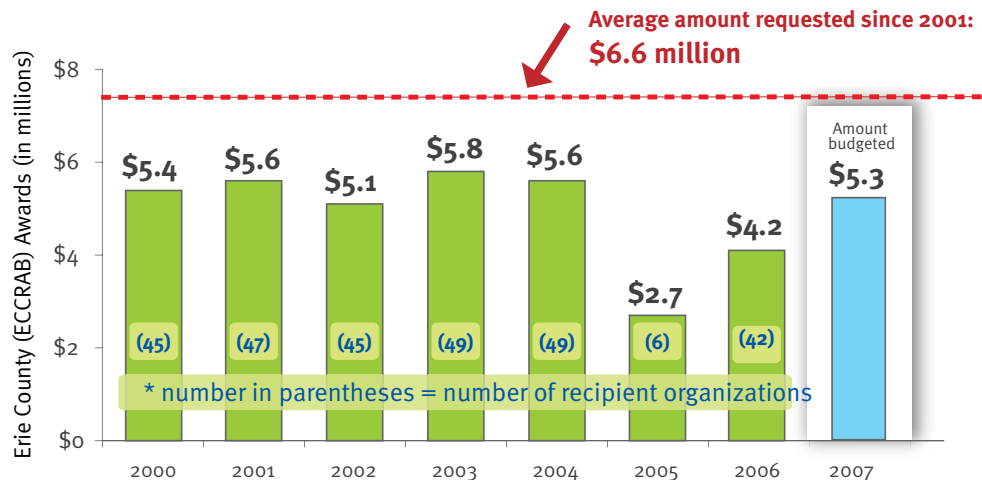
Erie County is distinguished as one of the most generous counties in New York State (other than New York City) for subsidizing arts and culture. In 1983, the county’s \$2.3 million appropriation topped the state. Erie County support grew steadily in the 1980s and 1990s to build arts and cultural organizational capacity and invest in related capital projects. In 1986, Erie County formed the citizen volunteer-based Erie County Cultural Resources Advisory Board (ECCRAB) to make recommendations to the County Legislature for the county’s annual cultural grant process.

Noting that the arts and culture industry is valued by Niagara County government, one county official stated simply, “the money is just not there.”

<sup>8</sup> Center for Governmental Research. (2006, March). “Capital Pork: How State Politicians Divvy Up Billions For Favored Capital Projects.”

The 2001 terrorist attacks and accompanying economic downturn cut into local government support for the arts across the U.S. Cultural funding was reduced in Erie County, eliminated by the City of Buffalo, and, as referenced above, nearly eradicated by Niagara County. Erie County's annual grants program rebounded and peaked in 2003 at \$5.8 million disbursed to 49 diverse organizations (Fig 2.11). Notably, in that year another \$10 million was provided through other funds for cultural tourism marketing and capital improvements (Fig. 2.12).

**Fig. 2.11**  
**Post-2004 Erie County (ECCRAB) Funding Awards**



The 2005 Erie County budget crisis cut the peak level in half, to \$2.7 million spread among the six largest groups; more than 40 organizations were zeroed out of the budget. Soon after the cuts, six major foundations pooled \$250,000 to create a one-time "Fund for the Arts" to assist these mostly

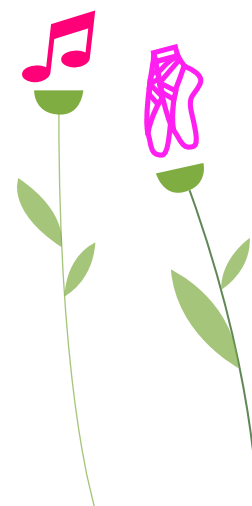
small- and medium-sized groups transition away from a reliance on government funding. Although the level of county funding has since increased, it has not approached the 2003 peak level. The impacts of cuts in Erie County funding have been felt in different ways across the sector, with many reducing programming and staff and increasing cost-cutting measures, although not one organization has closed its doors for good (Fig. 2.13).

**Fig. 2.12 Other Cultural Funding in Erie County**

Over the past several years the county has made major capital investments in the Buffalo Zoo, Frank Lloyd Wright's Darwin D. Martin House Complex and the Botanical Gardens of Erie County. Despite recent upheaval, Erie County's capital budget remains a key source of support. In 2006, the county allocated \$4 million for a new exhibit at the Buffalo Zoo, and \$13 million for the reconstruction of the Botanical Gardens through 2011.

Erie County also provides regular capital support for facilities maintenance to groups operating out of county-owned buildings. In 2004, the county entered into contract with the City of Buffalo to assume ownership of the zoo, Shea's Performing Arts Center and Kleinhans Music Hall.

Despite reduced county funding levels in 2005, total local government funding to the 15 Erie County organizations participating in this study was only slightly below the U.S. average as a proportion of total revenues, or 5.5 percent compared to 6 percent (Fig. 2.14). For each organization funded, ECCRAB plays varying degrees of importance to their overall budgets, ranging, on average, from less than 1 percent to 30 percent of operating revenues.



**Fig. 2.13**  
**Stakeholder Insights: Implications of Reduced Erie County Funding**

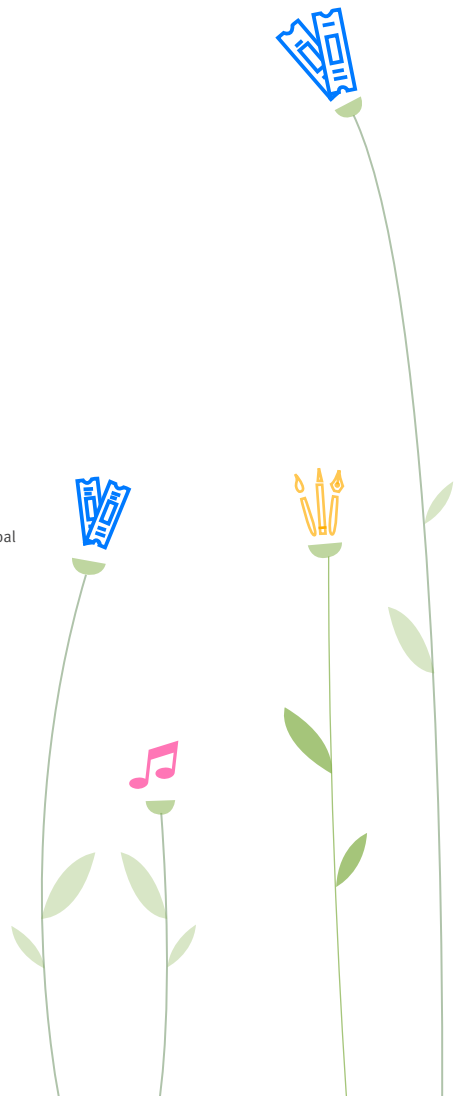
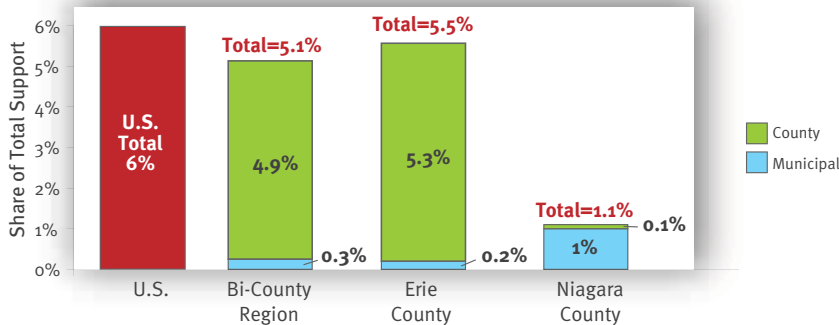
ECCRAB provided operating dollars, which private funders are reluctant to supply; staffs were cut, marketing and program development was reduced or eliminated

Undermined perception of organizational financial stability; harder to attract private dollars and even more difficult to recruit quality talent

Working to develop new earned income revenues, increasing collaboration; some attempting to achieve sustainability without government funding.

A closer look at specific local government sources of support reveals differences between Erie and Niagara Counties (Fig. 2.14). In 2005, county funding accounted for only 0.1 percent of total revenues for Niagara County organizations compared to 5.3 percent for Erie County groups. Municipal support played a larger role in Niagara County than in Erie County (1 percent vs 0.2 percent).

**Fig. 2.14**  
**County is Most Significant Local Government Source for Erie County Arts and Culture, Municipal Support More Important for Niagara County**



# III. The Economic Impact of Arts and Culture in Buffalo Niagara

The degree to which the public sector and private sector support arts and culture in Buffalo Niagara is impressive. Of the \$63 million in total revenues received in 2005 by the 22 arts and cultural organizations in the study sample, nearly \$27 million was donated by local, state and federal government, corporations, foundations and individuals. Extrapolating beyond this cross-section of the arts and culture industry suggests significant generosity and an impressive overall value of arts and culture to the region.

Continuing support from the community is fundamental to the long-term sustainability of the region’s arts and culture industry. To make a case for maintaining or increasing this support, it is important to quantify what the region receives in return from its investment. The arts and culture industry

leverages many benefits, economic and otherwise. In addition to the immediate pay-off – tourists bring new money into the local economy – the industry supports job growth, improves the ability of the area to attract skilled workers, promotes tourism and spin-off business development, and strengthens and distinguishes the community’s image. Arts and culture investment also results in quality-of-life benefits, including enriching and diverse educational experiences, an appreciation of the region’s heritage, community building and engagement of the area’s youth.

## Glossary of Economic Impact Terms

**Direct impact** – economic activity associated with direct spending of visitors and organizations

**Employment** – measure of economic impact in terms of full- and part-time jobs supported in the region

**Indirect impact** – economic activity associated with dollars re-spent by businesses that support arts and culture industry

**Induced impact** – economic activity generated by household spending of those employed by arts and culture and related industries

**Region** – economic impacts are measured in this report for Erie and Niagara Counties

**Secondary impact** – sum of indirect and induced impacts

**Tourist** – a visitor from the U.S. residing outside a 50-mile radius of the Buffalo Niagara region or a visitor from Canada

**Fig. 3.1**  
**What is Economic Impact?**  
**The Path of a Dollar**

### An Organization Example:

Albright-Knox Art Gallery buys 5,000 brochures → **Direct Impact**

Printer buys paper and pays staff → **Indirect Impact**

Gallery and printer employees purchase clothing and gasoline with salaries → **Induced Impact**

### A Visitor Example:

Tourist buys admission ticket, lunch and stays overnight → **Direct Impact**

Restaurant buys food and hotel purchases linens → **Indirect Impact**

Restaurant server purchases groceries, concierge buys a car with salaries → **Induced Impact**

## Background

The following analysis evaluates the bi-county economic impact of a sample of 22 arts and cultural organizations. Economic impact is measured in terms of direct and secondary (indirect and induced) impacts leveraged by the operation of and visitation to these venues in 2005 (*see Glossary of Economic Impact Terms*). Although the bi-county region’s overall cultural industry includes more than 170 organizations, the 22 sample organizations leverage a significant majority of the overall industry impact, as this group includes most of the region’s largest cultural organizations.

Impact figures are based on annual spending by the 22 organizations in such categories as staff, programs, utilities, facilities maintenance, professional fees and printing and mailing. Spending estimates for the 2 million visitors to the 22 venues over 2005 include admission fees, food and drink, travel, transportation, shopping and accommodations.

The direct expenditures of the organizations and their visitors are circulated through the local economy to leverage secondary impacts, supporting employment and earnings in related industries (indirect impacts) and again by employees of these industries (induced impacts) (Fig. 3.1).

Visitor spending estimates were based on 688 face-to-face visitor surveys completed at the participating venues between August and October 2006. Data on organizational spending were obtained via surveys completed by the 22 arts and cultural groups. Economic impacts were calculated using IMPLAN, an industry-standard software that computes impact using multipliers that reflect inter-industry dependencies in the region.

Economic impact totals do not account for the organizations' expenditures on new construction (which are not representative of recurring expenses and therefore recurring economic impact). Also not considered in this analysis are some of the impacts leveraged by artists or actors who travel to the region to take part in exhibitions or performances, and who likely spend significant dollars on hotels and meals. Thus, the actual economic impact of these 22 organizations in 2005 may have been larger than reflected in this report.

### Total Economic Impact

The 22 organizations and their visitors:

- generated a **\$264 million economic impact** in 2005. Of this, \$150 million was directly pumped into the local economy; an additional \$114 million was leveraged as secondary impacts as the dollars circulated through the economy (Fig. 3.2)
  - returned **\$9.65 for every philanthropic dollar** contributed by public sector and private donors
  - supported **3,819 full- and part time jobs** in Erie and Niagara Counties.
  - generated **\$11.4 million in sales taxes**, of which \$6.2 million went directly to Erie and Niagara County
- attracted **2 million visitors** in 2005, a level of attendance exceeding the combined 2005 season attendance for the Buffalo Bills, Buffalo Sabres and Buffalo Bisons

#### Frame of Reference

The 22 arts and cultural organizations generated an economic impact more than four times that of the Buffalo Sabres in a typical season

New York State Office of the State Comptroller, "The State Comptroller's Economic Impact Statement: The Buffalo Sabres and Western New York," 2003

**Fig. 3.2**  
Total Economic Impact of Visitor & Organizational Spending

		% Total
<b>Dollars Generated</b>		
Direct	\$150 million	57%
Indirect	\$52 million	20%
Induced	\$62 million	23%
<b>TOTAL</b>	<b>\$264 million</b>	<b>100%</b>
<small>Note: 2006 dollars</small>		
<b>Employment (Jobs) Supported</b>		
Direct	2,789	73%
Indirect	435	11%
Induced	595	16%
<b>TOTAL</b>	<b>3,819</b>	<b>100%</b>

### Public Sector Benefits

In addition to benefiting from the arts and cultural industry's broad economic impacts, the public sector receives direct gains through tax proceeds (Fig. 3.3). In 2005, the cultural groups and their visitors generated **\$11.5 million in tax revenues for New York State and Erie and Niagara Counties.**

- Sales tax revenue from visitors' spending accounted for nearly all (more than 99 percent) tax revenue generated for state and local governments
- Approximately \$5 million of the sales tax revenues accrued to Erie County, an amount higher than Erie County's \$4.9 million average level of ECCRAB support to arts and culture (2000 to 2006). Niagara County received \$1.2 million in local sales tax revenues<sup>9</sup>

**Fig. 3.3**  
Tax Revenue

	\$ Taxes	% Total
<b>Sales Tax</b>		
State	\$5,176,138	44.99%
Local	\$6,259,695	54.41%
<b>SUBTOTAL</b>	<b>\$11,435,834</b>	<b>99.39%</b>
State Income Tax	\$23,914	0.21%
Local Property Taxes	\$30,023	0.26%
Local Non-Property Taxes	\$15,695	0.14%
<b>TOTAL</b>	<b>\$11,505,466</b>	<b>100%</b>

<sup>9</sup> Erie County's tax revenues were significantly larger than those of Niagara County due to higher attendance levels reported by Erie County arts and cultural groups (77 percent of total attendance).

- The 22 arts and cultural groups are generally tax-exempt and pay small amounts of income, property and sales taxes. These data do not reflect taxes paid by the 3,819 employees supported through the industry

## Spending Patterns

### The Visitors

- The **2 million visitors** to the 22 arts and cultural venues **spent \$132 million** in the Buffalo Niagara region in 2005
- According to estimates by the participating organizations, local visitors accounted for **84 percent of attendance** and **63 percent (\$82 million) of total visitor spending**
- On a per-person basis, **tourists spent three times as much as local visitors**, or \$152 compared to \$50 (*Fig. 3.4*)
- **Local visitor spending concentrated in entertainment or admissions fees** (40 percent of total) and restaurants/snacks (35 percent); shopping (13 percent) was one of local visitors' smallest spending categories
- **Tourist spending was dominated by accommodations** (26 percent of total) and **restaurants/snacks** (24 percent); shopping (20 percent) and entertainment (15 percent) were also significant expense categories

### The Organizations

- The 22 groups **spent \$46 million locally**, and \$19 million outside the region
- Total employee-related expenses, including wages, benefits and pension contributions, accounted for more than half of the organizations' spending

**Fig. 3.4**  
**Direct Visitor Spending, Per Person**

	Locals (n=2,242)	% Total	Tourists (n=360)	% Total
Restaurants & Snacks	\$18	35%	\$36	24%
Entertainment	\$20	40%	\$23	15%
Gas/Public Transit	\$6	12%	\$14	9%
Shopping	\$6	13%	\$31	20%
Groceries	N/A	N/A	\$2	1%
Accommodations	N/A	N/A	\$40	26%
Other	N/A	N/A	\$6	4%
<b>TOTAL</b>	<b>\$50</b>		<b>\$152</b>	

NOTE: Tourist per-person spending reflects all expenditures over 24-hour period; local visitor spending accounts for food, shopping and other expenses related to their visit.

- About one-quarter (27 percent) of the organizations' spending was on production, office supplies, postage, travel, insurance and other operating expenses
- Facility-related expenses, which include rent and utilities, were a small piece of organizational spending, although utilities was the third largest single expense for arts and cultural organizations (behind wages and production)

## Related Findings

### The 688 surveyed visitors

to the 22 arts and cultural attractions were largely...

- ...Erie and Niagara County residents (73 percent)
- ...Affluent (nearly 20 percent reported household income of \$100,000 or more; only one in ten reported a household income of less than \$30,000)
- ...Traveling in small groups (nearly half traveled alone or with one other person)
- ...White (85 percent)
- ...Older (four out of five were 35 years or older; more than half were 45 years or older)
- ...Highly educated (nearly three-quarters had a bachelor's degree or higher)
- ...Repeat visitors (52 percent) or members of the organization (22 percent)
- ...Spontaneous (nearly half of all visits were planned either that day or within a few days of the visit)

### The tourists of the group tended to...

- ...cite sightseeing as a primary purpose of their trip (60 percent); 28 percent referenced friends/family; 20 percent selected arts and culture; 3 percent or fewer cited sports, casino/family or business/convention (Note: tourists could select more than one category)
- ...stay at least two nights (60 percent stayed two or more nights in Erie or Niagara Counties; more than 20 percent stayed four to six nights)
- ...lodge in a hotel or motel (68 percent stayed overnight booked a room in a hotel or motel; 18 percent stayed with friends and family)



## IV. Dedicated Funding for Arts and Culture

Buffalo Niagara is not the first region to have struggled with developing a sustainable approach to supporting its arts and cultural assets. During the past decade or so, traditional sources of funding for the arts, including federal and state government and even appropriations from local government, have eroded, creating funding crises for arts and culture sectors across the U.S.

In many cases, arts and cultural organizations have enhanced their self-sufficiency, increasing collaboration, launching more aggressive marketing and fundraising efforts, generating new earned income streams, and making program and staff cuts. In some cases, regional leaders in the public and private sectors have responded by providing a dedicated source of support to the arts and culture industry, based on the recognition that these fiscally fragile organizations merit such a commitment based on their contributions to the economy and quality of life.

Between 1949, when the first United Arts Fund was formed, and today, when Cleveland has proposed raising its tobacco tax to support the arts, regions across the U.S. and internationally have developed creative approaches to arts support. An overwhelming majority of the 50 largest cities in the U.S. have some type of dedicated funding for arts and culture,<sup>10</sup> with 84 percent supporting arts through a percent-for-art program or taxes on lodging, property, sales, admissions or gambling.

The options for providing dedicated funding to arts and culture are many and diverse. This section of the report assists the region in addressing the implications of dedicated funding by considering the alternatives and their respective merits and faults. More than 30 regions with dedicated support for arts and culture are reviewed. The models fall into three main categories:

### Tax-based models

- A. Sales and use tax
- B. Lodging tax
- C. Property tax

### Public-private models

- A. United Arts Funds
- B. Cultural trust funds
- C. Creative districts

### Other Public Models

- A. Casino and gaming revenues
- B. Utility bill late fees
- C. Cultural license plates

### Other Regions

Also, seven other regions that are of interest to Buffalo Niagara but which lack dedicated arts and culture funding are reviewed:

- A. Cleveland, OH
- B. Detroit, MI
- C. Glasgow, Scotland
- D. Providence, R.I.
- E. Baltimore, MD
- F. Rochester, NY
- G. Niagara Region, ON

Several themes emerge from this analysis:

- Formation of dedicated funding models is typically precipitated by a fiscal crisis that threatens the future of a region's arts and culture industry. (In Denver in the late 1980s, it was the elimination of state support for four major cultural institutions. In the mid 1990s in Allegheny County, PA, it was the combination of the need for tax reform and the struggling arts industry)
- As a proportion of cultural groups' overall budgets, levels of dedicated public support vary. (In Denver, revenues from the dedicated sales tax account for up to 20 percent for major cultural institutions; in Broward County, FL, small cultural institutions receive about 15 percent of overall revenues annually from the dedicated admissions tax, while larger groups receive about 4 percent)
- Controversy over dedicated arts support concentrates on distribution of revenues and equity, or matching those who provide support to those who benefit. (Chicago is considering repealing its arts property tax and instituting a sales tax to disburse the fiscal burden beyond residents)
- Dedicated funding models typically support a broad range of cultural organizations, including those of varying sizes. (For instance, only two regions reviewed fund only major arts and cultural groups, one of which funds smaller organizations through another mechanism)

<sup>10</sup> Americans for the Arts. (2005, Nov.). "United States Urban Arts Federation, Annual Report on the Budgets and Programming of Local Arts Agencies in the 50 Largest U.S. Cities, Fiscal Year 2004."

# Public Tax-Based Models

Public support is often dedicated to arts and culture through an earmark of all or a portion of tax revenues. Although there is much variation among the most common forms of dedicated taxes – sales, lodging and property – they are each characterized as a fairly stable, typically high revenue source for arts and culture support.

## A. Sales and Use Tax

The sales tax can be a lucrative source of support for arts and culture and is a model that has been adopted by regions across the U.S. (Fig. 4.1).

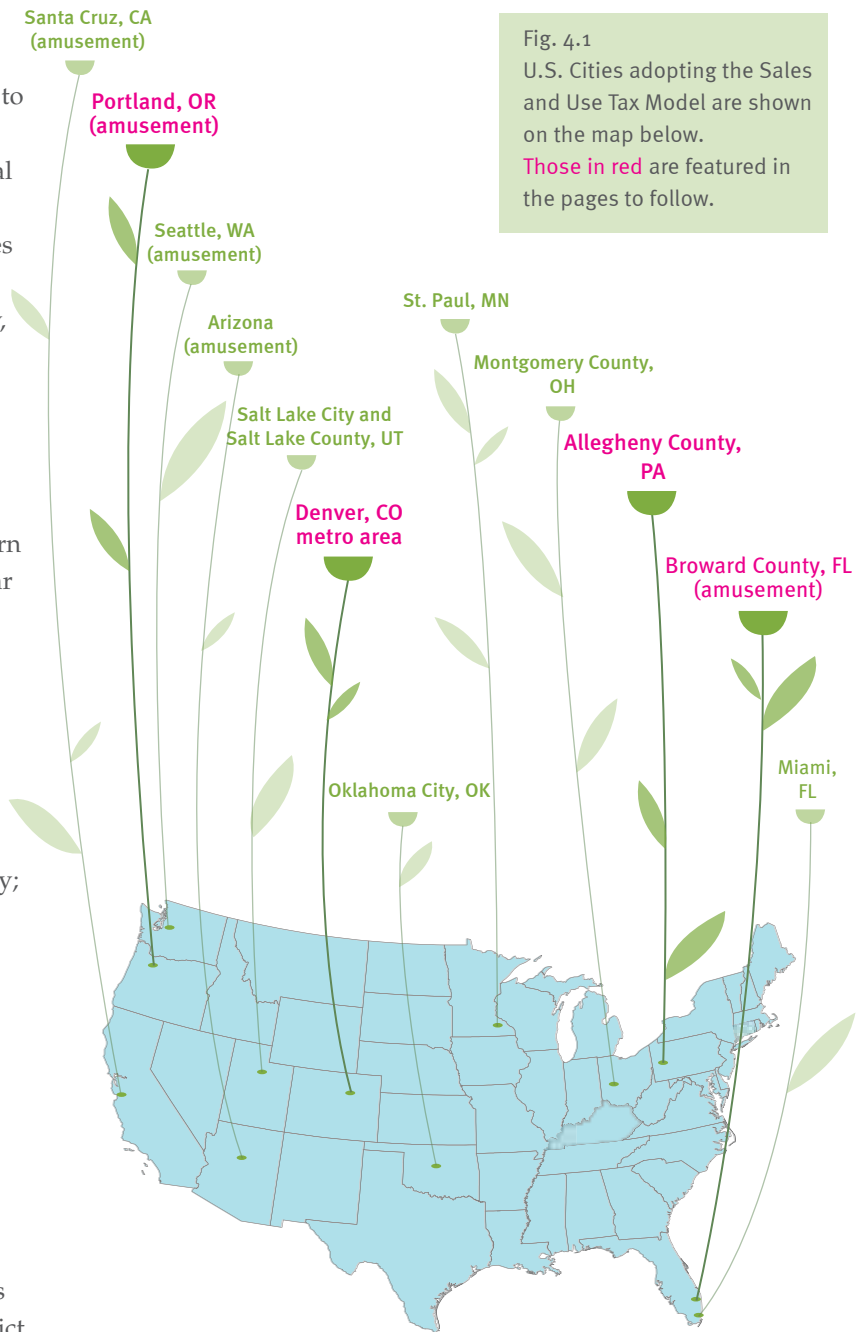
Dedicated sales taxes range from one-tenth of one percent of the overall sales tax to an entire percent to fund arts, cultural and other regional assets. Most often the sales tax is administered through a special tax district established by the state for a defined area (e.g. Denver and Allegheny County, PA). Sales taxes may also come in the form of local option taxes earmarked for the arts (e.g., Broward County, FL, admission tax).<sup>11</sup> These allow for the proposal, approval, collection and disbursement of taxes at the local level, with minimal state involvement.

### Strengths:

- Typically high revenue yield with a stable pattern of growth and low fluctuations from year to year
- Fiscal equity (the tax is borne by all regional residents as well as visitors to the area)
- Usual tax exemptions for necessities mitigates tax's regressivity
- Minimal cost of collection, enforcement and audit, as the system is already established (e.g., Colorado collects the tax and remits it to the Scientific and Cultural Facilities District monthly; SCFD pays the state direct and indirect costs to administer and collect the tax)

### Weaknesses:

- Can be regressive (poor individuals spend a larger proportion of their income and therefore pay a greater percentage of their income to the sales tax)
- Needs costly public campaigns to gain voter approval
- Vulnerable to economic cycles (in 2004, flat sales taxes forced the Allegheny Regional Asset District to cut funding and solicit creative cost-saving strategies from applicants)



<sup>11</sup> Lodging taxes are also technically categorized as a local option tax. For purposes of this report and due to the wide range of models reviewed, lodging taxes are discussed in a separate section.



# Allegheny County (Pennsylvania) Regional Asset District

**Background:** Receives and administers funds generated by a 1 percent local sales tax. Revenues equally support “regional assets” and local tax reform at the county and municipal level. District formed to provide sustainable support to struggling cultural and recreational institutions and libraries, and to relieve property tax burden. RAD tax was first local sales tax added to the state tax.

**Yield:** Twenty-five per cent of total yield (\$150 million) funds county government; another quarter supports tax reform and regional initiatives in other county municipalities. The other half is allocated to support regional assets, 9 percent of which supports arts and cultural amenities (*Fig. 4.2*).

**Scope:** Nearly two-thirds of regional asset funds are directed to libraries and parks (which must serve more than one municipality), while 22 percent funds sports facilities. Approximately 85 arts and cultural organizations split 9 percent, which typically totals \$7.5 million.<sup>12</sup> Regional assets are required to submit funding requests each year, although “contractual assets” can receive up to five-year commitments.<sup>13</sup> Nine-tenths of the RAD budget funds operating grants, with the remainder applied to capital costs and administration of the RAD (by law, no more than 1 percent).

### Governance:

- Six-person staff; seven-member, nonpartisan Board of Directors, four appointed by Allegheny County commissioners and two by the Mayor of Pittsburgh; board elects seventh from a pool of nominees made by regional agencies; governor appoints one non-voting member
- Elected officials, appointed public officials, party officials and public employees are prohibited from sitting on the board
- Board appoints 27-member Citizens Advisory Board for recommendations on policy development and program implementation

### Other Comments:

- Board voted in 2002 to open the application process to community events
- Flat sales tax revenues in 2004 prompted Board to eliminate capital funding for all assets but city and county parks, institute cuts, and encourage merging of cultural assets<sup>14</sup>
- RAD funds do not support parks less than 200 acres; libraries that are not part of a library system serving multiple municipalities; project grants for planning or feasibility studies; or historical monuments, unless they are part of an otherwise eligible regional asset

**Big Picture:** In most cases, RAD funds represent a small percent of cultural organizations overall operating budgets. Foundations in Pittsburgh are among the largest in the country and include the Heinz and Mellon Endowments. Other supporters include the state and the city’s Urban Redevelopment Authority. The Pittsburgh Cultural Trust facilitates commercial and residential development in the city’s 14-block Cultural District, presents performances and exhibits, and markets the Cultural District as a destination.

## QUICK SUMMARY

Type:  
**Special District,**  
1- cent local sales and use tax added to 6-cent state tax.



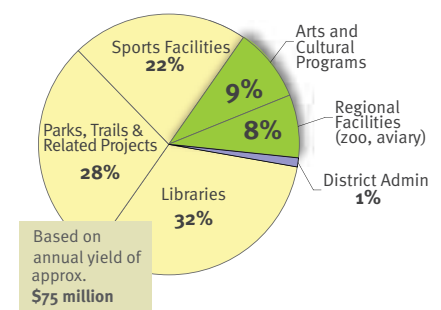
Annual Yield: **\$75 million** for regional assets

Scope:  
Regional assets include parks, libraries, arts and cultural organizations and sports facilities in Allegheny County. About 85 arts and cultural organizations receive annual awards

Range of Grant Size:  
\$2,250 - \$1 million (for annual grants; contract grants up to \$16.4 million)

History:  
Passed by state legislature in 1995

**Fig. 4.2**  
Average Distribution, RAD Sales Tax Proceeds



For more information:

<http://radworkshere.org>

<sup>12</sup> According to a 2003 resolution, RAD must dedicate at least 8 percent of its budget to arts and culture.

<sup>13</sup> Organizations in this category must have previously received more than \$500,000 in annual grant money and have operating budgets greater than \$1 million, among other criteria, include the Carnegie Museums of Pittsburgh, Allegheny County Library Association, Allegheny County regional parks, and the Phipps Conservatory and Botanical Gardens.

<sup>14</sup> Belko, Mark (Pittsburgh Post-Gazette). (2004, Aug.). “Tough Choices for Assets Board.”

## QUICK SUMMARY

Type:  
Special District, 1/10  
cent of sales and use tax



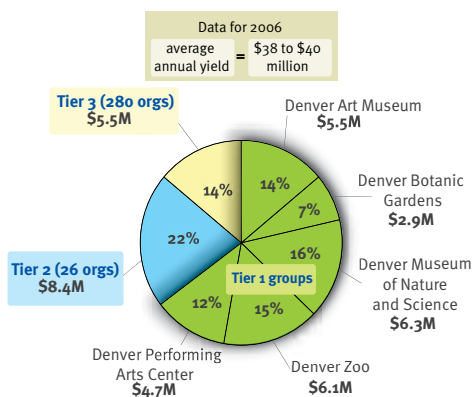
Annual Yield: \$38-\$40  
million

Scope:  
Operating and project support for  
300 arts and cultural organizations  
in seven-county Denver metropolitan  
area

Range of Grant Size:  
\$300 to \$6 million

History:  
Founded in 1988

**Fig. 4-3**  
Tier-Based Allocation of Funds, with  
Focus on Tier 1 Cultural



*“In a very real way,  
SCFD democratizes  
culture.”*  
-SCFD Web site

For more information:  
<http://scfd.org>

**Background:** A major fiscal crisis hit Denver’s arts industry in 1982 when the Colorado Legislature ended direct state financial support to four major institutions. Local government support and increased admission prices failed to make up the shortfall. The effort to form a regional base of support began when research showed most visitors to these institutions lived outside the city. The first referendum failed in 1986 due to cultural infighting. After an aggressive public relations campaign implemented by the cultural groups, voters in seven counties passed the ballot initiative by 75 percent. Noteworthy is that at this time Denver was in the midst of its worst recession in decades. SCFD was renewed in 2004 with 65 percent of the vote and will sunset in 2018.

**Yield:** \$38 million minimum yield backed by state statute; tax is estimated at \$13.62 per capita, with almost 860,000 out-of-state visitors generating the rest.

**Scope:** Recipient organizations categorized into three tiers with distinct funding criteria (Fig. 4.3):

Tier I: Largest, most broadly attended regional organizations whose allocations are written into the state statute; typically receive about 65 percent of the total annual yield, or about \$25 million.

Tier II: Fastest growing of the SCFD segments, Tier II organizations have operating incomes of at least \$1.25 million. Distribution formula is based on annual operating income and level of paid attendance. 26 organizations qualified in 2006, receiving 21 percent of total yield (\$8.4 million). No one Tier II organization can receive more than 25 percent of total Tier II funding.

Tier III: Includes over 280 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 receives 13.5 percent of the total yield, or \$5.4 million.

Of the distributed funds, 95 percent is unrestricted; the other 5 percent is discretionary, typically used for program support.

### Governance:

- Four-person staff; 10-member board of directors, three appointed by governor; seven by county commissioners (City Councils in Denver and Broomfield); administrative costs cannot exceed 0.75 percent of tax yield
- Board members represent education, business, government and foundations
- Each county has a County Cultural Council appointed by county commissioners to represent local constituent needs and evaluate and approve Tier III grant applications.

**Other Comments:** A complicating factor is that, as a matter of local control, municipalities may vote to opt out of the special taxing district. The Towns of Castle Rock and Larkspur opt out of the Regional Transportation District (of which the SCFD is coterminous) and thus do not pay the additional sales taxes.

**Big Picture:** Revenues from the dedicated sales tax account for up to 20 percent of overall revenues for the major cultural institutions.

## Broward County (Florida) Amusement Tax

**Background:** By Broward County ordinance, a portion of existing sales tax on admissions and specific purchases is dedicated to funding arts and cultural organizations. The levy is equivalent to the 0.25 cent retained by the county on a 6-cent state sales tax. Revenues flow directly to the Broward County Cultural Division. The tax is collected on admissions to entertainment venues including bowling alleys, race tracks, public golf courses, amusement parks and theaters. Taxable items later expanded to include a “music store” category (records and electronics), and “rental of tangible personal property” (movies, boats, computers). Exemptions include religious organizations, arts and cultural nonprofits, university performances and community events

**Yield:** Tax generates 83 percent, or \$4.7 million, of Broward County Cultural Division’s \$5.8 million budget, of which \$3.6 million is awarded to arts and cultural groups (*Fig. 4.4*).

**Scope:** Grants made for operations (with separate grant programs for small and minority-based culturals and large organizations) and projects (education, community development, cultural tourism and planning, and capital projects). Many require matching funds.

**Governance:**

- 23-member Cultural Council makes recommendations to Cultural Division
- Serves as central coordinating agency for the arts and as liaison between cultural organizations, government agencies and the private sector

**Other Comments:** Cultural Division produces videos and publications on county’s arts and culture; coordinates a Speakers’ Bureau to inform the public; runs Arts Line hotline with free cultural information; distributes brochures throughout Broward County library system, chambers of commerce and tourist destinations; produces Cultural Quarterly Magazine.

**Big Picture:** Cultural Division accounts for 4 percent of total revenues for larger cultural organizations, and 15 percent for small organizations;<sup>15</sup> supplemented by other dedicated arts and culture revenues, including the Florida Arts License Plate Program, and the Florida Cultural Endowment Program.

The amusement tax in Portland, Oregon is more narrowly implemented but is effective in generating targeted revenues (*Fig. 4.5*).

Amusement taxes are typically levied on admissions to sports events, for-profit art and entertainment performances and movies, but also may include golf courses, movie rentals and tickets to nonprofit arts and cultural events. Many regions struggle with the question of which organizations or events to exempt from the tax. Where the exemptions are clear, the tax is successful; where they are vague or confusing, the tax is often difficult to enforce.

**QUICK SUMMARY**

Type:  
Local Option  
Tax, one-  
quarter cent



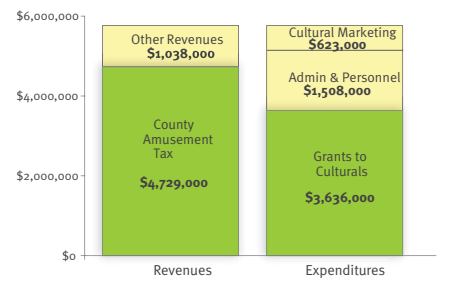
Annual Yield: \$4.7 million

Scope:  
Operating and project support for about 60 arts and cultural organizations in Broward County

Range of Grant Size:  
\$2,000 - \$300,000

History:  
Started in 1986, expanded to current scope over next eight years

**Fig. 4.4**  
1/4 cent Broward County Amusement Tax Yields \$4.7 million for County Cultural Grants and Operations, 2004



For more information:

<http://broward.org/arts/home.htm>

**Fig. 4.5 Portland, Oregon Amusement Tax**

Since the late 1980s a user fee has been added to the ticket price of all events in publicly-owned sports, arts and convention facilities. Portland’s user fee is unique in that it is based on a sliding scale that increases with the event’s ticket price (e.g., tickets \$1-\$10.00, fee is 50 cents, for \$10.01-\$22.00, fee is \$1.00, for \$22.01 and up, fee is \$1.50). The user fee applies to all groups, including nonprofits such

as arts and cultural institutions. The funds collected funnel directly to the public facility’s operating fund as earned income. The fees generate approximately \$1 million annually (provides 20 percent of annual operating budget to Portland Center for the Performing Arts). This model targets users of the specific facilities to help finance capital improvements and sustain operations.

<sup>15</sup> Bay Consulting Group. (2000, March). “Building the Cultural Mosaic of Broward County, Broward County Cultural Plan.”

## B. Lodging Tax

Most regions dedicate lodging tax proceeds to support tourism promotion, convention centers and bureaus, and economic development. Earmarking a portion of the tax for arts and culture asset support is fairly widespread across the U.S. (Fig. 4.6), a policy often justified from the standpoint that arts venues are tourist attractions, directly drawing visitors to the region or convincing others to extend their length of stay. Given a scan of tourist taxes around the U.S., one can conclude that lodging taxes are an expense travelers are accustomed to paying (Fig. 4.7).

### Strengths:

- Lodging taxes are not as controversial as other sales taxes in terms of building public support. Visitors, not local residents, pay the tax, purportedly to support the public goods and services they consume. (In St. Louis, the campaign slogan “Never paid it, never will” generated support for a lodging tax increase dedicated to the arts)

### Weaknesses:

- Higher taxes detrimentally affect demand for hotel rooms. Studies have shown that on average every 1 percent increase in the lodging tax results in a .44 percent drop in rooms rented<sup>16</sup>
- Sensitive to shifts in economy; not reliable as the sole source of support for arts and culture
- Potentially unfair to hotel industry in that other areas such as transportation are not taxed
- Revenues not as significant in smaller tourism markets (\$12.5 million raised in San Francisco compared to \$2 million in Columbus, OH)

Fig. 4.6

U.S. Cities adopting the Lodging Tax Model are shown on the map below. Those in red are featured in the pages to follow.

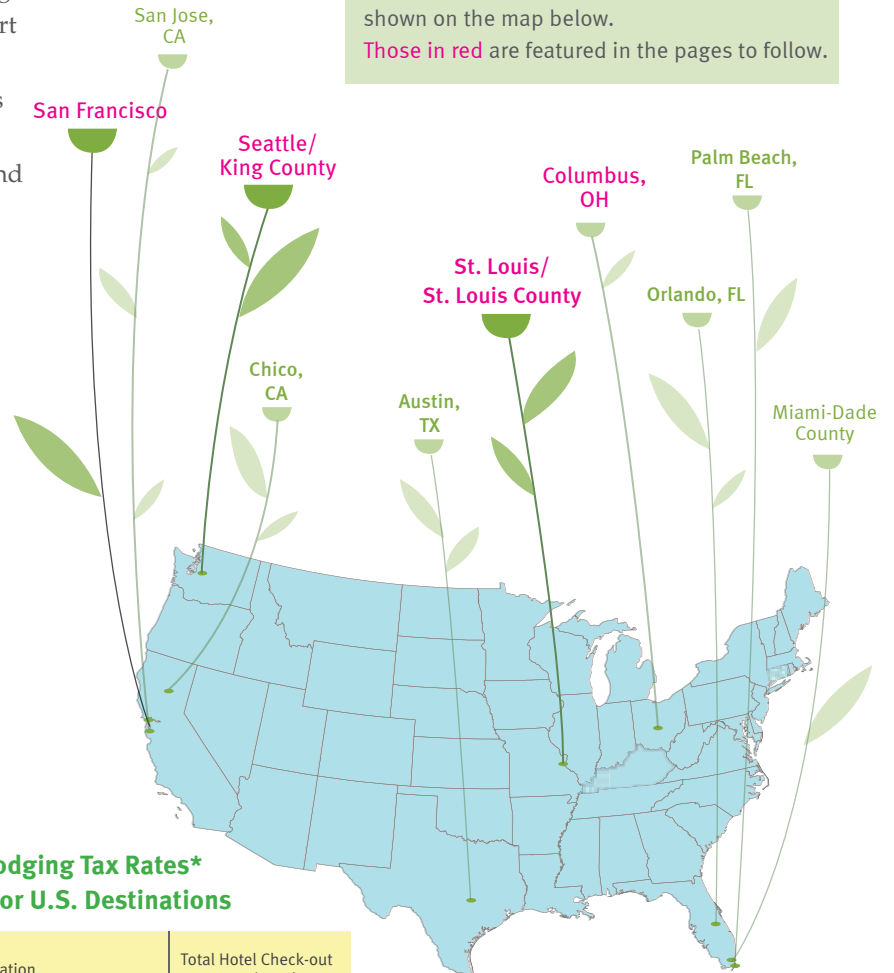


Fig. 4.7  
Total Lodging Tax Rates\*  
for Major U.S. Destinations

Destination	Total Hotel Check-out Tax Rates (2003)
Columbus, OH	16.8%
Seattle, WA	15.8%
Cleveland, OH	15.5%
Austin, TX	15.0%
St. Louis, MO	14.8%
Philadelphia, PA	14.0%
San Francisco	14.0%
Pittsburgh, PA	14.0%
<b>Buffalo/Erie County, NY**</b>	<b>13.8%</b>
Louisville, KY	13.5%
Denver, CO	13.5%
Durham, NC	13.0%
<b>Niagara Falls, NY**</b>	<b>13.0%</b>
Richmond, VA	12.5%
Boise, ID	12.0%
Lexington, KY	12.0%
Scottsdale, AZ	11.7%
Orlando/Orange Co., FL	11.5%
Detroit, MI	10.5%
Oklahoma City, OK	10.4%
Las Vegas, NV	9.0%
Fairbanks, AK	8.0%

\*Total rate reflects sum of all sales taxes, including lodging tax

\*\*Reflects recent increases - Erie County sales increase (2005) and Niagara Falls lodging tax increase (2006)

Source: Destination Marketing Association International

<sup>16</sup> Hiemstra, Stephen J., Joseph A. Ismail. (1992, Oct.). “Occupancy Taxes: No Free Lunch.”

# Grants for the Arts/San Francisco Hotel Tax Fund

**Background:** Established through a combination of city and state legislation in 1961, the San Francisco Grants for the Arts (GFTA) has served as a model for many other regions. As a “stable, dependable base of support for organizations that continue to meet the funding criteria,” GFTA aims to be at the center of San Francisco’s cultural identity, improving the city’s quality of life, economy and reputation.

**Yield:** Entire 14 percent lodging tax generates \$150 million annually, \$13 million (8.5 percent) of which is allocated to Grants for the Arts (Fig. 4.8).

**Scope:** GFTA primarily funds general operations for arts and culture organizations, although it also supports cultural tourism and special projects (Fig. 4.9). Operations support is based on a proportional percent of annual expense budgets, ranging from at least 15 percent of small organizations’ expenses to about 2.5 percent for the largest groups. GFTA supports arts and cultural events in the city, but does not fund individual artists (who receive support through the San Francisco Council on the Arts).

**Governance:**

- Operates out of the mayor’s office with five staff members overseeing daily operations
- No more than 4 percent of GFTA income may be used to support administration
- 10-person Citizens Advisory Committee appointed by mayor is GFTA decision making body

**Other Comments:** GFTA funds the Arts and Tourism Program managed by the San Francisco Convention and Visitors Bureau. GFTA also offers programs such as a free monthly performing and visual arts calendar; video program promoting the arts (available in 15,000 San Francisco hotel rooms); a Web site of San Francisco arts activities; technical assistance; and a Nonprofit Performing Arts Loan Program, a collaborative involving foundations and other City agencies to support arts organizations’ facility acquisitions and renovations.

**Big Picture:** GFTA represents only a slice of government support for the arts in San Francisco, which in 2005-06 allocated \$56 million to the city-owned War Memorial & Performing Arts Center, Asian Art Museum and Fine Arts Museums, as well as other related facilities and programs. Foundations provided an additional \$52 million to arts and culture in the city. Even given this significant level of support, 18 percent of San Francisco Bay areas arts nonprofits reported deficits in 2005. Many have not recovered from the California Arts Council’s suspension of funding in 2003-04.

**QUICK SUMMARY**

Type:  
Local Option Tax, 8.5 percent of total lodging tax revenues

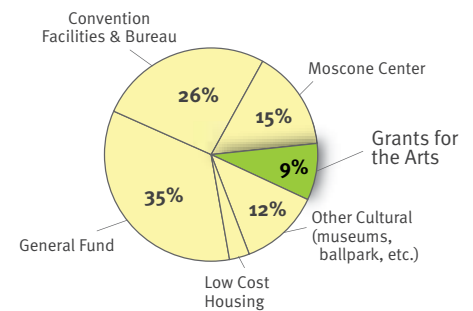
Annual Yield: \$13 million

Scope:  
More than 200 arts and cultural organizations in San Francisco

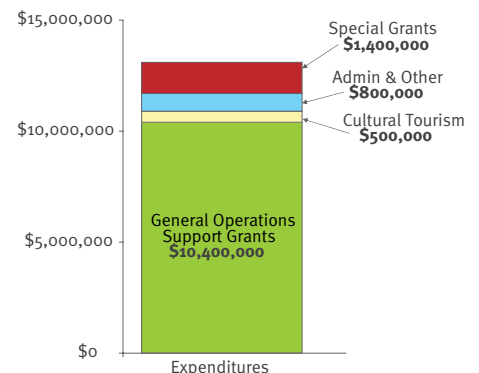
Range of Grant Size:  
\$5,000-\$700,000

History:  
First city to fund arts through lodging tax

**Fig. 4.8**  
San Francisco Lodging Tax Yields \$150 Million for Facilities, Marketing, and Arts/Cultural Organizations



**Fig. 4.9**  
GFTA Spending, 2005-06: \$13 million



For more information:  
<http://sfgfta.org>



## QUICK SUMMARY

Type:  
Local Option Tax,  
27 percent of  
total lodging tax  
revenues

Annual Yield:  
\$3.5  
million

Scope:  
More than 200 arts and cultural  
organizations in St. Louis and St. Louis  
County

Range of Grant Size:  
\$900 to \$670,000

History:  
Initiated as gap fund for arts and  
cultural groups not supported by the



*“Our position is, ‘we don’t want to tell you how to run your group, but this is public money,’ and we push them to follow [RAC] guidelines.”*

- RAC Executive Director  
St. Louis Post-Dispatch,  
Oct. 3, 2004

**Background:** In 1983, the region’s four major cultural institutions – the St. Louis Zoo, Art Museum and Science Center, and the Missouri Botanical Garden – received dedicated public support from the property tax. For the smaller organizations left out of this model, the county lodging tax increased from 3 percent to 3.75 percent. A Convention and Tourism Commission (receives 73 percent of tax revenues) and Regional Arts Commission (27 percent of revenues) were created to administer the new funds. An aggressive campaign backed by the cultural community provided the public relations support to pass the measure.<sup>17</sup>

**Yield:** 7.25 percent lodging tax typically generates about \$13 million, with \$3.5 million allocated to RAC.

**Scope:** RAC funds support qualifying nonprofit organizations that produce or present arts or cultural programs for the St. Louis region, as well as special programs and Commission initiatives. Matching funds are available for operating support (two-year grants) or program support for the development or presentation of arts or cultural programs. Generally, major institutions can depend on a consistent level of funding if they “maintain their level of quality.” Individual artists, capital improvements or equipment purchases are not eligible expenses.

### Governance:

- Executive director and a staff of nine administer grant program; up to 15 percent of RAC’s allocation may be spent for its administration
- Final funding decisions rest with 15-member Commission appointed jointly by the Mayor and County Executive; commissioners serve four-year terms
- Volunteer arm of the RAC – Arts Commandos – engages more than 500 community members in assisting arts and cultural organizations with projects; has completed more than 450 projects since 1990, ranging from painting to mailings

**Other Comments:** RAC provides services beyond funding support, including its nationally renowned Community Arts Training Institute, which links artists with social service agencies to build art programs; seminar programs on fundraising, marketing and board development; special promotional projects for the cultural community; and a Volunteer Lawyers and Accountants for the Arts program for free legal and accounting assistance. Arts and cultural organizations use RAC facilities for meetings and its rental space for performances, exhibitions and artist studios.

### Big Picture:

The St. Louis City and County property tax yields significant support for five of the region’s major arts and culture institutions leaving revenues from the lodging tax for the smaller organizations. A majority of arts groups funded by RAC count this grant as their single largest gift,<sup>18</sup> although RAC requires significant matching funds from other sources.

For more information:

<http://art-stl.com/main.cfm>

<sup>17</sup> Keaggy, Diane Toroian (St. Louis Post-Dispatch). (2004, Oct). “Patron of the Arts.”

<sup>18</sup> Ibid.

## 4Culture (Cultural Development Authority of King County, WA)

**Background:** The Lodging Tax for Culture was established by Washington state law in 1987 when the state legislature capped the amount of lodging tax revenues for servicing Kingdome construction bonds at \$5.3 million. Beyond that amount, seventy percent of the revenues were to be dedicated to arts and cultural groups in King County between 2001 and 2012,<sup>19</sup> after which all lodging tax revenues are to be dedicated to stadium debt service.<sup>20</sup> In anticipation of the loss of funding, 40 percent of the tax revenues for culture have been placed in an endowment since 2001, though the drop in funding will still be significant. Arts advocates are pushing to extend the dedicated lodging tax, but they are competing with other professional sports teams in Seattle who argue the funds are necessary for stadium upgrades.

**Yield:** In 2004, 4Culture received \$6.2 million from the tax yield (plus \$3.7 million from King County for 4Culture’s administration of public art projects). After other allocations, approximately \$2.9 million was distributed to arts and culture groups (*Fig. 4.10*).

**Scope:** 4Culture disburses its resources across several programs to arts and heritage groups, supporting operations (in 2006, \$1.3 million to 216 arts groups, and \$110,000 to 93 heritage groups); individual artists, special projects and community art programs (\$270,000 to 93 groups); and other projects.

### Governance:

- Officially the Cultural Development Authority of King County; replaced county’s Office of Cultural Resources in 2003
- Staff of 22; 15-member Board of Directors nominated by the King County Executive and confirmed by the Metropolitan King County Council
- Applications are reviewed through peer panel processes; panel recommendations are subject to final approval by Board of Directors

**Other Comments:** 4Culture partners with more than 150 arts organizations, arts funding agencies, service organizations and individuals to provide technical services, education and training. It also offers an on-site research facility, publications and Web links to arts organizations.

**Big Picture:** Other funding sources include ArtsFund, a United Arts Fund distributing individual, foundation and corporate support to arts organizations in King and Pierce Counties.

The lodging tax in Columbus, Ohio generates a smaller amount of revenue but is critical to the industry’s sustainability (*Fig. 4.11*).

### QUICK SUMMARY

Type:  
Local Option Tax, 70 percent of King County lodging tax revenues over and above first \$5.3 million



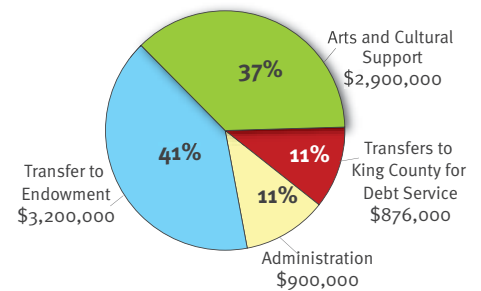
Annual Yield: \$6 million

Scope:  
Multiple programs, including operating support for nearly 300 arts and heritage groups in King County

Range of Grant Size:  
\$400-\$52,000 (operations grants)

History:  
Arts groups have received lodging tax revenues since 1990; 4Culture formed in 2003

**Fig. 4.10**  
Allocation from King County Lodging Tax Yields \$6.2 million for Arts & Culture and Other, 2004



For more information:

<http://4Culture.org>

### Fig. 4.11 Greater Columbus Arts Council

In 1981, the City Council designated for the first time a fixed percentage of lodging tax revenues (20 percent of the 4 percent tax) to be distributed by GCAC through its arts grants program. More than \$2 million annually is disbursed to approximately 70 arts and cultural organizations. GCAC provides technical services to artists and arts organizations, and administers the Columbus Arts Festival, the Business Arts Partnership

program and the Community Arts Education program. GCAC funds represents less than 5 percent of operating budgets, but serves to reaffirm continuing bipartisan support for the arts and their role in civic development, setting an important precedent for the private giving sector.



<sup>19</sup> From 1991 to 2000, the arts received 75 percent of revenues above \$5.3 million.

<sup>20</sup> The other 30 percent of “extra” revenues fund some stadium costs, acquisition of open space lands, youth sports activities and tourism promotion. Washington State lodging tax enabling legislation, <http://apps.leg.wa.gov/RCW/default.aspx?cite=67.28.180>.

## C. Property Tax

**Overview:** Property tax support for cultural assets usually is directed to parks, libraries, museums and other assets in a defined area. State government must pass legislation to create a special tax district empowered to levy the tax and disburse the revenues. Prior to state action, voters must approve the district and taxing level by referendum.

### Strengths:

- Stable and consistent source of income (assessed property values do not change drastically over short periods of time)
- Most effective where the tax base is growing

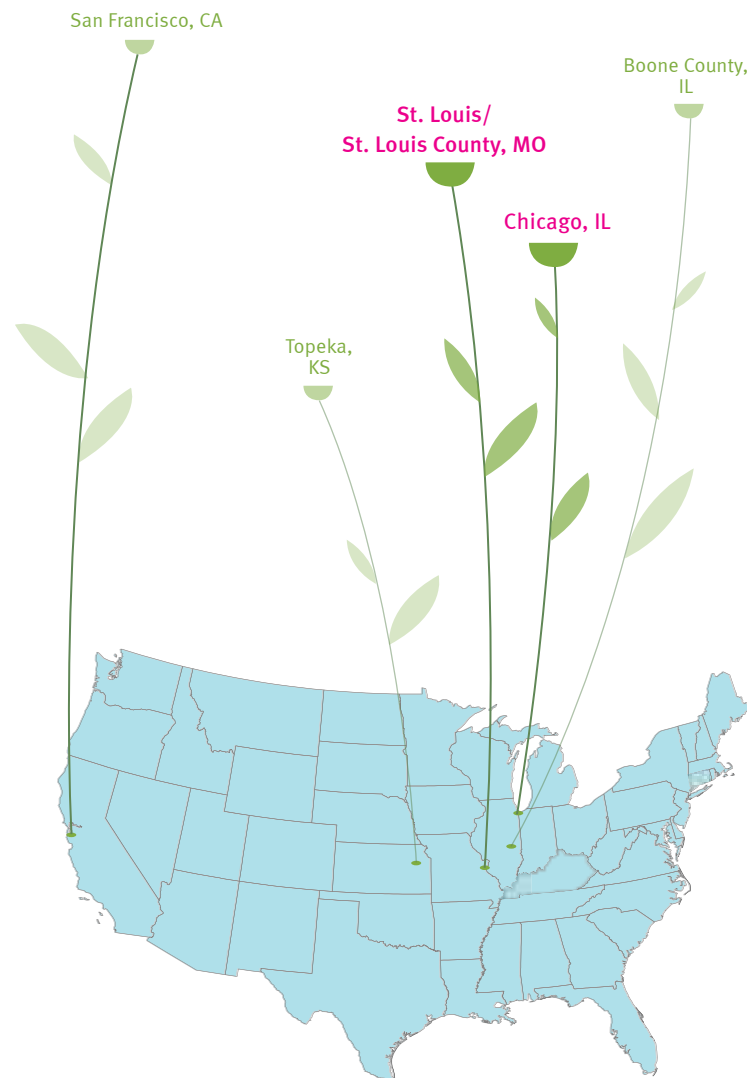
### Weaknesses:

- Completely borne by residents of the tax district, with no support derived from visitors. Many regions address this inequity by providing district residents free admission to the amenities supported by the tax. According to Missouri state law, admission to institutions supported by the Zoo Museum District revenues “shall be forever free and open to the public.”<sup>21</sup> In Chicago, however, the Civic Federation, a government research organization, has recommended eliminating property tax support for the arts and replacing those revenues with a 1 percent sales tax hike.

*“Relying on property taxes is not the most equitable means of raising the revenues necessary to support these institutions.”*

- Lawrence Msall, president, Civic Federation, Chicago  
As reported in the Chicago Tribune, May 15, 2006

Fig. 4.12  
U.S. Cities adopting the Property Tax Model are shown on the map below.  
Those in red are featured in the pages to follow.



<sup>21</sup> Americans for the Arts. (2005, Oct.). “Local Arts Policy.”



# Chicago, Cook County Special Tax Districts

**Background:** Twelve major cultural institutions in Cook County receive property tax-based funding from two independent taxing authorities, the Chicago Park District and Forest Preserve District of Cook County. The Chicago Park District is the oldest and, budget-wise, largest park district in the U.S. (approximately \$385 million annual budget). Within the Chicago Park District is Museums in the Park, a consortium of nine privately owned and operated museums, and the publicly owned, privately operated Lincoln Park Zoo. The Forest Preserve District of Cook County owns its component institutions – the Brookfield Zoo and Chicago Botanic Garden, which are each privately operated.

**Yield:** Chicago Park District institutions received \$45.7 million in 2002, \$42.2 million for operating support and \$3.5 million for capital support. The two Forest Preserve District institutions received \$22.8 million in operating support for the same year.<sup>22</sup>

**Scope:** The Chicago Park District is permitted to levy taxes up to 15 cents per \$100 of assessed value for the operation and maintenance of its arts and cultural institution. It is also empowered to sell bonds for capital improvements and to levy property taxes for bond debt service.<sup>23</sup> The Forest Preserve District levy – about 2 cents per \$100 of assessed value – accounts for about 1 percent of a typical Cook County property tax bill.

**Governance:**

- Both districts levy, collect and remit property taxes to the respective institutions
- Mayor of Chicago appoints the governing board for each district

**Other Comments:** In May 2006, a task force organized by the Civic Federation of Chicago recommended increasing the Cook County sales tax by ¼ of one percent to provide a more stable source of revenue for arts and culture while halving the property tax burden borne by county residents. The new tax would raise \$120 million, to be administered by a new Cultural Institution District. The 13 major institutions would divide, based on a formula, \$65 million for operations and \$40 million for capital. The new model would reserve \$15 million to \$20 million for “new and emerging institutions,” awarded via a grant application process.

**Big Picture:** In FY 2002 the Chicago Park District provided 11.2 percent of total revenues for the nine institutions located on its property; the Forest Preserve District of Cook County supplied 27.5 percent of revenues for Brookfield Zoo and the Chicago Botanic Garden. Also, the nine Museums in the Park institutions use buildings and land in the Chicago Park District free of charge. The City of Chicago’s Department of Cultural Affairs allocates less than \$2 million in small grants to 21 major institutions and 90 small institutions.

## QUICK SUMMARY

Type:

Special tax districts – Chicago Park District and Forest Preserve District of Cook County property tax

Annual Yield: \$65 million in operating support plus ongoing capital support funded by earmarked bond issues

Scope:

12 major arts and cultural institutions in Cook County

Range of Grant Size:

\$1.2 million to \$14 million

History:

Chicago Park District founded in 1869; Forest Preserve District, 1913

For more information:

<http://chicagoparksdistrict.com>  
and  
<http://fpdcc.com>

<sup>22</sup>The Lincoln Park Zoo is the only publicly owned institution of Museums in the Park. In 2004 a tenth organization, the Museum of Contemporary Art, joined the Museums in the Park. In that fiscal data are not available, this analysis excludes this museum.

<sup>23</sup>By legislation enacted in 1971, the Aquarium and Museum debt service levy enables the Chicago Park District to use special bond issues to fund up to 50 percent of expenditures for certain approved capital improvement projects by the Museums in the Park cultural institutions. This levy absorbs a significant portion of the museums’ public funding.

# St. Louis Zoo Museum District

## QUICK SUMMARY

Type:  
Five Special Tax Districts, each levying a property tax for a specific institution



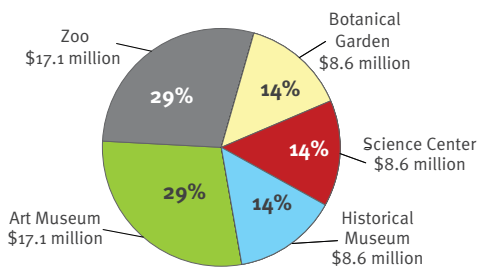
Annual Yield:  
\$60 million

Scope:  
Five major arts and cultural institutions in St. Louis and St. Louis County

Range of Grant Size:  
\$8.5 million to \$17 million

History:  
Established in 1971

**Fig. 4.13**  
St. Louis ZMD Property Tax Levy (28 cents per \$100 value) yields \$60 million for Key Arts and Cultural Facilities, 2004



For more information:

<http://www.stlouis.missouri.org/citygov/planning/research/data/about/government.html>

**Background:** The Zoo Museum District (ZMD), a regional district established by state law for the City and County of St. Louis, provides funding through the property tax to five institutions: the St. Louis Zoological Park; St. Louis Art Museum; Missouri Botanical Garden; St. Louis Science Center; and the Missouri History Museum. The model was conceived in the 1960s by leaders of the then city-owned Zoo and Art Museum which argued for a regionally-based, dedicated source of revenue in the face of the city’s declining population and tax base. To broaden the support base, the suburban St. Louis Science Center was added to the final legislation, which created a subdistrict for each of the three institutions. Residents voted to create additional subdistricts for the Botanical Garden in 1983 and the Missouri Historical Society in 1987.<sup>24</sup>

**Yield:** \$60 million annually for operational support of the five institutions (Fig. 4.13); the total tax levy is 28 cents per \$1,000 of valuation.

**Scope:** The property tax levies are administered across five subdistricts, each with a line item in the property tax bills of the approximately 1.35 million city and county residents. As approved by voters in the various referenda, residents pay a maximum levy of 8 cents per \$100 of assessed value each for the Art Museum and Zoo subdistricts, and 4 cents for the Science Center. The Botanical Garden and Historical Society each have a maximum levy of 4 cents per \$100 of assessed value.<sup>25</sup> The 2004 property tax line totaled 27.56 cents for every \$100 assessed.

**Governance:**

- Entire ZMD overseen by eight-member board, with four members each from the city and county, appointed respectively by the mayor and county executive
- Each subdistrict governed by a 10-member board of commissioners (five each from the city and county with four nonvoting advisory members)
- Voters approve the maximum tax levies, the district board determines actual rates for each subdistrict according to organizations’ budget requests and distributes funds

**Other Comments:** All institutions except the Botanical Garden are free to city and county visitors on Wednesday and Saturday mornings. Recently the five institutions consolidated efforts to negotiate for a group health care plan for savings. In 2004, the overall tax represented 3.77 percent of the total city property tax rate; the percentage ranges in the county.

**Big Picture:** ZMD is one of two major sources of public funding for the region’s cultural institutions – the Regional Arts Commission funds smaller cultural institutions. ZMD funding accounts for about one-third of the budget for the five major cultural organizations.

<sup>24</sup> Referendum to create a subdistrict for the St. Louis Symphony failed in 1989.

<sup>25</sup> Citizens have voted down two proposals (1987 and 1993) to increase maximum tax levy for the Botanical Garden.

## Real Estate Transfer Tax - Aspen, Colorado

To raise revenue for specific cultural or community projects, the city of Aspen currently has two Real Estate Transfer Taxes (RETTs) payable upon the purchase of all residential and commercial real property.

- Funds from the first tax (WRETT) are restricted to the restoration of the Wheeler Opera House and related debt service and maintenance. The first \$100,000 of each transaction is taxed at the rate of 0.5 percent. Enabling legislation for this tax authorizes that an amount not to exceed \$100,000 per year be apportioned to the arts
- A transfer tax for housing (HRETT) subjects every real estate purchase transaction for any amount over \$100,000 to a 1 percent tax, the proceeds of which fund affordable employee housing (approximately 80 percent) and daycare (20 percent), largely for the resort town's hospitality employees who cannot afford to live in Aspen

RETTs can be extremely lucrative, especially in strong real estate markets like Aspen, where the average 2006 residential sale price is \$4.8 million. In 2005, the WRETT generated \$5.3 million and the HRETT \$9.5 million.

As a proportionate tax on the rich, RETTs can help address the "costs" that an affluent community and hot real estate market bring to a community.

Collection of the tax is efficient and low-cost (all deeds recorded in the County Clerk's Office must be stamped as "RETT paid" or "RETT Exempt" prior to recording). Compliance is assured by the title companies and attorneys, as non-payment of RETT is an exception to clear title.

At the same time, revenues from the tax are variable and subject to the often unpredictable and steep drops in the real estate cycle. Also, determining which real property transactions qualify as "RETT exempt" is a cumbersome part of the enforcement process.

An alternative form of the RETT model in Pitkin County, Colorado, focuses on open space and asset improvements (*Fig. 4.14*).

**Fig. 4.14**  
**Real Property Tax – Pitkin County, Colorado**



**The Pitkin County Open Space and Trails Program began in 1990**

**when a majority of the voters agreed to enact an Open Space and Trails Property Tax. The 2.5 cents per \$1,000 of assessed value tax created a fund to "acquire, preserve, maintain and manage open space properties for multiple purposes including, but not limited to, recreational, wildlife, agricultural, scenic and access purposes; and to acquire, preserve, develop, maintain and manage trails for similar purposes."**

**In November 1999, voters extended the Open Space and Trails Tax for another 10 years and raised the rate to 3.75 cents.**

**The tax generates approximately \$5 million annually, which is further leveraged through borrowing to make large land purchases. To date more than 85 properties and approximately 13,300 acres have been protected.**

**The model is successful in protecting and maintaining access to the assets that attract people to Colorado in the first place.**

# Public-Private Models

Public-private models disburse the costs of providing dedicated annual support to a region’s arts and cultural industry across the industry’s most important donors. Those models with the public sector as the lead investor (cultural trust funds, creative districts) are effective in leveraging private support. United Arts Funds spread the burden of dedicated arts and cultural support equally across the private and public sectors.

## A. United Arts Funds

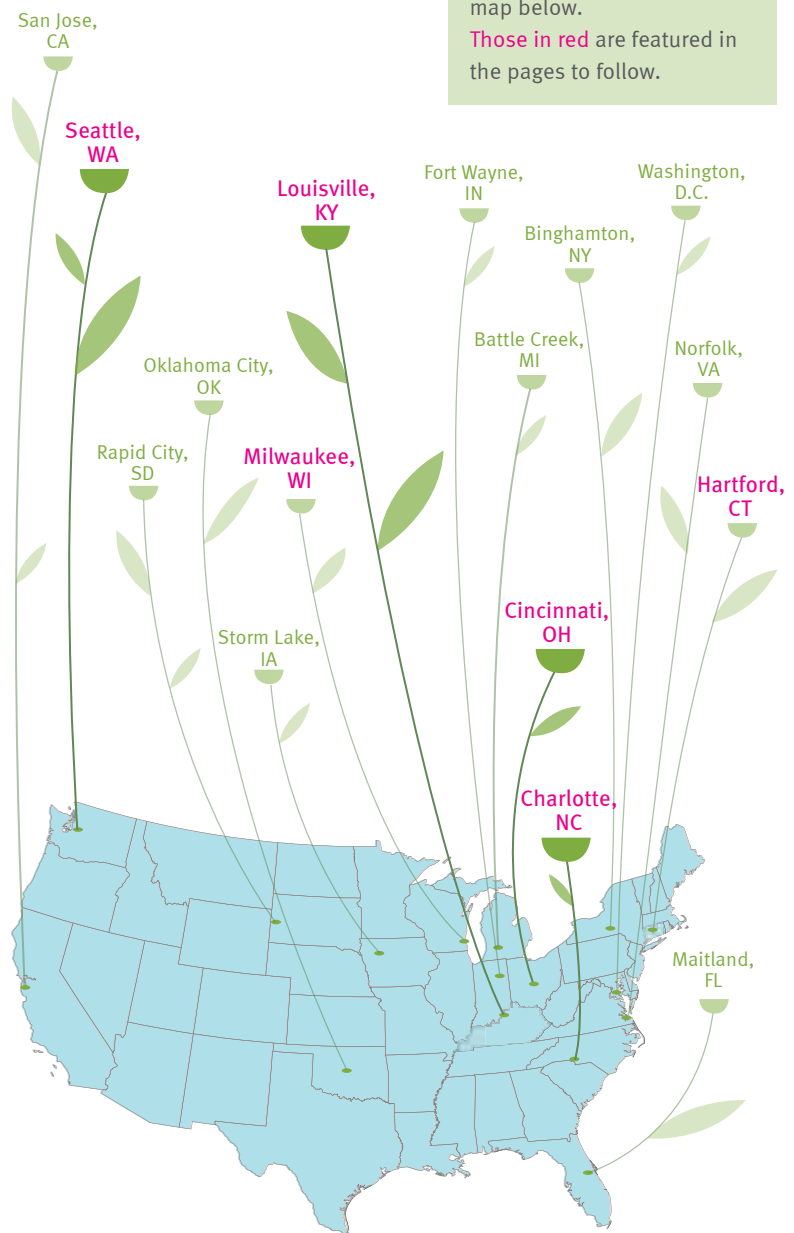
Since 1949, when Cincinnati formed the first United Arts Fund (UAF), more than 100 regions have designed their own version of a federated campaign for arts and culture fundraising. Through an annual campaign not unlike that of the United Way, UAFs solicit donations from individuals, corporations and foundations. In some regions, the public sector funnels its support to the UAF for distribution to arts and cultural groups. Most UAFs function as the local arts agency, serving as an advocacy group for the arts industry, providing a communication forum for the organizations and offering technical assistance.

Charlotte Mayoral Candidates on the Arts & Science Council (2005)

*“I thank the ASC for screening the scores of applicants for funding, establishing priorities and distributing financial support to deserving and promising groups.”*

*ASC “has allowed the city council to focus time and attention on the broader city budget issues.”*

Fig. 4.15  
U.S. Cities adopting United Arts Funds are shown on the map below.  
Those in red are featured in the pages to follow.



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**Strengths:**

- Valued for taking on the bulk of the fundraising burden for cultural groups (most organizations still maintain their own development and fundraising staffs, though major capital and other fundraising campaigns typically need to be coordinated with the annual campaign of the UAF)
- Relieves donors of the responsibility of selecting among the various cultural organizations. Most UAFs do not accept or discourage donors from designating a recipient
- Benefits from a broad governance structure with typically large boards of directors representing donors, artists, the private, public and nonprofit sectors, and the region's geographic and ethnic diversity
- Particularly successful in increasing corporate support to arts and culture (42 percent of UAF donations are corporate, according to Americans for the Arts)
- Through workplace giving campaigns, can help increase public participation in the arts (campaigns often bring performances, exhibits and workshops to offices to garner support; many UAFs offer donors discount cards for admission to arts and cultural venues)

**Weaknesses:**

- Cited as a barrier between the donor and the recipient
- Requires large staffs, even while most cultural and arts organizations maintain their development teams
- Dissatisfaction by the recipient organizations with gift levels is common (for instance, a cultural board member may make a large donation that year, but the cultural itself receives a funding cut from the UAF)
- Board members of recipient agencies or cultural fundraising staffs themselves may not fundraise as aggressively under the presumption that the UAF is managing the process
- Requires time to build credibility and rapport with the donor community and with regional leadership

## QUICK SUMMARY

Type:  
United Arts Fund

Annual Yield:  
approximately  
\$16.6 million

Scope:  
Operating  
support for 26 ASC affiliate arts  
and cultural groups in Charlotte-  
Mecklenburg County; program support  
for individual artists, community  
groups and private schools

Range of Grant Size:  
\$30,000 to \$1.8 million

History:  
Established in 1958



**Fig. 4.16**  
2005 ASC Annual Fund Drive -  
10.3 Million

300 Workplace Giving Campaigns

450 Corporate Donations

40,000 Individual Donations  
(22,000 of which were \$50 or less)

**Fig. 4.17**  
Arts & Science Council Annual  
Campaign Poster



Copyright Arts & Science Council

For more information:

<http://www.artsandscience.org>

**Background:** The nonprofit Arts & Science Council serves as the oversight, planning and funding entity for the cultural community of Charlotte-Mecklenburg County. It provides annual support with resources from its Annual Fund Drive, local, state and federal government allocations and its endowment. Its growth has been sharp in the past several years (Annual Fund Drive raised \$4.6 million in 1996 compared to \$10.3 million in 2005).

**Yield:** Private and public support to the Arts & Science Council totaled \$16.6 million in 2005, 84.2 percent (\$13.9 million) of which was allocated to arts and cultural groups and programs.

**Scope:** The Arts & Science Council's Basic Operating Grants program supports the Council's 26 affiliate arts, science, history and heritage organizations.<sup>26</sup> Operating grant support totaled \$11 million in 2005. Other ASC grant programs include Regional Artist Project Grants (alternates disciplines every year to support individual artists); Community Cultural Connections (to increase neighborhood access to arts and culture); and Cultural Education in Schools (to increase access to arts and culture in private schools).

The ASC Annual Fund Drive raised more than \$10 million in 2005 from corporations, foundations and individuals (*Fig. 4.16*). Individual donations through workplace campaigns accounted for 70 percent of dollars raised in 2005. Additional support to the ASC was received from the City of Charlotte (\$3 million) and Mecklenburg County (\$1 million), as well as the North Carolina Arts Council, the council's endowment and Charlotte-Mecklenburg Schools.

### Governance:

- Governed by a diverse 57-member board, with a staff of 28 supporting daily operations (administration and fundraising costs total about 16 percent of the annual budget, or about \$2.5 million)
- Volunteer review panel – representing cultural and community organizations, donors, civic leaders and members of the community – makes recommendations to the ASC board
- ASC has built a \$26.5 million endowment since 1995

**Other Comments:** The annual fund drive is supported by a creative public campaign (*Fig. 4.17*). Other programs managed by ASC include a "Connect with Culture Card" providing donors with discounts to participating organizations; technical assistance for affiliates; a leadership program for emerging cultural leaders; and fund-drive resources for participating organizations.

**Big Picture:** ASC is the most significant source of funding for larger arts and cultural groups, and an important source of program support to smaller organizations. ASC is noted for its rapport with local officials, school boards and corporations. Each year ASC holds a recognition event for elected officials and school boards as well as an orientation for incoming elected officials to acclimate them to the cultural community.

<sup>26</sup> Associates are nonprofit, tax-exempt, Mecklenburg County-based organizations that are approved members of the Arts & Science Council. Affiliate groups' individual fundraising activities are restricted during the Annual Fund Drive; ASC expanded its scope in 1999 to include history/heritage organizations and added seven such groups as affiliates.



# ArtsFund – Seattle and King and Pierce Counties

## QUICK SUMMARY

Type:  
United Arts Fund

Annual Yield: \$4 million (majority of which are operations grants)

Scope:  
75 arts and cultural groups in Seattle and surrounding King and Pierce Counties

Range of Grant Size:  
\$200,000-\$300,000 for sustaining grants to major cultural; \$1,000-\$30,000 in discretionary grants to smaller groups

History:  
Founded in 1969 by business leaders

“Creative in Seattle”  
Seattle area is No. 1 in the U.S. in “arts per capita,” or arts-related businesses, institutions and organizations per capita.

Study by Americans for the Arts, as reported in Seattle Post-Intelligencer, July 1, 2004.

For more information:  
<http://artsfund.org>

**Background:** Seattle area business leaders formed ArtsFund in 1969 as a unified vehicle for corporate and workplace giving for arts and culture. ArtsFund has grown into a major industry supporter and a catalyst for important arts issues.

**Yield:** \$4 million annually through corporate and workplace giving and a \$10 million endowment.

**Scope:** Distributed to a core group of King and Pierce County cultural, ArtsFund’s sustaining grants are supported by the annual campaign as well as proceeds from an ArtsFund-owned classical radio station. Many corporate donations to ArtsFund are provided in the form of special programs and awards. Wells Fargo Company supports an annual Wells Fargo Education Enhancement Award, while Bank of America contributes to the Bank of America Students Arts Access Fund. Arts and cultural groups may also apply for annual “add-on” grants, including a diversity fund formed by a group of corporate grantmakers to improve board, staff and audience diversity. Employees of more than 40 local businesses and government agencies contribute to ArtsFund.<sup>27</sup> Smaller discretionary grants support small and mid-size arts groups.

**Governance:**

- Two separate committees for King and Pierce Counties composed of business leaders, corporate grant makers and private philanthropists review applications and interview the organizations seeking support

**Other Comments:** ArtsFund also serves as an information resource for the business community and an advocate for the cultural community. In addition to establishing special funds, ArtsFund accepts planned gifts such as bequests, endowments, appreciated property or securities, charitable trusts and life insurance. In 1999 a local foundation donated a 16,000-square-foot building.

**Big Picture:** Seattle and King County arts and cultural groups also receive \$6 million in funding through 4Culture, which distributes revenues from the King County lodging tax.

**Fig. 4.18**  
**Other United Arts Funds**

**Fig. 4.19** UPAF campaign poster



Copyright: United Performing Arts Fund

Model	Region	Annual Yield	Scope	Individual Campaigns Allowed?	Designated Donations Accepted?
United Performing Arts Fund	Six-county Milwaukee metro	\$10 million	\$8 million to 18 members for operations; 19 affiliates apply annually for smaller awards	Not during public campaign	No
Fine Arts Fund	Cincinnati metro (incl. KY)	\$11 million	\$10.3 million to 18 large and mid-sized members; \$400,000 to smaller cultural	Not during public campaign	Discouraged
Greater Hartford Arts Council	34 towns in Greater Hartford	\$4 million	150 arts and heritage organizations apply for grants for operations, projects and events; most goes to 36 leading organizations for operations	No operations funding requests from corporate donors	Discouraged
Fund for the Arts	Louisville metro (incl. IN)	\$7.8 million	\$5 million to 26 members and programs; 200 grants to neighborhood groups and school arts programs	Yes	Discouraged

<sup>27</sup> Employee donations are not charged any overhead.

## B. Cultural Trust Funds

Cultural Trust Funds combine public and private contributions into a permanent investment fund yielding annual income for distribution to cultural organizations. Often leveraging private support through state matching funds, Cultural Trust Funds have been established in several states (including Texas, Connecticut, Arizona, Florida, Oregon and Iowa). More than a dozen states are involved in some stage of the process, either navigating legislative approval or exploring possibilities.

### Strengths:

- Stable supplement to less predictable state appropriations for arts and culture
- Trust funds encourage private support by matching private donations with state funds
- Typically available for the support of arts and cultural organizations' operating budgets

### Weaknesses:

- Politically more difficult to establish; enactment may take years and requires statewide buy-in
- Dependent on private support to leverage the state dollar-for-dollar match
- Requires strong investment returns for success (the early years of this decade were difficult for many of these trusts)
- Not immune to the effects of strained state budgets. The Missouri Cultural Trust, administered by the Missouri Arts Council, dwindled until it was canceled in 2006. Faced with a major deficit between 2002 and 2004, the state de-funded the Arts Council and paid nothing into the trust, forcing the Arts Council to dig into the trust to operate

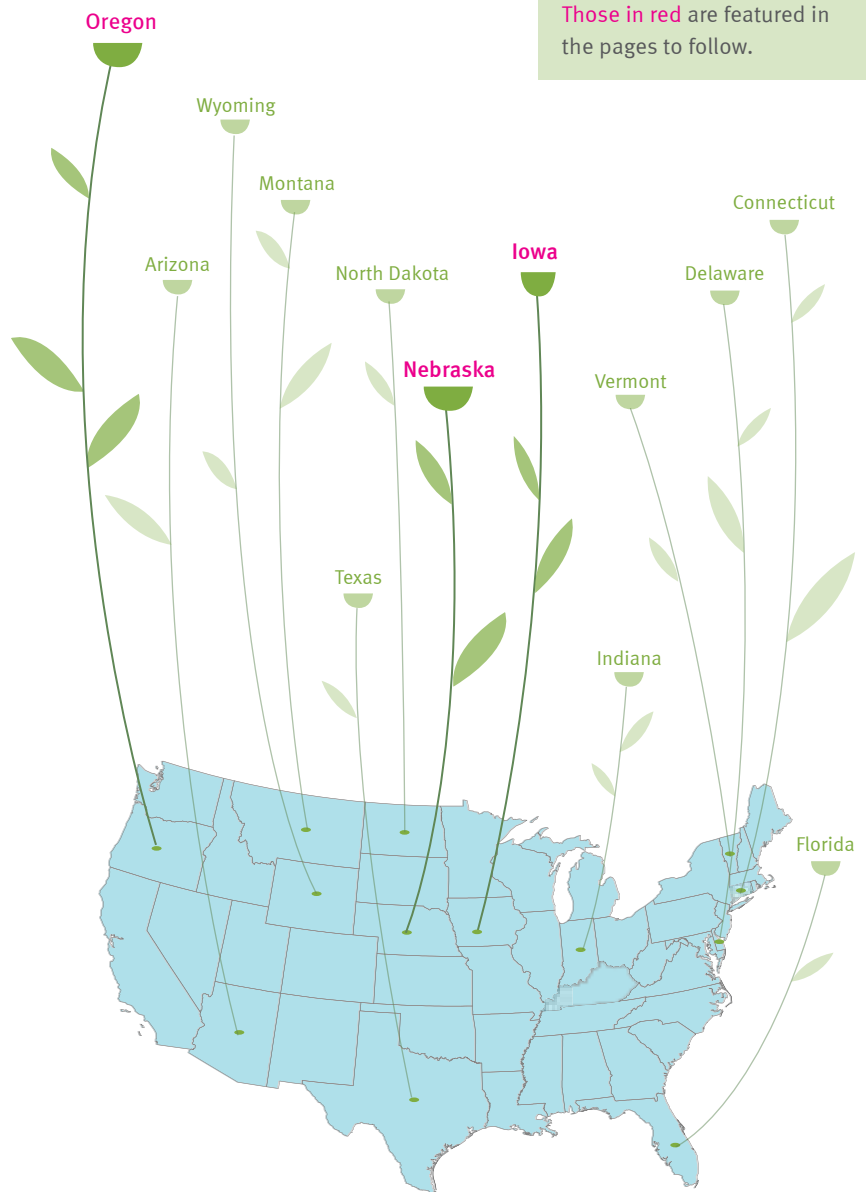


Fig. 4.20

U.S. States adopting Cultural Trust Funds are shown on the map below.

Those in red are featured in the pages to follow.



## Nebraska Cultural Preservation Endowment Fund



The first state to create a public-private partnership for arts funding, Nebraska

began the Cultural Preservation Endowment Fund in 1998 with a transfer of \$5 million from the state general fund. The legislature's intent was to create a stable financial base for the arts and humanities in Nebraska. The state matches dollar-for-dollar donations from private, non-state sources. Investment earnings from the fund are then credited to the Nebraska Arts and Humanities Cash Fund administered by the Nebraska Arts Council.

- The fund averages \$400,000 annually (there was no distribution from mid 2000 to 2002 due to poor investment returns)
- Those eligible to receive funding from the Nebraska Arts Council and the Nebraska Humanities Council can apply for funds from the endowment
- 70 percent of funding pot goes to Nebraska Arts Council and 30 percent to the Nebraska Humanities Council
- Governed by a 501c3 organization with a 14-member board of directors dedicated to raising private money as a permanent match to the state's fund (to date it has raised \$3.5 million toward the \$5 million goal)

## Oregon Cultural Trust Fund



*Give the Gift that Grows*

The Oregon legislature formed the Oregon Cultural Trust Fund in 2001 with a goal to raise \$218 million over 10 years to support arts, humanities and heritage organizations.<sup>28</sup> The fund's primary revenue sources include 1) sale

of surplus state land; 2) personal and corporate income tax credits (the Culture Tax Credit), and 3) yield from cultural license plate fees. The tax credit program provides a dollar-for-dollar income tax credit for donations to the trust or to any of the state's 1,100 qualifying cultural organizations, with a limitation of \$500 for individuals, \$1,000 for couples filing jointly and \$2,500 for Oregon corporations.

About half of the annual yield (58 percent) is reserved for the endowment, with the remainder distributed as follows:

- 7.5 percent of disbursements to Trust operations
- 1/3 of remaining funds to Cultural Development Funds (competitive grants for organizations' operating and capital needs)
- 1/3 to Community Cultural Participation Funds (allocations to each Oregon county and Native American tribe based on population and geography) and
- 1/3 to the Core Cultural Partner Agencies (Oregon Arts Commission, Heritage Commission, Historical Society, Council for the Humanities and State Historic Preservation Office) to support partnerships and collaboration and underfunded existing programs

### Fig. 4.21 Iowa Cultural Trust Fund

- Established in 2003
- Funded by direct appropriation from the legislature, to earmark \$1 million annually until 2013
- State funds are not deposited into the trust until new local investment in local cultural organizations is demonstrated
- 2006 balance is \$2.5 million
- Cultural organizations report to the Iowa Department of Cultural Affairs new local contributions, which trigger the draw-down of state dollars into the trust
- Cultural Trust grants are distributed statewide based on a competitive application process
- Trust dollars supplement other state revenue streams to provide operating support

<sup>28</sup> While the endowment grows, the Trust provides regular support to the state's arts and cultural assets.

## C. Creative Districts

Cultural districts represent a concentration, or a geographic clustering, of the creative industry, with creative individuals (as opposed to businesses) as the epicenter of the creative economy. Typically they are jump-started by a major investment by the local government. In the U.S. there are more than 90 planned or existing cultural districts, including those in Boston, Charlotte, Dallas and Pittsburgh.

### Strengths:

- Leverages public dollars for private investment
- Largely a market-driven model
- Politically and legislatively simple relative to other models engaging the public sector
- Can revitalize neighborhoods (artists, actors and musicians need places to live and work)
- Spurs new business development to support creative enterprises (marketing, printing, communications)

### Weaknesses:

- Does not provide regular operating support for arts and cultural organizations
- Limited by geography

### Paducah Artist Relocation Program:

In 2000, leaders of this small town in Kentucky devised a simple plan to overcome the decay and blight in the historic Lower Town neighborhood – bring in the artists. Generated by a city planning official and a resident artist fed up with open drug trafficking, the artist relocation program was based on the premise that artists would seize the opportunity to clean up a historic neighborhood on which others had given up. “Artists deal in potentials – they envision what things can be,” said Tom Barnett, the city planner.

To start, the city government changed the law to prohibit landlords from renting buildings not meeting code, giving the city the power to acquire problem properties. Then the local bank agreed to provide 100 percent financing for the purchase and rehabilitation of the homes. A targeted and intense marketing effort followed (Fig. 4.22). By 2006, 45 artists had set up residences, studios and galleries. Restaurants and shops, and new residential construction, have sprung up around the neighborhood. In all, artists

in the program have invested more than \$21 million in the area, leveraging a more than 14-to-1 return on the city’s initial investment. Moreover, the program, which has become a national model for linking the arts and economic development, has generated interest in the region’s broader arts and cultural assets including a Museum of the American Quilter’s Society, a performing arts center and historical museums. Other regions have achieved urban regeneration through smaller cultural district programs (Fig. 4.23).

**Fig. 4.22**  
A clever and aggressive marketing campaign, dubbing Paducah the “Soho of the South,” was critical to relocation programs success.

Copyright:  
<http://www.paducaharts.com/>



### Fig. 4.23 Santa Ana Artists District

In the late 1990s, the City of Santa Ana, CA, partnered with California State University

Fullerton, to transform a block-long shopping arcade into the Grand Central Art Center.

Nearly \$7.5 million later, the city had established the anchor and catalyst for a ten-square block area in the heart of downtown designated as the Artists Village. The success of the center and the surrounding

Artists Village has launched a cultural and economic renewal in the city once plagued by one of the highest crime rates in the U.S.



Copyright California State University, Fullerton <http://www.fullerton.edu/virtualtour/over/gcac.html>

The Grand Central Art Center features 27 residential units (for which there is a waiting list), studio space and galleries, and a theater, restaurant and gift shop. The center generates enough income to support basic day-to-day operations. A restaurant, printmaking studio and classroom/computer lab are subleased to third-party operators.

## Other Public Models

Most other models of dedicated arts and culture support are overseen by the public sector, which has the power of legislation to establish stable funding mechanisms. The few instances of public sector arts and cultural funding models that are not funded primarily by tax revenues typically do not generate significant revenues (utility bill late fees, cultural license plate programs). Casino and gaming revenue sharing models are an exception to that rule, and are becoming more common due to the growth of such enterprises across the U.S. and internationally.

### A. Casino and Gaming Revenues

Casino gambling has grown exponentially in the U.S. over the past two decades. Today, 28 states have some form of casino gambling (only 11 have commercial, non-Native American casinos). Total gaming revenues have nearly doubled in the past decade, from \$45 billion in 1995 to nearly \$79 billion in 2004.<sup>29</sup> Casino growth in Canada has been just as significant. Over the past three decades, but especially in the 1990s, legalized casino gambling has grown to the point that its significance as a revenue source for provincial governments approaches that of tobacco and alcohol taxes.<sup>30</sup>

To reap a share of the casino profits, many communities have instituted agreements extending portions of casino revenues to crime, education and other social programs, while some funds are diverted to state and local governments' general funds. The arts and culture sector benefits indirectly through economic development projects funded with casino profits and, less commonly, directly from revenues distributed to the organizations themselves. Many casinos voluntarily offer community grant programs.

#### Strengths:

- Revenues are potentially lucrative (Americans as a whole spend twice as much on gambling than they do on movie tickets, CDs, sporting events and concerts)<sup>31</sup>
- Gambling policies appear to be more stable and less subject to citizen-forced change as the industry becomes more widespread in the U.S.

#### Weaknesses:

- Proceeds can be perceived as a replacement of government funding at the local and state levels
- Subject to economic cycles and casino profit levels
- Gambling generally viewed as a regressive tax (the poor spend disproportionately more dollars on gambling)

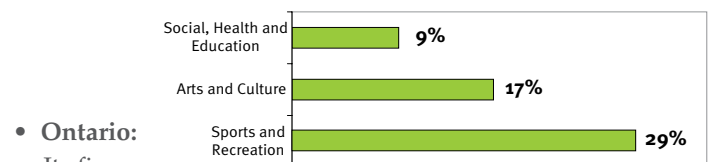
Massachusetts is the only state in the U.S. to fund its arts agency with lottery funds – a portion of its Megabucks Lottery (\$8 million budgeted for 2007) is earmarked for the Massachusetts Cultural Council. Casino support can also be generated by gaming taxes. In Deadwood, South Dakota,

about \$6 million to \$6.5 million of the 8 percent gaming tax is designated to the Deadwood Historic Preservation Commission, a portion of which may be used for arts projects related to historic preservation. Colorado's gaming taxes, which range from 0.25 percent on \$0-\$2 million in adjusted gross proceeds to 20 percent on proceeds above \$15 million, support a variety of services. Twenty-eight percent of the tax revenues are provided to the Colorado Historical Society for historical preservation grants.

Many examples of direct arts and culture support through lotteries and/or gambling are international (England, Ireland, New Zealand, Finland, Germany and Canada)

**Canada:** Provincial governments commonly earmark gaming profits for health, public works and culture, often establishing a new agency to distribute funds to charitable groups. Some provinces have established specific "charitable casinos," the profits of which are wholly designated for charity. The relative significance of gaming grants is high for Canadian arts and cultural groups. In 1998, 17 percent of arts and culture organizations in the provinces of Ontario, Alberta and Saskatchewan reported over half of their revenues from gaming grants (*Fig. 4.24*).<sup>32</sup>

**Fig. 4.24**  
Proportion of Nonprofits Reporting Over Half of Their Revenues from Gaming Grants, 1998



- **Ontario:** Its five charitable casinos (does not include Niagara Falls casinos) allocate \$100 million annually to Ontario's Ministry of Culture. The Trillium Foundation, an agency of the ministry, then distributes the funds to charities and nonprofits across four sectors – Arts and Culture, Environment, Sports and Recreation, and Human and Social Services

<sup>29</sup> American Gaming Association. (2006, June). "Gaming Revenue: 10-Year Trends and States With Gaming."

<sup>30</sup> Canada West Foundation. (2005, June). "Gambling in Canada 2005, Statistics and Context."

<sup>31</sup> Peterson, Kavan (Stateline.org). (2006, May). "48 States Raking in Gambling Proceeds."

<sup>32</sup> Canada West Foundation. (1999, July). "The Impact of Gaming Upon Canadian Non-Profits: A 1999 Survey of Gaming Grant Recipients."

- **Alberta:** Has eight grant agencies to administer gambling proceeds, including the Alberta Foundation for the Arts and the Alberta Historical Resources Foundation

**England:** The National Lottery of England, established in 1994, earmarks a minimum of 25 percent of its lottery income to a National Lottery Distribution Fund, which is divided equally among several “good causes,” including the arts, sports, heritage and charities. These funds have provided approximately \$500 million to the Arts Council of England for distribution to capital projects, film production and dance and drama students funding. Out of these funds have risen the Tate Modern Museum and the Royal and English National Operas.

## B. Utility Bill Late Fees

For regions with public utility companies, revenues for arts and culture can be generated through a portion of late fees on utility bills.

### Strengths:

- Stable base of support
- Easy to administer

### Weaknesses:

- Revenue stream is typically small
- Requires a public utility

Nonprofit organizations in Wilson, North Carolina, population 45,000, benefit from the late fees residents pay on their utility bills.

Wilson Energy, the city’s public electric and natural gas utility, collects the late fees which are then allocated to community nonprofits by the City Council based on a non-competitive funding formula.



Eight nonprofit organizations in the city, including the Arts Council of Wilson and the Imagination Station Science Museum, have received the same amount each year since the funding formula was instituted in 2003.

Grant awards in 2005-2006 totaled \$410,000, of which \$100,000 was for the Arts Council and \$75,000 for the Science Museum. The City Council also has the discretion to award five mini-grants of \$500 apiece to nonprofits throughout the year. These are typically given for community improvement projects.

## C. Cultural License Plates

Specialty arts and culture license plates are available in several states, including New York, for an extra annual fee. Proceeds are typically funneled to a state arts agency or cultural trust to supplement the pool of arts funding available.

### Strengths:

- Provides conspicuous support for the arts
- Program is relatively easy to administer given existing motor vehicle licensing procedures and infrastructure

### Weaknesses:

- Many states offer multiple, and in some cases dozens, of custom plates for other worthy causes (the environment, sports, cancer research, etc.), which dilutes the revenue potential for such a program

### New York State

New York State offers two types of custom plates in support of arts and culture – the New York State



Cultural Institutions and Museums license plate (above) and the New York State of the Arts license plate. The New York State Department of Motor Vehicles charges an annual renewal fee of \$25 for each custom plate, \$15 of which is allocated to the New York Council on the Arts (State of the Arts plate) and the Arts Capital Revolving Fund (Cultural Institutions and Museums plate).

### California

California’s Arts License Plate (introduced in 1994) was the first license plate in the nation designed to benefit the arts. A standard Arts License Plate fee is \$50; a personalized plate is \$90. Annual renewal fees are \$40 and \$70 respectively. For each Arts License Plate, \$34.63 of the initial purchase and \$40 of the renewal (the entire renewal for a standard Arts License Plate) support the California Art Council for arts education and local arts programming. Since 1994, more than 126,000 California Arts plates have been sold raising more than \$7 million for arts education.



## Florida

The Florida Arts License Plate Program was created by the Legislature in 1994 to support the state's Division of Cultural Affairs.

Since 2003 funds have been allocated directly to each county based on the number of plates sold there.

More than 100,000 plates (\$20 apiece) have been sold to date, generating \$7.2 million for arts organizations, programs and activities.



## Oregon

The Oregon Cultural Trust was authorized to create a unique license plate to generate revenue for and build awareness of the Oregon Cultural Trust. State residents pay an additional \$35 (\$30 due annually thereafter) upon registration. Proceeds from the surcharge support the cultural trust and its grants programs.



## Other Regions

### A. Cleveland-Cuyahoga County, OH

This region has been grappling with the issue of public support for arts and culture for many years. In addition to government funding cuts at the local level, the Ohio Arts Council has cut funding significantly in the last several years.

In 2004, Cuyahoga County voters narrowly defeated Issue 31 proposing a \$21 million hike in property taxes to fund local industries, including the arts, for purposes of economic development.



For the 2006 ballot, the county has proposed a 30-cents-per-pack hike in the cigarette tax to create a pool of about \$23 million in matching funds for county arts and cultural operating expenses and special projects. The fund would be administered by the Cuyahoga County Regional Arts and Culture District, a political subdivision of government formed in 2005, with the county Board of Commissioners as its board of trustees

### B. Detroit, MI

In 2002, voters of Michigan's Wayne (includes Detroit) and Oakland Counties defeated a proposal to raise taxes on commercial and residential properties to generate \$46 million annually for 10 years. Two-thirds of the funds would support 17 large and medium-sized cultural groups, with the rest allocated to local communities for distribution to smaller organizations. The proposal was preceded by a major campaign by arts groups with \$3 million in financing. Opposition to the proposal was thought to stem from several key sentiments, including an aversion to government funding of the arts, that the tax would be levied on low-income residents who were not likely to use the cultural resources, and that the tax would be levied only in two counties when residents of other nearby counties would receive some of the benefits.

## C. Glasgow, Scotland

In the mid 1980s, Glasgow was known internationally for its post-industrial poverty and unemployment. A national effort to change this began in 1985 when a report commissioned by the Scottish Development Agency recommended “place marketing projects” as a strategy to reverse Glasgow’s economic decline.

A new entity, Glasgow Action, its board composed of prominent local business leaders, was formed to lead



<http://www.seeglasgow.com/>

the effort, and focused primarily on revitalizing the city center, attracting and establishing major events, marketing the city as a destination, especially for cultural tourism, investing in environmental projects and supporting and developing cultural industries.

Glasgow’s new image as “Scotland with Style” was bankrolled by major national and local public sector investments and significant private sector support. Glasgow became the host in 1988 of the national Garden Festival and in 1990 earned the high-profile title of “European City of Culture.” These events and the city’s cultural resources became the core of the city’s economic and tourism development efforts. In 1999, Glasgow achieved the celebrated title of British City of Architecture and Design.

## D. Providence, RI

In addition to its grant programs, the city offers a tax incentive program for artists living within the downtown Arts and Entertainment District boundaries and selling their work there, exempting them from state income taxes on all personal income from the sale of art. The city’s Department of Art, Culture & Tourism also lists on its Web site available artist studio space in Providence.



Copyright Peter Goldberg,  
Providence Performing Arts Center

Goals of city leadership include partnering with the private sector to fully promote the arts in Providence, enforcement of the city’s percent-for-art law, and exploration of new funding and re-granting opportunities.

The Arts & Business Council of Rhode Island formed ArtTix to increase Rhode Island arts and cultural groups’ exposure and attendance. The online ticketing service provides ticketing services and information on arts and cultural performances and events in the greater Providence and southeastern New England region. Its mission is to “help to grow audience and revenue sources for its member organizations, expand economic opportunities for Rhode Island artists and positively contribute to the State’s economic development and quality of life, and establish southeastern New England’s appeal as a thriving business, cultural, civic and tourist destination.”

## E. Baltimore, MD

Regional attractions in the City of Baltimore, including the Baltimore Symphony, Baltimore Museum of Art, Baltimore Opera Company and Baltimore Zoo, receive annual budget appropriations from the city as well as the five surrounding counties. The regional funding strategy was recommended by a 1982 Baltimore Regional Council of Governments’ study. The level of support is determined by the efforts of the individual arts groups, whose development staff build relationships with officials of each county and disseminate statistics on their regional impact. The institutions offer free admission to residents of the respective counties throughout the year. Since the early 1990s this support has declined significantly due to increased competition for public dollars and opposition to increasing taxes.

In 2002, a report from the Johns Hopkins Institute for Policy Studies recommended a regional sales tax of 1 percent to support cultural assets (½ percent) and tax relief (½ percent). The revenue source would relieve the City of Baltimore of its \$28 million annual support for regional assets (cultural assets, libraries, a portion of park budgets and sports facilities), provide tax relief to local municipalities in the five-county area, and generate \$107 million for cultural funding in the region.<sup>33</sup> This proposal has not moved forward.

<sup>33</sup> Johns Hopkins Institute for Policy Studies. (2002, Aug.). “Alternative Revenue Sources and Structures for Baltimore.”



## F. Rochester, NY

The newly elected (2006) Mayor of Rochester, Robert J. Duffy, has placed a high priority on arts and culture development as part of the city's overall economic development strategy. His



Transition Committee's strategic plan offers several key recommendations: 1) explore incentive programs to attract artists, including tax breaks on residential, studio and gallery space and development of a New York State Arts and Culture Zone program similar to the Empire Zone Program; 2) develop a United Arts Fund; 3) aggressively market the area's arts and cultural resources to residents; 4) re-brand Rochester as a cultural tourism destination; and 5) build "Artists as Businesses" into the downtown incubator concept.

## G. Niagara Region, Ontario



**(12 municipalities including Fort Erie, Niagara Falls, St. Catharines and Welland)**

Currently government support across all levels (federal, provincial, territorial and municipal)

is limited. At the municipal level only one of the 12 municipal governments in Niagara – St. Catharines – provides formal investment programs for arts and cultural organizations. There is a hotel tax in St. Catharines but its revenues support tourism marketing.



At the provincial level, the Ontario Trillium Foundation, an agent of the Ministry of Culture, receives \$100 million annually from the Ontario charity casino initiative. The Ontario

Arts Council (OAC) allocates more than \$35 million to more than 3,000 individuals and organizations.

The federal Cultural Capitals of Canada program, which is administered by the Department of Canadian Heritage, awards grants to municipalities for supporting activities that celebrate arts and culture and for integrating them into their overall planning efforts (5 annual awards between \$500,000 and \$2 million). A recent federal task force has



recommended that the federal, provincial, territorial and municipal governments, together with the private sector, create and endow a nonprofit Culture in Place Foundation to integrate and strengthen existing efforts and stimulate arts and culture in all provinces and territories.

## V. Alternative Funding Mechanisms for Buffalo Niagara

This analysis reviews potential dedicated funding models for implementation in the Buffalo Niagara region. Those public-sector models reviewed – the sales, property and lodging taxes – are considered due to their potential to generate revenues significant enough to serve as the primary source of local government support for arts and cultural organizations.

Given the importance of a shared public-private sector approach to sustained arts and cultural support, two models which engage the private sector are reviewed. These are a private sector Fund for the Arts, which would complement a dedicated public revenue source, and a public-private sector United Arts Fund.

The status quo is also assessed as context, and in that some elements of the current picture may be maintained or modified even if a new funding model is adopted. A summary of all scenarios is provided in *Fig. 5.1*.

This analysis assesses the range of funding levels potentially generated by each model, as well as the legal, fiscal, political and administrative implications of implementing each scenario.

Several models not reviewed here, including the state-level cultural trust fund as well as utility bill late fees, may have merit in the long-term as supplemental dedicated revenue sources for the Buffalo Niagara region.

**Fig. 5.1**

Funding Scenario	Revenue Yield	Legal Obstacles	Political Obstacles	Governance Possibilities	Notes
<b>Public</b>					
1. Status Quo (Erie County distributes non-dedicated funds below national average; no or minimal Niagara County support)	Variable	None	Low	Erie County Cultural Resources Advisory Board (ECCRAB)	Criticism focused on lack of dedicated fund; governing board and distribution criteria largely accepted
2. Property tax (earmark or increase)	High	Low	High for increase Medium for earmark	ECCRAB/Niagara County advisory board or Special Purpose Government	Earmark more plausible than increase; tax is low compared to library levy; support burden completely on residents
3. Sales tax (earmark or increase state or local tax)	High	Low for earmark; High for increase	High for increase Medium for earmark	ECCRAB/Niagara County advisory board or Special Purpose Government	Expanded scope of beneficiaries (libraries, parks) could diminish opposition
4. Lodging tax (1 percent increase; change in distribution formula for Erie and Niagara County)	Low	High	High	ECCRAB/Niagara County advisory board	Additional support needed; displaces part of arts and culture support burden to visitors
<b>Private and Public-Private</b>					
5. Fund for the Arts	Variable (but a complement to dedicated public funding)	Low	Low	Private board	Strong complement to dedicated public fund
6. United Arts Fund	Variable	Low	High	Nonprofit entity	Potentially high revenue yield; could combine public and private funding into one; requires costly, potentially duplicative, administrative structure

# Public Models for Dedicated Arts and Culture Funding in Buffalo Niagara

## Scenario 1. Status Quo





This scenario would continue to provide a variable level of Erie County arts and cultural support via the Erie County Cultural Resources Advisory Board process and would maintain low or no level of local government support for Niagara County arts and cultural groups.

Erie County would continue to allot revenues for arts and culture based on property tax revenues remaining from its budget process. Since 2002, the annual yield has ranged from \$2.7 million to \$5.8 million. Additional support would continue through other county programs (Cultural Tourism Development Marketing Fund and Regional Cultural Assets Operating Fund for culture and tourism development, and the county's capital budget). ECCRAB supported an average of 47 organizations before the 2005 fiscal crisis. Between six and 42 groups were funded in 2005 and 2006.


### Legal Considerations:

 None

### Fiscal Considerations:

-  It provides county government with flexibility to allot funds where needed most.
-  The inability to count on regular government funding forces arts and cultural groups to decrease reliance on public funding and to enhance self-sufficiency through earned income programs and collaborative measures. For instance, with decreased county funds available, Erie County cultural groups have begun to adjust requests for support. In 2002, cultural groups requested \$6.8 million; 2006 requests totaled \$6.5 million; the 2007 total ask was \$5.6 million.
-  The unpredictable nature of support impedes cultural groups' strategic planning and program development.
-  In lean years, "irreplaceable" cultural institutions may be required to drastically cut programs or possibly close.

### Political Considerations:

-  Cultural groups in Erie County are largely satisfied with ECCRAB leadership and its effectiveness as

## STAKEHOLDER CRITERIA

A successful and effective approach to a restructured arts and culture support system must balance the needs of the cultural institutions and the limitations of the public and private donors that support them. The following parameters for an arts and culture funding system were revealed by cultural stakeholders through interviews:

### Cultural Needs

- reliable, adequate and predictable support to qualified arts and cultural organizations
- system that supports a diverse range of arts and cultural assets with respect to size, discipline, audience base and geography
- reward for collaboration and cost-cutting measures
- understanding of unique fiscal needs as nonprofit cultural groups

### Donor Expectations

- ability to demand quality and accountability from institutions as well as collaboration and other initiatives that build the organizations' self-sufficiency
- distribution of burden of support equitably among those who benefit from arts and culture, including the public and private sectors
- degree of donor independence from any centralized approach
- not adding another layer of government or overhead costs to create a dedicated funding system

an impartial voice. The application review process is generally considered fair.

- + ECCRAB criteria and policies have evolved over 20 years and will continue to do so. For example, the latest policy will require that funded cultural groups enter into a contract for carrying out ECCRAB recommendations.
- ECCRAB’s merit-based decisions are sometimes overruled by county politics and even the cultural groups’ political string-pulling. For instance, ECCRAB lost credibility in the eyes of many cultural groups after 2005 slash of funding to more than 40 cultural groups. At the same time, some cultural groups go “above” ECCRAB when unsatisfied with their recommended funding level.
- Conflicts of interest are apparent, although Erie County requirements for advisory boards prohibit a member to vote in cases of conflict of interest.

**Administration and Governance:**

- N ECCRAB was established by county executive directive in 1986 to engage citizen input into the county’s funding process. The 25 members of the volunteer board are appointed to two-year terms by the county executive to represent the nonprofit, educational, foundation and private sectors. The board reviews arts and cultural groups’ funding requests based on published criteria and makes recommendations for final action to the county legislature and County Executive. It aims for “effective and equitable distribution of county funds to cultural organizations with the purpose of fostering a vibrant, diverse cultural environment in Erie County.”
- N The funding process begins each year when culturals are briefed on the county legislature’s anticipated level of available funds. Applications are due by June, with applicant interviews taking place during the summer for the board to more fully understand the needs, purposes and consequences of county funding. ECCRAB makes preliminary funding recommendations in August. Applicants are given an opportunity to request reconsideration by the board’s Appeals Committee, whose decisions are binding. Final funding recommendations are made by ECCRAB in September. The legislature conducts hearings for cultural funding applicants through the fall. The overall cultural funding award is

determined in the final county budget. ECCRAB apportions those funds according to its original recommendations.

- N As a board formed by county executive directive, ECCRAB is a temporary body. Its continued existence is subject to the approval of each subsequent county executive. A public referendum to establish ECCRAB as a permanent advisory board was defeated by Erie County voters in November 2001.

**Scenario 2: Property Tax Earmark**

This mechanism would earmark a portion of existing property tax revenues, or raise the property tax rates in Erie County and Niagara County for dedication to arts and culture support.

The property tax is a potentially lucrative mechanism. An earmark of 15 cents per \$1,000 valuation would generate \$5.7 million in Erie County and \$1.2 million in Niagara County to support the arts and culture industry. To raise these funds, the annual cost to homeowners would be \$22.50 for a home valued at \$150,000 (Fig. 5.2). For purposes of comparison, county residents paid 77 cents per \$1,000 valuation through the county’s 2005 library tax – or about \$115 annually for a home valued at \$150,000.




**Fig. 5.2 Homeowners to Pay Average of \$22.50 a Year to Generate \$5.7 million in Erie County and \$1.2 million in Niagara County**

Property Tax	Erie County	Niagara County
<b>Taxable Property Valuation (2006)</b>	<b>\$38,102,215,597</b>	<b>\$7,984,370,731</b>
Amount raised at following rates per \$1,000 valuation:		
0.05	\$1,905,111	\$399,219
0.10	\$3,810,222	\$798,437
0.15	\$5,715,332	\$1,197,656
0.20	\$7,620,443	\$1,596,874
0.25	\$9,525,554	\$1,996,093
0.30	\$11,430,665	\$2,395,311
Average annual cost to home valued at \$150,000:**		
0.05	\$7.50	\$7.50
0.10	\$15.00	\$15.00
0.15	\$22.50	\$22.50
0.20	\$30.00	\$30.00
0.25	\$37.50	\$37.50
0.30	\$45.00	\$45.00





\*\*This is a county average; exact costs will vary by community based on equalization rates




### Legal Considerations:




-  There are no legal limitations on raising the property tax. In 2006, Erie County is using only 35 percent of its New York State constitutional taxing limit and 50 percent of the local limit set by the county legislature.
-  There are local precedents for earmarking a portion of the property tax for special purposes, including libraries and water, sewer and refuse districts. These special purpose entities are enabled by state law to set a property tax levy. Beyond libraries, no other cultural assets are enabled to tax real property in New York.
-  The county's library system is not necessarily one to emulate. Although the Buffalo and Erie County Public Library system receives revenues from property taxes, the system itself does not set the library tax levy. Unlike independent library districts in New York that act very much like school districts (whose residents vote on budgets), the Buffalo and Erie County Public Library's tax levy is ultimately determined by county leaders, thus making it subordinate to the county government. In that sense, libraries in Erie County are, as with other cultural assets, vulnerable to the general county budgeting process despite the seeming stability of its place as an individual item on property tax bills.

### Fiscal Considerations:




-  Statewide property taxes grew only half as fast as sales taxes from 1993 to 2001 (20 percent compared to 45 percent).
-  Like the sales tax, the property tax base is subject to fluctuations based on economic conditions.
-  Reliability of funding level could vary according to how the levy is set (*see Administration and Governance below*).
-  Erie and Niagara County rely on property taxes to a different degree; for example, Erie County's property tax revenues accounted for 16 percent of its overall budget in 2004 compared to 26 percent in Niagara County. Allocating property tax revenues to culture would impact each county budget differently.

### Political Considerations:

-  An earmark of existing taxes could force county government to be more disciplined in its allocation of tax revenues, making such an action politically favorable.

-  Passage of the tax increase or earmark by the county legislature would be difficult. Taxpayers are especially averse to property taxes because they are paid in lump sum, as opposed to sales taxes, which are paid incrementally. In actuality, the property tax costs residents far less on an annual basis than the sales tax.
-  With regard to a tax increase, taxpayers in Erie and Niagara Counties already question whether county government is spending its tax dollars wisely and efficiently; a tax increase could be perceived as enabling fiscal carelessness in county government.
-  Erie and Niagara County residents would bear the complete tax burden, though visitors from outside the two counties comprise more than one-quarter of visitation to the region's arts and cultural attractions.

### Administration and Governance:

-  The administrative structure for a cultural property tax would depend upon how the tax levy is set. If the levy were determined on an annual basis by the county government (as it is for the Buffalo and Erie County Public Library), then ECCRAB, or a parallel body for Niagara County, could function as it does today, making funding recommendations to the county based on the application and review process. This model, however, is still subject to the county budgeting process, and does not guarantee a minimum level of funding for the cultural groups.
-  Another option is to establish a special purpose unit of government, empowered by New York State to levy taxes for services provided in common to those residing within the district. Similar to the Zoo Museum District in St. Louis, voters in Erie and Niagara County could approve maximum levies, with each district setting the actual line-item levy according to organizations' applications and budget requests. Each district would require a staff and board to manage the application process and distribution of funds. This governance structure keeps cultural funding separate from the county budgeting process, but adds an additional layer of government and administrative costs. However, a more regional cultural district could increase economies of scale.
-  It is also possible to limit the special purpose unit structure to funding for major cultural institutions (determined by budget and attendance, for instance) and maintain the advisory board for overseeing county funding for smaller arts and cultural groups.

## Scenario 3: Sales Tax Earmark

This model would earmark a portion of the existing sales tax, or dedicate an increase in the sales tax rates for Erie and Niagara Counties to generate dedicated arts and culture support.

To generate about \$5 million in local government support through the sales tax, Erie County would need to allocate about 1/25th of a penny of the local sales tax (about 4 cents on every \$100 spent by consumers). The same tax rate in Niagara County would generate about \$930,000 (Fig. 5.3).

**Fig. 5.3**  
Consumers Pay 4 cents per \$100 Spent to Generate \$5 million in Erie County and \$930,000 in Niagara County

Sales Tax	Erie County	Niagara County
Current local sales tax rate	4.75%	4%
How much does the tax raise annually?	\$600,400,000	\$93,200,000
<b>Revenue raised by sales tax dedicated to arts and culture:</b>		
1%	\$126,400,000	\$23,300,000
0.50%	\$63,200,000	\$11,650,000
0.25%	\$31,600,000	\$5,825,000
0.10%	\$12,640,000	\$2,330,000
0.05%	\$6,320,000	\$1,165,000
0.04%	\$5,040,000	\$932,000
0.033%	\$4,158,000	\$768,900
0.01%	\$1,260,000	\$233,000
<b>How much revenue would be raised if Erie and Niagara Counties made joint sales tax dedications to arts and culture at the following rates:</b>		
0.01%	\$1,493,000	
0.033%	\$4,926,900	
0.05%	\$7,485,000	
0.10%	\$14,970,000	
0.25%	\$37,425,000	
0.50%	\$74,850,000	

Overall, this earmark (or new tax) would supply about \$4.2 million for Erie County arts and cultural groups, and \$930,000 for Niagara County groups. NOTE: These same revenues would be generated were the sales tax earmark to come out of New York State's 4 percent sales tax as levied in both Erie and Niagara Counties.

### Legal Considerations:

- +** Erie County already earmarks its sales tax for specific purposes. Revenues from 0.125 percent of the sales tax are dedicated to the Niagara Frontier Transportation Authority (mandated by the state after NFTA's 1990 funding crisis).
- New York State law allows counties to have a maximum 3 percent share of the overall sales tax; portions above the 3 percent must receive special permission annually from the state legislature. Increases beyond Erie County's 4.75 percent local rate and Niagara County's 4 percent rate would require approval from each county legislature followed by approval by the state legislature of the home-rule request; the increases would have to be renewed annually.
- N** The distribution of county sales tax revenues is the domain of the county legislature. A redistribution of either county's sales tax revenues to include cultural funding would be a matter decided at the county level.
- N** Erie County sales tax revenues are disbursed per a 1977 agreement with local governments and school districts. The first three percent is distributed according to a legislated formula. Revenues from the remaining 1.75 percent tax stay with the county, having been authorized by temporary home-rule requests that date back to 1985 and 2005.
- N** Niagara County keeps revenues from the temporary 1 percent added in 2003; the remaining revenues are divided according to a legislated formula.

### Fiscal Considerations:

- +** Generally, sales tax revenues are increasing, suggesting the revenue yield would grow over time.
- +** A dedicated sales tax for arts and culture would likely be legislated with a sunset clause. Until then, cultural groups could count on a fairly predictable level of revenues, making the sales tax a more reliable source of support than the property tax.

### Political Considerations:

- +** Controversy over the recent budget crises has centered on wasteful and irresponsible government spending of tax dollars; earmarking a portion of the sales tax for arts and culture could mitigate this concern by "protecting" these funds from imprudent spending by county government.



- + The sales tax is borne by both residents and visitors to the region, thereby distributing the burden beyond the region.
- A sales tax increase is likely a non-starter, as regional residents are still reeling from recent sales tax increases. The 2005 Erie County budget crisis, which threatened to zero out funding for arts and culture, among other county assets, led to the County Executive's proposal for a 1 percent increase in the local sales tax. After much debate among county legislators and significant citizen backlash, the tax was increased by one-half of one percent, to an 8.75 percent overall tax. Erie County's current sales tax is the second highest in the state (behind Oneida County's 9.5 percent). The rate includes a 4 percent state share and a 4.75 percent county share. Although Niagara County's overall sales tax rate, at 4 percent, is lower than that of Erie County, county residents saw a 1 percent hike in 2003.
- Dedicated sales tax revenues to only arts and culture assets may be opposed by those who do not use these assets; expanding the base of assets covered to include parks and libraries may somewhat neutralize this issue.

**Administration and Governance:**

- N ECCRAB and a Niagara County board could advise each county legislature as to the distribution these funds according to their review of funding applications.
- N To completely insulate the process from the county budgeting cycle, a special purpose unit of

government could be formed in each county to administer the application process and distribute funds. The county would administer the sales tax but remit the dedicated revenues to the district.

- N Special purpose governments funded by the sales tax and reviewed in this report include the Allegheny Regional Asset District. RAD is complemented by the Pittsburgh Sports and Exposition Authority, which secures bonding for related capital projects in the region. In New York State, several public authorities have been created to finance large capital projects with similar purposes (Greater Rochester Sports Authority, created in 2000 to build a professional soccer stadium; and the Trust for Cultural Resources of Onondaga County, created in 1976 to finance cultural facilities in Onondaga County). Such an authority could complement a dedicated operating revenue source to manage tourism and cultural-related capital costs in each county for arts and culture asset facilities, Convention Centers and other major sports and entertainment venues.

**Scenario 4: Lodging Tax Increase**

This model would raise the bed tax in Erie County and Niagara County (including Niagara Falls and Lockport) by 1 percent, as well as revise distribution formulas in both counties to dedicate a portion of overall lodging tax revenues to arts and culture, convention and visitors bureaus and municipal general funds.

**An additional 1 percent lodging tax** would increase revenues by \$1.2 million in Erie County to \$7.1 million, and by \$354,000 in Niagara County to \$2.1 million (total Niagara Falls, Lockport and Niagara County revenues) (Fig. 5.4) **The proposed revised distribution formulas** would

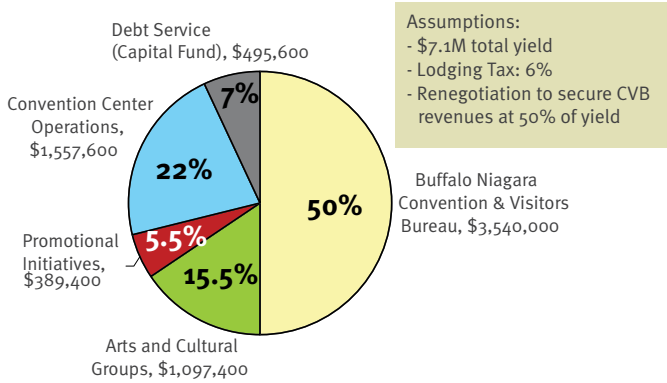
reallocate lodging tax revenues in Erie and Niagara County to include arts and culture, generating about \$1.4 million for Erie County arts and cultural groups (Fig. 5.5), and \$211,000 for Niagara County culturals (Fig. 5.6).

**Erie County:** Per a 1987 nonbinding "handshake" agreement, the Buffalo Niagara Convention & Visitors Bureau received consistently 53 percent of lodging tax revenues, a yield of between \$2.2 million and

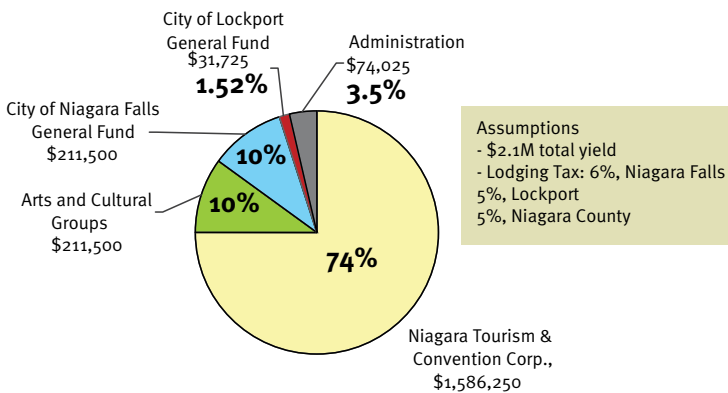
**Fig. 5.4**  
**One Percent Increase Generates \$1.2 Million in Erie County and \$354,000 in Niagara County**

Lodging Tax	Erie County	Niagara Falls	Lockport	Niagara County	Niagara County Total
Current lodging tax rate	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	
How much does the tax raise annually?	\$5,900,000	\$1,576,238	\$16,997	\$39,000	\$1,732,235
Revenue raised by an additional 1% lodging	\$1,180,000	\$315,248	\$29,249	\$9,750	\$354,247
<b>New Lodging Tax Revenues</b>	<b>\$7,080,000</b>	<b>\$1,891,486</b>	<b>\$175,495</b>	<b>\$48,750</b>	<b>\$2,115,731</b>

**Fig. 5.5**  
**Distribution of Lodging Tax Revenues After Lodging Tax Increase and Renegotiation of Allocation, Erie County**



**Fig. 5.6**  
**Distribution of Lodging Tax Revenues After Lodging Tax Increase and Renegotiation of Revenues, Niagara County**



\$3.2 million from 1995 to 2005. The remainder supported Convention Center operations and capital debt service, and tourism promotion programs. In 2005, this agreement was “breached” when Erie County cut the visitor bureau’s allocation to \$1.4 million, and transferred the remainder of the bureau’s typical allocation to the general fund. **The proposed revised distribution formula provides some support to arts and culture, while increasing funding of the CVB beyond pre-2005 levels and restoring funding levels for capital costs and promotional grants.**<sup>34</sup>

**Niagara County:** A 4 percent lodging tax was enacted in 2002 to fund the county’s new tourism promotion agency, the Niagara Tourism and Convention Corp. There are separate lodging taxes for the Cities of Lockport (4 percent) and Niagara Falls (5 percent, increased from 4 percent in September 2006 to support a free trolley service for hotel guests). Enabling legislation earmarks revenues from each

of the three tax’s earnings for tourism promotion, with about \$1.2 million annually distributed to NTCC and the remainder directed to tax administration and the general funds of Lockport and Niagara Falls. **The proposed revised distribution formula increases support to NTCC while maintaining current level of revenues for Niagara Falls and Lockport city government and overall tax administration.**<sup>35</sup>

**Legal Considerations:**

- As with the sales tax, the lodging tax, a form of sales and use tax, must be approved by the county legislature and sent to Albany as a home-rule request for approval by the state legislature. State legislature approval is also required for subsequent increases in the local lodging tax.
- N The redistribution of lodging tax revenues is a legislative matter of county/municipal government.

**Fiscal Considerations:**

- + Would stabilize funding for region’s visitors bureaus while providing a supplemental funding source for arts and culture, a key tourism asset in Buffalo Niagara.
- Lodging tax revenues are not as significant as those generated by the sales or property tax, even with a 1 percent increase in the overall tax rate and redistribution of total tax revenues.
- Another local government source of funding would be needed to supplement the lodging tax to support arts and culture groups at the recommended level.

**Political Considerations:**

- + A lodging tax increase in Erie County may present an opportunity for compromise between Erie County and the CVB. The tax increases would be accompanied by legislation that dedicates/restores CVB support and provides funding to arts and cultural groups. Dedicated support to the CVB may also make the proposal attractive to hoteliers.
- Overall lodging taxes (including sales taxes) in this region are fairly high relative to other regions across the U.S. (*refer back to Fig. 4.7*).

<sup>34</sup> For a gauge of lodging tax distribution in Erie County beyond the CVB: between 2001 and 2005, the Convention Center received \$1.5-\$1.7 million for operations; debt service on the center cost the county between \$300,000 and \$430,000 from 2002 and 2005; special promotional programs funded by the county ranged from \$10,000 in 2001 to \$344,000 in 2003

<sup>35</sup> Legislation dictates that: Lockport receive 25 percent of its tax revenues for community development (has averaged \$29,000); 15 percent of Niagara Falls’ tax revenues go to city’s general fund (about \$195,000); about 5 percent of all taxes support tax administration (\$70,000).

- Lodging tax is a frequent target for additional revenues since it is borne completely by visitors to the area; the hotel industry is likely to vociferously oppose any increase in the tax.
- Would require new legislation in each county and the Cities of Niagara Falls and Lockport to develop new distribution formulas.
- Niagara Falls just increased its lodging tax to fund a free visitor trolley service.

**Administration and Governance:**

**N** In that lodging tax revenues, based on the suggested distribution formula, would not be sufficient for annual cultural funding, a governing body would need to be empowered to coordinate multiple sources of cultural support. In Erie County, ECCRAB could continue to advise the county on distributing both the culturals’ portion of lodging tax revenues as well as a variable flow of support from the county general fund. Niagara County would need to form an advisory board similar to ECCRAB to oversee its funding process. The level of general fund support in each county would be based on lodging tax earnings for that year, and would average about \$3 million for Erie County and \$750,000 for Niagara County.

**N** Alternatively, a board separate from ECCRAB could be formed to oversee existing distribution of lodging tax revenues. This board would need to evaluate annual tax earnings and apportion funds based on the distribution formula. The cultural groups’ revenues could either be dedicated to general operating support or for initiatives that build the region’s cultural tourism industry, including enhancing organizations’ visitor readiness or improving their marketing capacity. The board would also need to address the varying levels of capital commitments for the Convention Center (in low years, those funds could be distributed according to the distribution formula across the other recipients; in high years, the reverse).

## Private and Private-Public Models for Dedicated Arts and Culture Funding in Buffalo Niagara

A key concern of foundation and corporate donors is that they retain the ability to make at least some funding decisions independently. Moreover, capital or project-directed support is generally preferred over unrestricted support for purposes of seeing tangible, measurable returns from the foundation’s investment. However, some foundations have been more willing to make donations for general operations, especially when tied to specific initiatives to increase the organization’s self-sufficiency.

Funding scenarios 5 and 6 would engage the private sector in providing arts and cultural groups with dedicated support:

**5. Private-sector fundraising collaborative (“Fund for the Arts”)**

**6. Private-public sector funding raising collaborative (“Buffalo Niagara United Arts Fund”)**

“Ten years ago the foundation would never have provided salary support; today there are exceptions for unusual cases.”

- Foundation Director

Our “funding role has remained fairly consistent, but has evolved to include assistance with program development and the encouragement of collaborative and increased earned income opportunities.”

- Corporate Donor

## Scenario 5: Fund for the Arts

This alternative would continue on an annual basis a collaborative fund of foundation and corporate donations, with the funding level, grant-making priorities and distribution criteria to be set by the donor group. This funding model would complement – not replace – a source of local government cultural funding. Additionally, private funders would continue to support arts and cultural groups independent of the collaborative fund.

In 2005, several foundations formed a collaborative funding process – the Fund for the Arts – to award \$250,000 in emergency support to the 41 small arts and cultural groups that had been zeroed out of the Erie County budget. At the outset, the collaborative made it clear that the funds were not a long-term solution to the many funding gaps facing the cultural community.

The grants were to be used for “expenses related to their transition from reliance on county funding.” Priority was given to

“organizations that ha[d] taken significant steps toward or ha[d] formulated a well-founded plan to become viable without county funding.”

Participating foundations included the Baird Foundation, Cameron Baird Foundation, Community Foundation for Greater Buffalo, M&T Bank Charitable Foundation, John R. Oishei Foundation and Margaret L. Wendt Foundation.

Based on the model’s success, however, a second phase was implemented to provide targeted support for collaborative and earned income initiatives among arts and cultural groups. Future phases could see the expansion of the Fund for the Arts in terms of dollars awarded and number of foundations and corporations participating.

### Legal Considerations:

- N** Establishing a regular Fund for the Arts would require an independent charitable fund at the Community Foundation for Greater Buffalo (a donor-advised fund would enable funders to actively

participate in the grant-making process). This process has already been established by the first two phases of the Fund for the Arts.

- N** A governance committee or board of directors for the Fund for the Arts may need to be created to formalize decision making process as the fund grows in size and complexity. For example, as the fund matures and gains the confidence of the broader private giving sector, it is foreseeable that private donors – corporations and even individuals – would make contributions but not demand a seat at the decision making table. In this case, clear criteria and procedures would need to be established.

### Fiscal Considerations:

- +** No or minimal overhead costs for staffing and administration.
- The fund’s annual support level would be unpredictable, determined by each foundation’s ability to contribute or participate. Foundations’ portfolio performance and other funding commitments vary from year to year.

### Political Considerations:

- +** The fund’s bi-county scope is readily achieved and limited only by the goals and range of participating foundations.
- +** The Fund for the Arts has already proven to be an effective system for providing a central pool of funds for arts and culture that does not infringe on each entity’s independent grant-making goals.
- +** The fund would facilitate shared goal-setting among funders. For instance, the system gives funders greater leverage in soliciting joint programming initiatives from arts and cultural groups.
- +** The fund would enable coordination with a separate local government funding process.

### Administration and Governance:

- N** Based on the Fund for the Arts model implemented by a consortium of foundations in 2005 and 2006, a more permanent review board could be established to accept arts and cultural groups’ appeals for funding on an annual basis. Fundamental to the process would be drafting funding policies and criteria, and outlining an application schedule.
- N** Board membership would likely, but not necessarily, be contingent upon participation in the donor fund. As the funding model and governing entity evolve,

The Fund for the Arts “seemed to work quite well, while still leaving individual foundations freedom to make their own funding decisions apart from the collaborative. It also served as an effective communications and priority setting forum for the local foundations.”

-Participating Foundation



confidence in the model may grow to the extent that private donors not represented on the board contribute to the pool of funds.

- N** Membership on the board could be open to representatives of Niagara County foundations and corporations; likewise, Niagara County arts and cultural groups could be eligible for funding.

## Scenario 6: United Arts Fund

Establish a Buffalo Niagara United Arts Fund (BNUAF) to solicit both public and private donations toward an annual federated appeal for arts and culture organizations. Many United Arts Funds administer programs for arts and culture marketing and advocacy, individual artist grants and arts education, in addition to providing competitive operating grants. Initially, the BNUAF should focus on raising funds for operating grants only, to be awarded competitively to a diverse group of arts and cultural organizations through an annual application process.

### Legal Considerations:

- A United Arts Fund would require establishing a separate nonprofit corporation with 501c3 status.
- A bi-county scope could complicate formation. For instance, the acceptance of public sector contributions may necessitate two separate review committees to represent the diverse needs of each county.
- The potentially broad scope of the donor base and the large-scale annual giving campaign would require a similarly broad governance structure. The Charlotte-Mecklenburg County Arts & Science Council has a 57-member board which includes the Mecklenburg County manager and budget director, several town commissioners, a Charlotte councilmember and county school officials, in addition to dozens of leaders in the private and nonprofit sectors.

### Fiscal Considerations:

- +** This potentially lucrative model has shown to be effective in reaching individual and corporate donations.
- UAF funding levels can be unpredictable as they are subject to success of annual campaign.
- Overhead costs for United Arts Funds can be significant, with large staffs required to oversee annual fundraising campaign (administration ranges from 16 percent to more than 20 percent of budget).

- The success rate of the Buffalo Niagara UAF could be threatened by competition with other large federated giving campaigns which have struggled in recent years to meet goals (United Way of Buffalo & Erie County campaign declined from \$18.9 million in 2004 to \$16.7 million in 2006).
- The united campaign may dilute existing levels of giving to arts and cultural groups' individual fundraising efforts (especially if the UAF restricts such campaigns or prohibits donors to designate gifts to specific organizations).

### Political

#### Considerations:

- +** The model would facilitate centralization of cultural funding and coordination of related services for arts and culture, while doing away with duplicative organizations (ECCRAB, for instance) and enabling a bi-county, public-private sector approach.
- +** Buffalo Niagara's UAF would need to create fund distribution criteria and procedures acceptable to a broad range of funders (county government, corporations, foundations, individual donors). This may be facilitated by adopting or modifying the ECCRAB grant-making criteria.

"We would not be in favor of a United Arts Fund, as it is simply creating another administrative superstructure that will need additional funding, and would take decision making away from individual foundations."

- Corporate Donor

"The highest percentage of giving comes from the heart, personal associations and relationships and involvement. No one gives to a 'system.'"

- Foundation Director

On the UAF's potential to assist cultural groups in securing corporate donations:

"It's the only way to reach into organizations – to tap that kind of giving. When you talk about increasing 92 corporate donations to 300 – we can't do that on our own."

-Cultural Leader

- Without dissolving other groups, the UAF could add another administrative layer that needs funding. The duplication of services and lack of coordination has often been cited as key concern of funders in the region.
- The scope of the annual fund-drive requires leadership and assistance from high-profile leaders from the community. This could also conflict with other federated campaigns in the region.
- It is a long-term process to build rapport and trust with donor community and recipients, whose buy-in is necessary for the model's success. Several private sector funders in Buffalo Niagara have already expressed skepticism, although cultural leaders are strong supporters of such a model.
- Workplace giving – the key component of most United Arts Funds – has been a challenge for other federated appeals in Buffalo Niagara. The United Way of Buffalo & Erie County receives donations from only 24 percent of employees in participating companies.

- encourage and strengthen marketing efforts that enhance the cultural tourism image in the region and beyond (including providing marketing assistance or relevant referrals and facilitating cooperation among the hospitality industry, cultural assets and related agencies)

**N** A major component of the AAC draft business plan is development of a criteria-based funding program supporting creative, strategic requests to assist cultural groups with management and marketing, and to support other cultural tourism efforts in the region. The program will target collaborations, shared services, networking and capacity building.

**N** AAC leaders have stated they will not seek nonprofit status until the AAC has attained a track record of accomplishment and community support.

#### Administration and Governance:

- ⊕ A potential nonprofit model for overseeing a United Arts Fund for Erie and Niagara Counties is an existing entity – **Advancing Arts and Culture Buffalo Niagara (AAC)**. Formed in 2005 as an outgrowth of the bi-county Buffalo Niagara Cultural Tourism Initiative, AAC seeks to “develop, strengthen and promote the region as a place to live and visit world class arts, cultural and heritage attractions.” Still in its beginning stages and not yet a nonprofit entity, AAC is overseen by a 10-member board of public, private and nonprofit sector representatives from Erie and Niagara Counties. Administrative support is provided by a project consultant. AAC anticipates hiring an executive director and additional staff support, expanding its board of directors, forming a Coordinating Council of representatives of regional cultural tourism groups, and establishing task groups.
- ⊕ AAC’s three key goals are synergistic with the mission of a United Arts Fund:
  - establish a central structure to enhance communication and coordination among regional cultural and tourism entities
  - provide opportunities to strengthen regional cultural assets (by assisting organizations in assessing organizational needs and encouraging shared services and use of advanced technologies)

#### Casino Revenue Sharing

As of this writing, the Seneca Nation of Indians’ proposal to develop a \$125 million casino in the City of Buffalo’s Cobblestone District remains a possibility.

In July 2006, U.S. Rep. Brian Higgins announced intentions to join City of Buffalo Mayor Byron Brown to convince the state to amend the current revenue sharing compact. The revised model would divert the state’s casino proceeds (25 percent of slot machine profits) to the City of Buffalo to support arts and cultural groups in Erie County. Mayor Brown, however, is arguing for disbursing the funds to multiple uses, including homeland security. The revenue sharing compact was approved by the state after months of negotiating in 2005.

Rep. Higgins has estimated that \$400 million could be returned to the area over the 14-year agreement, providing \$22 million for each major cultural institution and about \$41.3 million for the smaller cultural groups. Any progress on this proposal is not likely until New York’s next governor begins his term in 2007. Meanwhile, a major anti-casino campaign continues and includes several ongoing lawsuits.



## VI. Recommendations and Action Steps

This report has explored critical issues for arts and culture funding, setting the stage for the bigger challenge of defining the right approach in Buffalo Niagara and taking the necessary steps for successful implementation. Several main conclusions drawn from the report's analyses raise four fundamental questions which must be addressed by cultural stakeholders at the outset of any effort to pursue arts and culture funding reform:

1. Arts and culture in Buffalo Niagara generates significant quality-of-life and economic impacts which are critical to building a robust regional economy in the 21st century.

? To what extent should sustaining the current base of arts and cultural assets – and perhaps funding the industry beyond the region's means – be viewed as an essential investment in Buffalo Niagara's future?

2. Many arts and cultural groups, including major institutions, operate under structural deficits and indicate the need for an adequate level of dedicated support. Yet it is questionable whether the region's donors – public or private – have the capacity to support the existing number of arts and culture venues. Moreover, the nonprofit sector is growing faster than the for-profit sector required to support it, while the region's tax base continues to decline.

? How can the region balance the limitations of its support base with the need to sustain the diversity and number of its arts and culture institutions?

3. Buffalo Niagara region's arts and cultural groups have benefited from a long history of generous public sector support that is now declining due to government budget crises.

? What is the appropriate level of public support for arts and culture in the region?

4. Private sector giving in Buffalo Niagara is below the national average, but shows potential for growth.

? How can the private sector play more of a role in arts and culture philanthropy in Buffalo Niagara?

### Recommendations

In consideration of these critical questions, the status quo approach to supporting arts and culture in Buffalo Niagara falls short. With funding levels varying significantly from year to year – or in the case of Niagara County, nonexistent – and a long-term strategy for support lacking on the part of both the public and private sectors, the instability of the current system is jeopardizing the industry.

Though there is a strong history of cultural philanthropy in the region and a base of experience on which to build, a more committed and sustainable approach to cultural support is necessary if the region is to see increasing economic and quality-of-life benefits from its arts and cultural assets. The approach ultimately adopted by the region might not provide substantial additional dollars, but it needs to provide stability and reliability, both in a funding level and the process and criteria which determine its distribution.

Given the region's limited financial resources and many competing needs beyond arts and culture, any effort to secure dedicated funding will likely be politically and economically challenging. Success will require the long-term commitment of the region's arts and culture leaders.

“In all cases, the more broad-based support can be, the healthier will be the future of an entity. Over reliance on governmental support proved to be very risky.”

- Foundation Director

Based on this report's analyses, the following three-part recommendation and subsequent action steps are offered:

- **Form a Task Group of cultural leaders representative of the entire industry** to serve as the coordinating entity and leader in undertaking the challenge of reforming the region's funding process
- **Implement an aggressive marketing strategy** making stronger case for arts and culture impacts on the regional economy and quality of life
- **Pursue a dual-funding strategy** obligating more consistent and dedicated support from the private and public sectors

## Action Steps

**1. Engage a broader base of industry stakeholders** to build understanding of report findings, establish buy-in and develop shared goals. The stakeholder network should span Erie and Niagara Counties and include:

- **cultural leaders** (executive directors and board members) representative of the industry's diversity and scope
- **private and public funding entities**, including local government (Erie County, Niagara County), state

**“There is no sustainable marketing or consciousness-building effort in the community.”**

**-Cultural Leader**

government (NYSCA, state legislators) and foundations and corporations

- **representatives of cultural and tourism umbrella organizations**

(Advancing Arts and Culture Buffalo Niagara, Buffalo Niagara Convention

& Visitors Bureau, Niagara Tourism & Convention Corp., Cultural Alliance of Niagara, Arts Councils)

- **educational/training institutions** (Niagara University, University at Buffalo) and
- **lobbyists and political experts**

**2. Fund and implement an advocacy and public education campaign** to build support for arts and culture.

Cultural leaders in Buffalo Niagara express a sense of frustration with the lack of awareness and appreciation among the local community. Whether the effort seeks to raise or earmark a tax, or create a Fund for the Arts that accepts individual donations, it is likely to require

**“The public loves [culture], values it, they just think they shouldn't have to support it.”**

**-Cultural Leader (Niagara County)**

substantial advertising and public relations to build understanding of both the goals of a new arts funding policy and the importance of public support. This is complicated further by the challenging fiscal climate in the region. Specific steps include:

- Build case for public and private sector support based on economic and quality-of-life benefits; directly engage cultural leaders in this process to personalize campaign
- Translate message for different audiences (citizens, business leaders, public sector, news media)
- Determine marketing media to employ (television, radio, print) and a timeline for action
- Devise plan for routine evaluation of public support through surveys or other tools

**Developing Funding Criteria Likely the Most Significant Challenge to Achieving Private Sector Buy-in for Any Centralized Funding Model**

**“A key question from many foundations will be what protections will be enacted against the funding of marginal organizations...”**

**-Foundation Director**

**3. Establish a recurring Fund for the Arts** for private sector funding.

- Reconvene original Fund for Arts foundations and discuss potential for annual commitment to fund
- Determine marketing and outreach strategy for engaging broader network of private funders including large and small foundations and corporations; directly engage in this process leaders of the region's top foundation and corporate cultural donors
- Establish shared fundraiser goals and parameters for the Fund for the Arts' scope, criteria, and applicant eligibility
- Address administration of Fund for the Arts, including governance committee, voting procedures, grant-making schedule and the need for paid staff member/s to manage program
- Work with existing organizations (Arts Councils in Erie and Niagara County, tourism promotion agencies) to promote coordination and partnerships in funding efforts
- Coordinate development of fund program with public sector dedicated funding effort

4. Determine which public funding model and governance structure is the best approach given the needs of the cultural groups and the limitations of funders, and in consideration of related economic and political factors in the region.

Select a public funding model from the sales tax, property tax, or the lodging tax plus additional, variable support:

- determine at the outset whether a bi-county approach, separate county efforts, or only a single-county effort will be pursued
- consider funding models that combine more than one of the above revenue streams (e.g., lodging plus property tax)
- engage partners and potential opponents for each model at the outset
- consider convening a forum inviting representatives from other regions with dedicated public funding of the arts to discuss strategies and receive suggestions
- conduct public opinion poll to judge receptivity to a dedicated public funding for arts and culture

Determine a governance structure for public source:

- regardless of structure pursued, build upon ECCRAB funding criteria which have evolved over the board's 20-year history and are valued as fair and objective by cultural stakeholders (*Fig. 6.1*)
- factor in priorities as identified by cultural stakeholders as part of this study (reducing political influence, adjusting processes for different types of organizations, instituting policies that reward collaboration or other cost-cutting measures)
- strive to minimize administrative or overhead costs

#### Greatest Threats to Legislation for Public Arts Support

- Apathy and voter fatigue
- Time limitation
- Too many concessions in policy
- Lack of partnerships, buy-in
- Internal budget disagreements
- Fund disbursement disputes

A successful effort will “need to be politically expedient. Economic impact is not enough of a case.”

-Cultural Leader

Fig. 6.1

### ECCRAB Eligibility Criteria

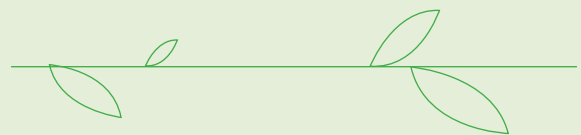
- Qualification as an Erie County Cultural Organization pursuant to county law, and as further defined by ECCRAB:
  - “Such an organization provides visitors with access to programs and displays of the performing, visual, literary and media arts, and/or to exhibits and collections that preserve and interpret our cultural, natural and scientific heritage...Thereby, as a cultural resource, such an organization both contributes to the quality of life in Buffalo and Erie County and stimulates tourism.”
- Proof of nonprofit status
- Documentation of operation for at least three years

#### Ineligible Costs and Activities

- Coalitions, “umbrella” culturals
- State and municipal agencies
- Educational programs
- Individuals or operating costs of personal facilities
- Services or activities not offered in Erie County or not open to the general public
- Capital expenditures
- Entertainment costs or programs

#### Criteria for Applicant Review

- Quality and significance of programs, services and activities
- Demonstration of managerial competence and organizational viability
- Documentation of fiscal accountability and capabilities
- Responsiveness to comments and suggestions provided in the cultural board's evaluation



## Draft Legislation

- Research other regions for examples of legislation
- Ensure buy-in from entire stakeholder base to prevent internal disagreements from derailing effort
- Consult with elected leaders and lobbyists; in drafting legislation; take into account potential political roadblocks at both the local and state levels
- Determine legislative action timeline

## 5. Investigate United Arts Fund as a long-term funding option for arts and culture:<sup>36</sup>

- Further assess private sector buy-in and level of public support of UAF model
- Assess potential for competition with other federated giving campaigns in Buffalo Niagara
- Consider long-range potential of Fund for the Arts, including expansion to include individual donations or evolution to a United Arts Fund that incorporates public donations
- Evaluate existing organizations, including the bi-county Advancing Arts and Culture Buffalo Niagara, for suitability as UAF administrative body
- Consult with leaders from other regions that have successfully and unsuccessfully implemented the UAF model

## 6. Develop a long-term strategy for capital improvements to the region's arts and cultural facilities:

- A capital plan that can serve as a complement to this report, which focuses on operational support, is necessary to ensure all components of a healthy cultural industry are addressed
- Such a plan would review the current system for public and private sector capital funding and consider modifications both to the funding process and support levels
- The plan should also prioritize near-term and long-term capital needs, both to maintain the region's cultural facilities and to make improvements that facilitate the growth of the industry

## The Big Picture

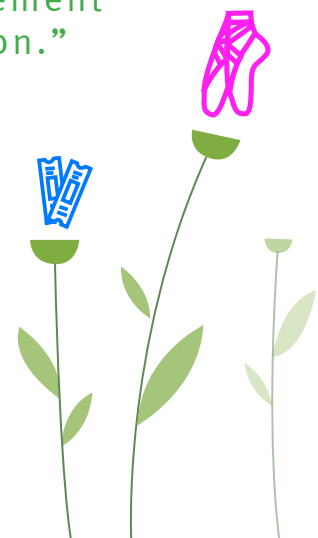
It is essential that the cultural sector not lose sight of the bigger picture of arts and culture sustainability. More than half of the sector's revenues in Buffalo Niagara are derived from earned revenues, not philanthropic contributions. The following action steps are geared toward addressing the entire scope of fiscal sustainability:

- address cultural leadership and board development, including engaging the region's younger leaders
- continue to advance the capacity of cultural assets through professional development and training in marketing, administration and programming
- develop new and innovative earned income streams
- continue collaborations with cultural peers with regard to program development, fundraising, marketing and infrastructure and administrative support (e.g., databases, ticketing)

It is only with the combined approach to securing a more reliable philanthropic commitment to arts and culture and enhancing the organizations' self-sufficiency that Buffalo Niagara's industry can hope to achieve sustainability and enduring growth.

**“Organizations must show they can exist and thrive by mining opportunities for earned revenues and leveraging their resources through creative management and collaboration.”**

**-Corporate Donor**



<sup>36</sup> In May 2005, Laurence K. Rubin, Commissioner, Erie County Dept. of Environment and Planning, drafted “A Proposal for the Creation of and Funding of an Arts, Culture and Tourism Development Corporation for Buffalo and Erie County,” which called for the formation of a nonprofit group with similarities to a United Arts Fund. It was envisioned to create a more stable and broad-based community governance system for arts and culture funding and called for an increase in the lodging tax as well as contributions from the region's foundations and the arts and cultural groups themselves. Other funds would come from the city's and county's incremental real property and sales tax revenues generated by the Erie Canal Harbor development. The proposal was shared unofficially with various community leaders, cultural leaders and legislators but did not move forward.

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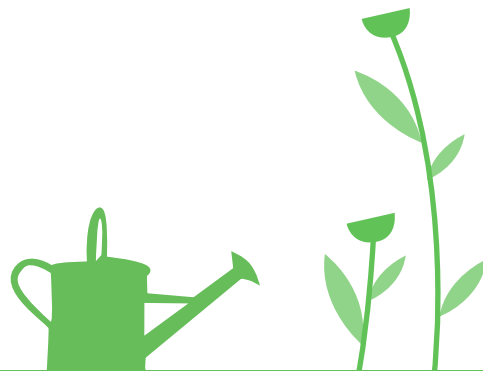
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