Arts Funding Models

For Our Creative Future

A Cultural Plan for the Portland Metro Region and Clackamas, Multnomah and Washington Counties

CULTURAL PLANNING GROUP

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Introduction

This study has been commissioned to inform Our Creative Future, a cultural plan now being developed for Portland's tri-county region (Clackamas, Washington & Multnomah counties). The study's purpose is to examine a range of approaches to arts support across the U.S. cities with potential lessons for the tri-county region. Since the 1990s, the Portland region has had a regional approach to arts and cultural funding and administration, alongside city- and county-specific funding and administration. This approach is in the process of change, as the City of Portland redefines its relationship with the Regional Arts and Culture Council (RACC) and withdraws from the Intergovernmental Agreement that has governed regional collaboration and leadership in the arts.

There is a long-held goal in the arts and cultural community, and among some policymakers, to develop a dedicated regional public revenue source. Two previous cultural plans – *Arts Plan 2000* in 1992 and *Act for Art* in 2009 – have documented the need for a larger and renewable/sustainable public revenue source. Our Creative Future is now the third cultural plan in about 30 years to reach the same conclusion, which will be reflected in the plan under development. There have been multiple conversations since adoption of the first cultural plan about how to increase revenues for the arts. In 2011, the City of Portland was successful in passing the Arts Education and Access Income Tax Fund ("Arts Tax"),[1] which allocates a majority of its revenues to arts education in the public schools and the remaining portion to grants for nonprofit arts and cultural organizations. While the Arts Tax has had clear benefits for arts education in Portland's public schools, the arts community still holds the goal of a dedicated revenue stream of tax dollars to address its needs. In FY2021, Arts Tax net revenues totaled approximately $8.4 million. Of that amount, approximately $7.1 million went to school districts and $1.3 million to arts grants.

There is an opportunity now to examine common experiences and practices across communities as they relate to both successful establishment of a dedicated public revenue source to support arts and culture as well as unsuccessful attempts in garnering public support for a ballot measure. In addition to dedicated public revenues for the arts, the study also addresses the possibilities of "united fundraising" for the arts, which is currently done on a limited scale through the

[1] City of Portland residents 18 years or older who have $1,000 or more of annual income and are in a household above the federal poverty level are liable for the Arts Tax of $35.

RACC, and dedicated funding for arts education. The City of Portland's Arts Tax is under consideration for potential changes, so sustainable revenues for arts education remain a relevant issue.

Numerous communities have explored the potential for establishing a discreet renewable, sustainable funding source dedicated to the arts, often through a ballot initiative seeking voter approval. These efforts have been adopted in cities, counties, metropolitan regions and across states with a range of approaches. The most common form in the cities included in this study as well as in other jurisdictions across the country is a sales tax augmentation, though other forms of revenues include transient occupancy taxes; property taxes; food and beverage taxes and in the case of one county, a cigarette tax.

Five cities/communities have been identified for this study as the most relevant examples. The five cities/communities are listed below with both the name of the primary city as well as the county. All communities in this cohort have one or more dedicated sources of tax revenues supporting arts and culture, and all of these mechanisms are either on the county or regional level. The five cities/communities in the study cohort are:

- Denver (City and 7-County region)
- St. Louis (City and County)
- Salt Lake City (Salt Lake County)
- Pittsburgh (Allegheny County)
- State of Washington (for cities and counties)

The two dedicated funding sources for arts education are:

- State of California Proposition 28: The Arts and Music in the Schools, Accountability and Funding Act
- San Francisco Unified School District Public Education Enrichment Fund

The primary questions framing this inquiry include:

- What is the overall profile of public support for arts and culture in each place?
- What has been their experience in establishing, or seeking to establish, a dedicated revenue source for arts and culture?
- What do the experiences of these communities suggest as questions the tri-county region should consider in examining the potential for seeking a city, county and/or regional effort for a dedicated revenue stream for arts and culture?

In addition to dedicated public revenues for arts and culture, this study also provides an overview of United Arts Funds (UAFs), which are United Way-style annual fundraising campaigns that have been successful in other communities. The Portland region has a workplace giving program administered by RACC but not the larger corporate and foundation campaign that defines most UAFs.

Review of Arts Funding Models

DEDICATED PUBLIC REVENUES

Dedicated tax-based revenue sources for arts and culture are often considered the "holy grail" of arts funding. They typically generate substantial amounts of annually renewable monies that help stabilize and sustain arts and cultural communities in a community. They can offer clear public benefits – especially free admission – that promote public visibility and support for the arts. When authorized by voter initiatives, they remain popular and are often reauthorized at higher vote margins than when originally passed. The experience of Portland's Arts Tax has yielded mixed results. It is one example of a renewable annual public revenue source but has frustrated some of its proponents because the ballot measure was reconfigured to be primarily an arts education fund that tested better with voters. Also, it is limited geographically to the City of Portland, so the tri-county region's goal for a revenue source remains.

It is also important to note that some of the model arts funding sources here rely on a sales tax. Oregon does not have a sales tax, so this specific revenue source is not available to the Portland region. However, there are alternative revenue sources profiled here and that can be considered in the tri-county area.

Denver Scientific and Cultural Facilities District

Denver is one of the most often cited dedicated arts funding sources in studies and profiles of a city that successfully implemented a sales tax dedicated to supporting arts and culture. It is also the only true regional, multi-county revenue source in the US. The Scientific and Cultural Facilities District (SCFD) was launched in 1989 when voters approved a ballot measure that established a funding mechanism across a seven-county region that includes Denver (city and county) as well as Broomfield, Boulder, Arapahoe, Adams, Jefferson, and Douglas counties. The SCFD collects one penny for every $10 (0.001%) in sales and use tax collected across the seven counties, except for two municipalities in Douglas County that opted not to participate in the funding district.

As with other dedicated revenue efforts across the country, the impetus for the SCFD ballot measure was a response to an economic downturn that threatened significant reductions in support for cultural organizations in both the public sector and through private philanthropy in Denver and surrounding communities. In the mid-1980's Denver was experiencing serious economic stresses and shifts that reduced revenues to the City, and the City was clear they could not continue the level of support it had been providing for cultural organizations. In response, a small group of civic, cultural and political leaders developed the concept for a sales tax initiative and brought together a broad coalition to promote the approach and to lobby the state legislature to pass enabling legislation. This group also led the design and implementation of a campaign to encourage voter support for the ballot measure.

Since its original authorization in 1989 the SCFD has been reaffirmed by voters three times – in 1994, 2004 and again in 2016. Its next 'sunset' date was extended by the affirmative vote in 2016 to 2030. The current plan is to seek the next voter renewal on the ballot in 2028, two years prior to sunsetting. In each of the three renewal ballot measures, the SCFD has consistently received voter approval well above 60%, most recently above 65%. According to SCFD leadership, it is a core principle to continually review and integrate data on the impact of their investments into their operations and to be transparent with the public on the distribution of all revenues. The SCFD works closely with the recipients to assure ongoing public education of the value of tax dollars supporting arts and culture.

The annual distributions (grants) through the SCFD vary somewhat from year to year based on tax collections but have generally increased over time. In FY2019, prior to the onset of Covid-19, they distributed more than $66.1 million. In FY2020 revenues were just under $63.4 and they rebounded in FY2021 to $71 million. Between 2012 and 2020 the SCFD distributed more than $500 million in funding across the seven counties.

The SCFD distributions are determined by a formula that was included in the original authorizing statute. This formula organizes funding eligibility into three tiers as well as provides the formula for distribution across the seven counties. Tier 1 organizations are the largest institutions that serve the metropolitan region – Denver Museum of Art, Denver Botanic Gardens, Denver Center for the Performing Arts, Denver Museum of Nature & Science, and Denver Zoo. They receive approximately 62% of total dollars distributed. Each county has a volunteer Cultural Council that reviews applications and recommends decisions for grants in their county in Tier 2 and Tier 3.

St. Louis - Zoo Museum District and Regional Arts Commission of St. Louis

St. Louis has two highly successful and long-standing tax mechanisms that support arts and culture. It is important to note that the City of St. Louis is not located within St. Louis County (or any county). St. Louis County, which begins with the western border of the city, has 91 incorporated municipalities.

One of the oldest arts funding districts in the country is the Zoo Museum District (ZMD). It was established in 1972 following a successful ballot vote in the spring of 1971. The history of the ZMD is best described on their website:

> *The Zoo Museum District was created when St. Louis County and City citizens voted to establish a new governmental entity in the spring of 1971. At that time, a state law authorized an election for a City-County district to provide tax support to three then financially struggling cultural institutions: the Museum of Science and Natural History, then located in Oak Knoll Park in Clayton, and the Saint Louis Zoo and Art Museum, located in Forest Park.* Voters in both the *County and City said "YES" and the Metropolitan Zoological Park and Museum District began operations in 1972. The ZMD initially supported three organizations. Voters allowed the Missouri Botanical Garden and the Missouri History Museum to enter the District in 1983 and 1987 respectively. In 1983 citizens voted to increase the maximum authorized property tax rates for the Science Center, Zoo and Art Museum. Voters rejected a proposed tax rate increase for the Science Center in 1989 and declined to authorize rate increases for the Botanical Garden in 1989 and 1993. Zoo Museum District issues have not appeared on election ballots since 1993.*

The ZMD is an example of a funding district that supports large institutions through a tax in multiple jurisdictions though the five entities supported are all geographically located in the City of St. Louis. There was a clear recognition by the citizens of both the city and county that while these institutions are physically located in the city, they serve all residents of the region.

In FY2022 the ZMD generated more than $94 million in revenue. There is a set formula for distribution of the funds to the five institutions. The Missouri statute that authorized the district also established that 5% of revenues would be retained for administration. The St. Louis Art Museum and St. Louis Zoo each receive 27.13% of revenue. The other three organizations each receive 13.58%.

The ZMD is often promoted as making it possible for any resident (and visitor) to visit the five institutions for free or low-cost. Entrance to the Art Museum, Zoo, Science Center and History Museum is free (though special exhibits often have an admission fee). Admission to the Botanical Garden is only $6 for residents versus $13 for general admission.

Because the ZMD is limited to supporting only the five institutions, there was an effort in the mid-1980's to create a second, special tax to support a broader range of nonprofit arts in St. Louis. Legislation was passed in 1985 through a citizen vote that mandated a portion of hotel/motel taxes support the arts (but not the institutions under the ZMD). The Regional Arts Commission of St. Louis (RAC) was established in response as a quasi-governmental agency. It is a 501c3 nonprofit but it is governed through a coalition of county and city government. Each jurisdiction appoints representatives to the Board of Directors of RAC. The grant programs through RAC are funded by a 4/15th allocation of hotel taxes collected in both St. Louis City and County.

In FY2021, RAC's revenues were $7 million. Since being established in 1985 RAC has allocated more than $100 million in public funds to individual artists, arts organizations, and other nonprofit groups. They have evolved over time to support a wide range of nonprofits from established institutions to one-time projects by individual artists.

In addition to the grants, RAC also manages a variety of programs that build community and focus on advocacy. One program is highly recognized as a model of arts leadership in community building and fostering social change. The Community Arts Training Institute (CAT) was established 25 years ago and through the CAT program more than 350 social workers, educators, community activists, policymakers, and artists of all disciplines have participated in cross-sector training. The RAC also serves as the administrator of the public art program for the city and county.

Salt Lake County Zoo, Arts & Parks

The Salt Lake County Zoo, Arts & Parks (ZAP) Program was voted on and passed by Salt Lake County residents in 1996, awarding its first grants in 1997. The impetus for the ballot initiative came about when board members of Salt Lake City's major institutions—the symphony, opera, ballet repertory theater and art museum—sought to create a public revenue source of sufficient capacity to help stabilize their organizations and "share the load" with taxpayers.

After a leadership coalition of board members and arts leaders successfully lobbied for enabling state legislation, their first ballot initiative failed primarily because it was billed as an "arts tax" and designed only to benefit the largest arts institutions. Given voter feedback, **the original group learned a lesson that is common in other jurisdictions and in putting forth voter approved taxes to support arts and culture – a broad coalition is required for success and voters generally do not support 'arts for art's sake.'** A coalition was built that included support for the Zoo and for parks. The second ballot initiative was then successful because it was a quality-of-life initiative that focused its campaign messaging primarily on the parks department and the zoo. The second initiative also included benefits for the entire arts community, engaging a broader base of voters, and not just the largest institutions.

Every 10 years, the ZAP Program is placed on the ballot for County residents to vote for the program's renewal. The percentage of supporting voters continues to increase with each renewal cycle due to the successful reach and impact of the ZAP Program and the organizations it funds. A detailed assessment in 2002, covering the first five years of the program, demonstrated the specific stabilizing effects of the ZAP tax on the nonprofit arts community. ZAP's logo and messaging continues to focus on benefits to the individual citizen, not benefits to the arts.

ZAP is funded through a sales tax of one cent of every $10 spent (0.001% of eligible sales). In FY2021 ZAP generated approximately $34 million. These funds are administered by Salt Lake County under the Community Services division. As can be seen with other tax and funding districts included in this study, there is a pre-determined formula for eligibility and a multi-tier approach to levels and types of funding. "ZAP primarily offers three categories of grant funding to art, cultural and botanical organizations: Tier I, Tier II, and Zoological. Each application is reviewed by the corresponding ZAP Advisory Board using a specific set of scoring criteria." A list of who is eligible for ZAP funding can be found on their website.

Allegheny County/Pittsburgh Regional Asset District

Allegheny County supports arts and culture through a tax initiative known as the Regional Asset District (RAD). RAD is unique as a special tax funded mechanism that was established in 1993 through a lobbying effort with the Pennsylvania State legislature to pass Act 77 which allowed the county to establish a one percent options sales tax that did not require voter approval.

Similar to other jurisdictions, the RAD supports other community amenities in addition to the arts. Half of the annual revenues support parks, libraries, sports and civic facilities, the zoo, aviary and botanical gardens and the arts. The other half of the revenue is distributed through a complex formula directly to Allegheny County as well as a proportionate share to each of the 128 municipalities in the county (including Pittsburgh).

The RAD generated $18 million in revenue in FY2022. Since 1995 the RAD has collected more than $4 billion. Of those resources collected arts and culture (which includes the zoo, aviary, botanical garden) have received over $453 million. RAD supports organizations for general operating, for specific programs and for capital projects.

In addition to RAD being an essential resource to strengthen and broaden the cultural arts sector in Allegheny County there is the Pittsburgh Cultural Trust (PCT). It is important to note that PCT is not a funding initiative or a source for grantmaking.

PCT was an innovative urban renewal, real estate and economic development approach that consolidated real estate in a concentrated area, created an arts district and utilizes its resources to foster a vibrant cultural hub in Pittsburgh. It was created in 1984, preceding the formation of RAD by 10 years or so. It is a nonprofit that operates a 14-square-block area of downtown Pittsburgh with over 1 million square feet of real estate that includes several performing arts venues of varying sizes, and real estate that houses galleries, arts organizations, restaurants, and retail. While they do not directly support organizations as a funder, PCT effectively supports a robust arts sector through affordable access to venues, through promotion and through the activity of the arts district.

State of Washington Cultural Access Program

The Cultural Access program is legislation passed by the Washington State Senate in 2015 (Senate Bill 2263.) The intent of the enabling legislation was to address the barriers to access for cultural programs and organizations due to social and economic inequities. The Cultural Access bill provides taxing authority for either cities or counties in establishing a 0.1% (1/10 of 1%) sales tax augmentation or the equivalent amount through property tax millage to support cultural programs in the city or county. It also provides capacity for intergovernmental, multi-jurisdictional compacts to create a taxing region for purposes of Cultural Access.

The potential recipient nonprofits are clearly defined as science, technology, heritage and the arts through the legislation.

The first city in the state to present a ballot measure to the public was the City of Tacoma in 2018. Proposition 1 was approved with greater than 65% of the vote, establishing Tacoma Creates.

There have been two important amendments to the legislation. The first, in 2020 removed specific restrictions in the legislation focused on King County (Seattle). The original legislation was highly prescriptive for only King County, with a specific distribution model with designated beneficiaries. Based on broad resistance to such a highly prescribed structure, the legislature amended the ordinance to remove those restrictions. The second amendment In 2023 broadened pathways for establishing the sales tax, allowing for councilmanic imposition as an alternative to adoption through a ballot measure.

In September 2023, the King County Executive presented the King County Council with legislation to adopt Cultural Access. It is anticipated to be voted on by the Council before the end of 2023. If approved, it is estimated that in calendar year 2024 that more than $70M will be collected. 2025 would be the first full year of collections, estimated to exceed $100M. The funding program would be administered by 4Culture, King County's existing arts funding agency.

Additional references on Cultural Access:

Inspire Washington (Statewide advocacy organization)
Enabling legislation

DEDICATED ARTS EDUCATION FUNDING

The scan includes two dedicated revenue sources for arts education. While the City of Portland already has a dedicated arts education revenue source through its "Arts Tax" (Arts Education and Access Income Tax Fund), it is contemplating potential changes to the tax. The Arts Tax has clearly had significant positive impacts in the public schools, so any changes to that legislation would need to consider ways to maintain those gains. Accordingly, the two California revenue sources are provided here that on the one hand, validate the strategy of Portland's existing Arts Tax while providing alternative approaches that could be considered as part of future revisions to that law. Each example is a large-scale, systemic strategy that generates significant amounts of renewable, annual funding. Each also focuses on providing resources above-and-beyond existing arts education funding and targeting that support to specific gaps in existing resources, such as teacher salaries.

State of California Proposition 28: The Arts and Music in Schools—Funding and Accountability Act

In November 2022, 64% of California voters approved Proposition 28. Proposition 98 requires the state to spend a certain percentage of its general fund on public education. Prop. 28 requires the state to add an amount equal to 1% of Prop. 98 funding — money guaranteed for public schools and community colleges in the state budget — for music and arts education. It is estimated to be an annual amount between $800 million and $1 billion. This measure does not raise taxes, so the additional money must come from elsewhere in the state's general fund. Proponents argued that the state's recent surplus would cover the cost. Schools with high proportions of students from low-income households receive more funding. School districts are required to spend 80% of the new funding on hiring arts and music instructors and must publish annual reports on how they spend the money.

Prop. 28 addresses a 'catch 22' in California's public education. Arts education in the state has long been an unfunded mandate, frustrating educators, parents, students and arts advocates alike. State law requires instruction in visual and performing arts for grades 1-6. For grades 7-8, schools must offer arts classes either during or after school. High school students must take either a year of art, a foreign language or career and technical education to graduate; most California high schools require students to take art to align with the admissions requirements for the California State University and University of California systems. However, when school district budgets are cut during economic downturns, arts and music programs are often the first to be downsized. So, former Los Angeles Unified Superintendent Austin Beutner launched and championed the Prop. 28 campaign to turn the arts into a core subject along with math, science and reading.

In some ways, California's Prop. 28 mirrors the Portland "Arts Tax" (Arts Education and Access Income Tax Fund). Both recognize that a lack of certificated arts instructors is a key barrier to arts education and therefore direct funding to new teacher positions. This has the added benefit of creating many stable, new jobs for artists seeking employment as arts instructors. In fact, Prop. 28 had the support of unions and faced no organized political opposition. Prop. 28 also directs 20% of funding to related arts education expenses, such as training, supplies, materials and enrichment (teaching artists, programs provided by arts organizations). The 20% in effect creates a large, new annual revenue source to hire arts organizations providing school programs, much larger than the budget of the state's Arts Council.

Also, like Portland's "Arts Tax", Prop. 28 introduces systemic change. Prop. 28 is creating disruption and uncertainty statewide as the specifics of implementation are worked out. Nonetheless, it is acknowledged as a bold and comprehensive strategy to provide all students with high quality, standards-based arts instruction across all five artistic disciplines, and to address the educational inequities found throughout California communities.

San Francisco Unified School District Public Education Enrichment Fund

In 2004, San Francisco voters approved ballot initiative Proposition H, establishing the Public Education Enrichment Fund (PEEF). The City of San Francisco contributes to this fund annually from its discretionary General Fund revenues to support education programs for San Francisco's youth. One-third of the total PEEF fund is allocated to the City of San Francisco's Office of Early Care and Education for preschool support. The remaining two-thirds of the PEEF fund is allocated to the San Francisco Unified School District, including for arts education. In 2014, San Franciscans reauthorized PEEF by a 74% approval vote guaranteeing funding for PEEF for an additional 25 years, through FY2040.

The legislation mandates that half of the school district's allocation be directed to Sports, Libraries, the Arts, and Music. The other half is for "other general uses." While the amount of the city's annual contribution to the PEEF is not mandated by law, it is substantial, totaling approximately $90 million in FY2024. Of that amount, about $19 million is allocated for arts education.

Like Prop 28, the PEEF is not a tax but rather a mandatory allocation of taxpayer education funds.

Also, with the passage of Prop. 28 (see above), the school district has a significant new source of arts education funding in the current year (FY2024). The district intends to use the new resources, along with PEEF funds, to increase the potential for arts and creativity for the district's historically marginalized students and to expand beyond euro-centric learning. In line with this direction, it will focus on applying an equity lens to professional development, curriculum development, and data collection and analysis. It will add 60+ FTEs for additional arts teachers, plus several administrative positions.

UNITED ARTS FUNDS

United Arts Funds (UAFs) operate in numerous cities. These programs are similar to United Way campaigns, defined by Americans for the Arts (AFTA) as "a combined or federated appeal for arts funding conducted annually to raise unrestricted money on behalf of three or more arts, culture, and/or science organizations." AFTA serves as the primary central repository of data and information on UAFs, providing the most comprehensive information and national perspective.

AFTA's most recent research report on UAFs provides the following definitional information and summary of data:

> *United Arts Funds (UAFs) are local arts agencies whose main function is to raise money from local individuals, businesses, and foundations to regrant to local arts institutions and provide support to the cultural community. UAFs provide accountability, a transparent and systemic process, and deep knowledge of the local arts community that is not feasible for most donors to do individually. Thus, UAFs are trusted stewards to those that seek to make a meaningful contribution to the arts.*
>
> *The UAF movement began in 1949 when civic leaders in Cincinnati and Louisville determined that community-wide campaigns, loosely based upon the United Way model, could raise substantially more money to provide ongoing operating support to their major arts institutions. The majority of UAFs were initiated by local business*

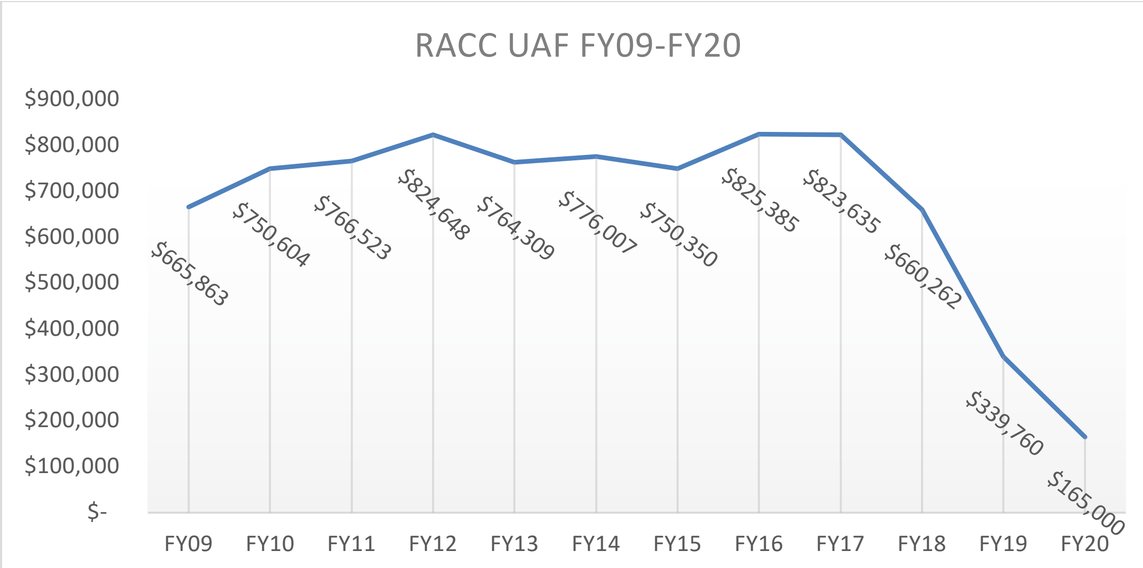
leaders seeking to minimize individual funding requests and to ensure that arts organizations meet standards of quality and financial stability. For decades following, the fundraising power of UAFs was typically available only to that closed group of arts organizations.

Beginning in the 1990's, allocations have become increasingly available to the full and diverse range of local arts organizations, with funding decisions based on community impact, expecting grantees to reflect the differences and needs of the whole community. Today, grants have evolved from primarily general operating support (GOS) to project grants, capital grants, capacity building grants, and neighborhood and community grants. UAFs are more heavily engaged in cultural planning, implementing programs that engage the community through the arts, and providing capacity-building programs and other services to arts organizations in their region. Consequently, many of these organizations are moving away from the traditional and inequitable model of a UAF and consider themselves as full-service local arts agencies (LAAs).

The Regional Arts and Culture Council (RACC) has coordinated a UAF for the Portland area for several years. According to the most recent UAF Report published by AFTA for fiscal year 2020, RACC reported a significant decrease in campaign revenues. The 12-year history for the UAF campaign from RACC is:

FY09	$	665,863	FY15	$	750,350
FY10	$	750,604	FY16	$	825,385
FY11	$	766,523	FY17	$	823,635
FY12	$	824,648	FY18	$	660,262
FY13	$	764,309	FY19	$	339,760
FY14	$	776,007	FY20	$	165,000

This indicates that the peak year was 2016 with significant decline since that time.



In contrast, the four cities with the highest grossing campaigns were Cincinnati, OH; Louisville, KY; Milwaukee, WI; and Seattle, WA. Three of the four cities have (city) populations similar to Portland though there is a broader range for the metropolitan population of each city. Cincinnati is consistently the highest grossing UAF campaign though it has a population approximately half that of Portland and the three other cities examined. In FY2020 the campaign in Cincinnati, as noted below, exceeded $13M in comparison to $165,000 for the Portland region.

City	City Population	Metro Population	FY2020 Campaign
Portland	641,162	2,220,000	$165,000
Louisville	628,594	1,395,855	$6,647,000
Seattle	733,919	4,019,762	$7,300,000
Milwaukee	569,330	1,574,731	$10,360,000
Cincinnati	306,592	1,750,000	$13,155,000

Additional information on UAF's through the AFTA website on their [UAF Information Page].

Observations and Considerations

DEDICATED PUBLIC REVENUES

A series of individual interviews were conducted with leaders of taxing districts, municipal arts agencies and non-profit local arts agencies. These individuals clarified information about the support mechanisms – or lack thereof – in their jurisdictions, their perspectives on successes and challenges in both establishing and operating a funding district, as well as lessons learned in seeking voter-approved funding initiatives. Additional observations and considerations are drawn from a review of available documents and the information currently available on the websites for each arts funder in this study.

There are several common experiences and lessons learned across communities that have been successful in establishing a dedicated funding mechanism for arts and culture as well as in those that have attempted ballot measures and that have failed.

Stories of both success and failure provide useful information and suggest a number of questions that the Portland tri-county region may want to consider in framing an approach to seeking broader public support through a dedicated revenue stream and/or other arts revenue source.

In virtually every community with a dedicated revenue source there is a concentration of large institutions in a central core or primary city that serves a broader metropolitan area. The common refrain is that "those outside of our city use our amenities, so they should support our institutions through a tax. Why should we pay more for their benefit?"[2]

In several examples in this study, the funding initiatives were not initially successful.

While there are other local arts agencies that serve areas that include counties in multiple states (e.g., Kansas City metropolitan area with five counties in two states) there has been only one sales tax initiative passed that encompassed counties in two

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[2] An example of this is evident on the history page of the Regional Asset District website (emphasis added): "*The City of Pittsburgh was facing severe financial difficulties and at the time was the sole underwriter for the zoo, aviary, and Phipps Conservatory,* ***even though the majority of visitors to these attractions came from outside the city****. It also provided the only public subsidy to Three Rivers Stadium (which at the time was home to the Steelers and the Pirates)* ***even though city residents made up only a small fraction of total attendees****.*"

different states. The Bi-State Cultural Tax was passed in 1996 in Kansas City with support in multiple counties in both states. It was not renewed by voters after an initial 5-year period where the proceeds benefited one major civic project, with over $118M collected to support the renovation and repurposing of Union Station. Though the renewal would shift to benefit a broad range of arts, culture and heritage organizations in the five counties, there was public perception that the funds were not well-used and managed so the public did not approve renewal.

Observations and questions to consider in planning and establishing a dedicated public revenue source for arts and culture:

- **Districts/taxes were established as part of a larger economic recovery.** Two of the most successful arts and culture funding districts – the SCFD in Denver and the Regional Asset District in Pittsburgh – were established around the same time in response to specific economic challenges in each community. In Denver (and the surrounding counties) the City was facing a significant financial downturn and cultural funding was being cut dramatically, threatening the health of the sector. In Pittsburgh (Allegheny County) the RAD was established as a key strategy in strengthening the quality of life as Pittsburgh was recovering from an economic downturn as it transitioned away from an industrial and manufacturing based economy (primarily steel manufacturing). As stated by one interviewee in Pittsburgh: "We're one of the rust belt cities that went away and then came back. There was a lot of forward thinking on how to rebuild. There were business leaders, philanthropic leaders, cultural leaders – all at the table in the creation of RAD as a key element. It was a broad coalition and unified effort. There is not one entity that can take full credit so the benefit broadly shared."

  In the case of both the Denver region and Allegheny County the tax initiatives were directly tied to economic recovery and transition in their regions. Strengthening the cultural community was a key element of quality of life and driver of economic development.

  > *Questions: Do we have a clear, comprehensive, and compelling case that the arts are an essential element of economic development in our community? In what ways can we communicate a broader creative economy and its role in the economic vitality of the region?*

- **Be clear on "the who and the why".** In the four examples of ongoing tax districts for the arts there was a need early on for building broad coalitions in advance of any ballot measure and/or in successfully lobbying for state statutes and ordinances to enable funding mechanisms. There was unanimous agreement among those interviewed that any concept and subsequent campaign requires focusing on the benefit to the residents and visitors to a community and not on the benefit to operating of cultural organizations.

Furthermore, there was nearly unanimous agreement that any contemporary effort needs to be much broader than 'we need more money for the arts.' It was consistent among several communities that 'art for art's sake' is *not* a compelling reason on its own for voters to support a ballot or funding initiative. The clear consensus was also that coalitions that fund several community amenities are more successful, and it is stronger to advocate for arts and culture support when bundled with other community needs. Many communitywide arts funding programs are in fact a coalition among the arts and other quality of life interests. This is evident in the tax-funded initiatives profiled in this report. Parks, zoos, botanical gardens are common partners.

Questions: What is the most compelling reason to ask the public to support some form of tax to support arts and culture? Why should I pay additional taxes for something that isn't important to me and that others are already supporting?

- **Agree to funding formulas up front.** One important characteristic to note of successful ballot measures was a unified approach to funding allocations and formulas that were agreed upon by community leadership and the arts community prior to any public discussion of a tax and placement on the ballot. In interviews with several representatives, they cited that "infighting about who gets what" needs to be settled before any public effort.

There was also nearly unanimous reflection that most of the funding districts were originally established in the 1980's and 1990's when there was an environment that more broadly supported the notion that significant resources were required to maintain the largest institutions as anchors of the cultural community as a high priority. This is reflected in the funding formulas in Denver, Salt Lake City and St. Louis.

There are efforts now underway in these communities to examine the assumptions behind the formulas and distribution structures with an equity lens. Virtually all interviewees advised that being responsive to equitable formulas up front will be necessary for any contemporary initiative.

Questions: What is required to build a consensus upfront within the cultural sector on funding formulas that broadly serve the community? In what ways has our community considered the recent shift in discussions on diversity, equity and inclusion, and in what ways should this be built into any construct for a funding initiative?

- **Community context is the point of departure.** The funding sources and administrative structures in the four cities with dedicated revenue programs are varied and were chosen for the specific "fit" with the political context in their states for enabling legislation and their cities and counties. One size does not fit all. Ballot initiatives in some jurisdictions did not pass on their first attempt. This was true in Denver and Salt Lake. A successful mixture of tax source, messaging, distribution formulas and beneficiaries needs to be considered in a campaign. It is imperative to be intentional in focusing efforts on the right political construct and geographic reach (i.e., city, county, region).

  Questions: What are the political strengths and barriers to consider in developing an initiative? What is the 'right' geography for a ballot measure – City? County? Region? What are the legislative requirements in putting a ballot measure forth to the voters?

- **Continuity through renewal requires vigilance, accountability, communication and planning.** Once enacted, voter-approved arts taxes are highly renewable because they provide recognizable community benefits. However, it is not a given. In all four communities included in this study, interviewees shared the ongoing efforts by the cultural community and arts advocates to educate their citizens on the benefits, impact and value of the cultural tax. In all four communities the cultural organizations contribute annually to an advocacy and campaign fund that is set aside in preparation for when the tax is on the ballot for renewal. Additional private resources contribute with an understanding that the most effective and efficient approach is to build resources over time and be prepared at each point in the renewal cycle. In addition, each community has established a standing task force of cultural leaders who meet regularly to strategize on education as well as advocacy. "In Salt Lake, the Tier 1 organizations have come together with their own group. The 25 executive directors have banded together to commit resources, raise funds, organize and run the campaign for renewal. Our agency supports them with information and branding materials to the extent that it is allowed and appropriate – we cannot lobby for our own renewal. This group hires a lobby firm and works with a large media group for a campaign. For the last renewal they spent about $250K I believe."

  It has been challenging for the tax programs profiled as well as many others to build rigorous outcomes-based evaluation into their operations. Metrics are often based on organizational statistics of participation. It is advisable to consider what metrics and evaluation measures would be built into a new initiative from the beginnings of exploring the concept and aim for any administrative structure to include a robust evaluation system into their structure upfront. This can be an important element in building public trust, assuring transparency, and setting standards for diversity, equity and inclusion from the initial concept.

OTHER REVENUE SOURCES

Arts Education Funding

The City of Portland currently has a dedicated public revenue source for arts education, its Arts Education and Access Income Tax Fund, enacted through a voter initiative in 2011. As noted, the "Arts Tax" has generated some controversy and may benefit from reconsideration. One option is to continue and modify the existing tax. While there are multiple options for modifying the Arts Tax, one consideration is to not disrupt the progress generated by more than a decade of consistent arts education funding for Portland's public schools.

If the Arts Tax is modified, consider how to maintain the benefits for arts education: The two California arts education funding sources profiled in this study provide one alternative approach to consider – mandating an allocation rather than enacting a new tax levy. This draws on the fact that states and local governments already allocate substantial budgets to public education. The two examples share the premise that funds are <u>supplemental</u> to existing resources for arts education in the education budget. This is also true of the Portland Arts Tax and is a valuable provision to retain, should the legislation be reconsidered.

United Arts Funds

The Portland tri-county region has had a small UAF for many years administered by RACC. While it currently is among the smallest of all UAFs in the national network of such funding sources tracked by Americans for the Arts, it has in the past been larger, approximately $802,000 in FY2018. UAFs are included in this study to illustrate some of the considerations in rebuilding the fund.

Community leadership is required: Expansion of a UAF must be led by business and philanthropic leaders in a community, champions of arts and culture who share a consensus on the desirability of United Way-type approach to private arts funding. In the Portland tri-county region, this would include a dialogue among corporate and foundation leaders to explore the value and feasibility of a UAF.

A trusted local arts agency is needed to manage the fund: A UAF must be administered by a trusted local arts agency. The successful UAFs in the US all work through an organization with the confidence of the community and arts administration capacity to manage a sophisticated annual fundraising campaign. It must also have the field knowledge and relationships to operate funding and other programs for the benefit of the community.

Articulate a compelling rationale and benefits: UAFs have been declining in recent years, reflecting trends away from united fundraising campaigns. Total UAF revenues fell in the four most recent years and 7 of the past 12 years (FY09-FY20). The most successful UAFs continued to raise $10 million to $13 million annually, but the trends suggest that the rationale and benefits of UAFs are changing. For the Portland tri-county region, this suggests that rebuilding its current program would require careful articulation of why and how a revitalized fund would expand the community benefits of current arts funding.