TAXES FOR THE ARTS:

CASE STUDIES OF SAN FRANCISCO, CUYAHOGA COUNTY AND DETROIT

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Thesis

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CHAPTER I

INTRODUCTION

A 2013 study by Americans for the Arts outlines that private funding for the arts via individuals, corporations and foundations is unreliable when the economy is unstable. The results of this study indicate that,

> changes in total giving correlate strongly with changes in the S&P 500; similarly, changes in individual giving track closely with changes in income and wealth. Following a major decline during the Great Recession, the arts have slowly worked their way back as the economy has improved—though have yet to achieve pre-Recession levels (Americans for the Arts).

How can arts organizations better prepare for and insulate themselves against economic tides that significantly affect revenue from private philanthropy? One option for communities to explore is a tax to benefit arts and culture organizations. Consultant and former arts executive Ramona Baker explains how cities, faced with higher costs and tighter budgets, are looking to creative tax options that will provide support for community arts organizations.

> Most community leaders agree that arts and culture are important to the life of a city. In comments about supporting the arts at the local level, the U.S. Conference of Mayors stated, "The arts enrich us as a nation, helping us to shape the quality of American lives and define ourselves as a people. The arts enrich our communities, breathing new life into neighborhoods, revitalizing downtowns and drawing millions of visitors to local cultural attractions each year." As costs rise and more public officials look for ways to cut expenditures in their general fund, some cities are looking at dedicated taxes that can be used to help support the arts. (Baker).

The two most widely-used tax structures for this purpose are special district taxes and local options taxes.

Special District Taxes

In his paper, "Sales Taxes for the Arts," arts management consultant Duncan M. Webb explains that special district taxes come in the form of either a property tax or a sales tax and must be approved at the state level. In addition to support from the state government, special district taxes usually require voter approval. The administration of special tax districts is managed by independent government bodies, and the legislation authorizing the tax districts generally requires regular, periodic renewal (Webb).

The special district tax structure has been a model for a series of tax initiatives throughout the United States. The first special district tax was created in St. Louis in 1972. Once approved, this tax designated five cents of every one hundred dollars in property tax to support the St. Louis Art Museum, St. Louis Zoo, and Museum of Science and Natural History (Webb). Voters approved the addition of the Missouri Botanical Garden and Missouri History Museum to the district in 1983 and 1987, respectively; and later rejected proposed tax increases for the Science Center in 1989 and for the Botanical Garden in 1989 and 1993. In 2012, the Zoo and Art Museum each received $20,000,000 in tax revenue, and the Science Center, Botanical Garden, and History Museum each received $10,000,000 in tax revenue (Zoo Museum District). Additional examples of special district taxes can be found in Denver, Colorado; St. Paul, Minnesota; and Pittsburgh, Pennsylvania.

In Denver, the Scientific and Cultural Facilities District was created in 1989 and is funded through a one tenth of one percent sales tax throughout the seven-county Denver, Colorado metropolitan area. Voters re-approved the tax in both 1994 and 2004, and will have the opportunity to re-approve the tax again in 2016. Approximately $40,000,000 annually is distributed to scientific and cultural organizations in the seven-county region. The umbrella mission that allows the tax to support both arts- and science-based organizations is that both types of facilities “enlighten and entertain the public through the production, presentation, exhibition, advancement and preservation of art, music, theatre, dance, zoology, botany, natural history and cultural history” (Scientific and Cultural Facilities District).

St. Paul’s Cultural STAR (Sales Tax Revitalization) Program was first funded in 1993 by the addition of one half cent to the state’s six and a half percent sales tax. Ten percent of this total tax is specifically designated for grants and loans to cultural programs, which are awarded through a competitive application process. Grant recipients include organizations like the Minnesota Children’s Museum, the St. Paul Chamber Orchestra, Public Art Saint Paul, and the Hmong American Partnership. This program is designed to run for thirty years, through 2023 (Webb) (City of Saint Paul).

The Allegheny Regional Asset District in Pittsburgh collects a one percent county sales tax and redistributes the funds through a competitive grant process to civic, cultural and recreational entities, libraries, parks, and sports facilities. In 2013, eleven percent of the District’s $89,700,000 budget was allocated to arts and cultural organizations (The Allegheny Regional Asset District).

Local Option Taxes

Another kind of tax that has been used to provide designated support for arts institutions is the local option tax. Different than the state-level special district tax, local option taxes are implemented at the city or county level, are subject to voter approval, and are subject to expiration if not renewed by voters. Citizens must vote to reauthorize and extend the tax at the time of its expiration. Common local options taxes include hotel/motel tax; sales tax; user tax; property tax; and gambling, liquor, and cigarette tax (Webb) (Carlin). Examples of local option taxes earmarked for arts support in the United States include taxes in Columbus, Ohio and in Seattle, Washington.

A hotel/motel bed tax in Columbus, Ohio was created in 1977 through an amendment of City Code. The City Code amendment allowed arts organizations to receive a fixed dollar share of the revenue from the hotel/motel bed tax, which had previously been allocated entirely to the Greater Columbus Convention and Visitors Bureau. The funds directed to the arts were administered through the Greater Columbus Arts Council (GCAC). GCAC's share of the hotel/motel bed tax was reconfirmed in 1981 when a city ordinance designated twenty percent of the four percent hotel/motel bed tax to be allocated to GCAC for distribution to arts organizations. GCAC currently distributes over $2,000,000 to more than 70 arts organizations in Greater Columbus (Greater Columbus Arts Council).

An admission tax in Seattle, Washington was first earmarked for the arts in 2001; twenty percent of tax revenues were directed to the Seattle Arts Commission, now called the Seattle Office of Arts & Cultural Affairs. In January 2010, this earmark was revised so that presently seventy-five percent of Seattle's admission tax revenue is earmarked for the arts. Any event that charges for entry is subject to the tax, which is 0.05% of the full admission charge. Attendees pay the tax, but it is the event organizer's responsibility to charge and collect the tax. Music venues in Seattle can file for exemption from the admission tax if they hold fewer than 1,000 people; host live music events at least three days per week; and host a minimum number of individual performances each week. In 2012, tax revenue earmarked for the arts totaled $5,049,535, and it was used to support the Office's operations, funding programs, and services to artists and arts organizations. (City of Seattle).

In addition to the examples of Denver, St. Paul, Pittsburgh, Columbus, and Seattle, there are two additional regions that have had seen success in implementing taxes to fund the arts: the city of San Francisco in California, and Cuyahoga County in Northeast Ohio. The next two chapters will examine San Francisco and Cuyahoga County individually and will explore the origin of each region's tax, the plan to win voter approval, the impact of the funding, and each region's plan for the future of the tax. A third chapter will look at the three-county, ten-year property tax implemented in the Detroit, Michigan region to provide dedicated funding for the Detroit Institute of Arts.

The goals of this thesis are to encourage more communities to explore public arts funding through dedicated taxes, and to bring into focus three very different communities who tackled public support for the arts through three very different taxes. Because each community and tax structure are different, their measures of success also vary, and this thesis will contrast the metrics used by each group. This thesis will also bring to light the risk associated with designated tax support for arts organizations; namely, that, while perhaps in some cases more sustainable than private support, tax support is often directly tied to the economy and can be subject to political whims and government budget decisions. If organizations do not acknowledge or prepare themselves for these potential drawbacks, they can become dependent on insecure tax-based support and are therefore vulnerable to decreases in tax revenue or changes in political priorities.

This thesis also reflects the need for communities to explore a variety of public funding options should they wish to implement a dedicated tax for arts and culture. All three regions profiled in this thesis have found varying measures of success with local public funding for the arts, and all three found the niche that worked for them through extensive research and trial and error. While a dedicated tax can offer significant advantages to a community's arts organizations, the initial implementation of such taxes usually requires expensive campaigns, and long-term success requires a steady or growing tax base. Any region that is interested in implementing a tax for the arts must evaluate current sources of arts support and their relative stability; consider the political climate in terms of likely support for new funding initiatives; consider all forms of alternative funding, both public and private; and seek out other local initiatives to which alternative funding can be attached, as it is easier to leverage existing initiatives than to create a new one (Webb).

CHAPTER II

SAN FRANCISCO AND GRANTS FOR THE ARTS

San Francisco Grants for the Arts (GFTA) was founded in 1961 and focuses on providing support for the arts as fuel for tourism. According to GFTA, it is this country's oldest and most successful government program supporting arts and culture using revenue from a city hotel tax. Grants dollars awarded each year depend on the annual hotel tax collection and on the health of the city's overall budget, and almost all of the funds are designated for arts organizations' general operating funds. This is rare in the philanthropic field; government funding directed to arts organizations is almost always tied to capital or special project requests. GFTA has led the charge in dedicated government funding for general operating support, and in its first fifty years, through 2011, 502 groups were awarded 7,453 grants; 92% of those grants were for general operating support.

Context and History

In the early- to mid-twentieth century, San Francisco was the cultural center of the West Coast. It had an opera company, a ballet company, art museums, and art schools. In 1956, Mayor George Christopher began to explore ways to use his city's vibrant arts scene as a way to attract tourists to San Francisco. At that time, San Francisco was spending only $250,000 annually to promote itself to tourists, and Mayor Christopher was ahead of his time in recognizing that a city could realize significant economic gains if it could effectively market itself to tourists. To advance his ideas, the Mayor proposed a hotel tax that would benefit the convention facilities and advertise San Francisco's cultural attractions to potential visitors. This proposal was met with quick and fervent opposition, and it was withdrawn after two weeks of debate. Its challengers alleged that the tax proposal was short-sighted and unprincipled.

Mayor Christopher would try and fail several more times to pass a hotel tax over the next four years. Finally, in 1960, Mayor Christopher re-introduced the tax bill with the change that, in addition to supporting the Convention & Visitors Bureau and the Chamber of Commerce, tax dollars would support arts organizations; this was the tipping point that allowed this tax to move forward. An early draft of the tax proposal called for the funds to support "the advancement of cultural and fine arts;" this language was modified so that the funds were designated to support arts "advertising and publicity." This change in wording was not a mission change and was pursued solely to make this funding stream more palatable to the city government and local politicians who were focused on increasing tourism revenues.

On April 17, 1961, a 3 percent hotel tax with the modified purpose of advertising and publicity passed the Finance Committee with a 6-5 vote. A combination of city and state legislation, the tax proposal included a provision that tax dollars also would be designated to support the general operating expenses of arts organizations. The tax revenue fund dedicated for the arts, known as the Publicity & Advertising (P&A) Hotel Tax Fund, had a goal "to contribute meaningfully to the presentation and enhancement of existing art forms while assuring the ability of others to experiment, to dare, and to find new as yet untested ways of adding to our cultural panorama." The P&A Hotel Tax Fund changed its name to Grants for the Arts in 1986 to help clarify the fund's mission of supporting the city's cultural sector.

San Francisco's hotel tax and its uses are written into law, and therefore legislative approval is required to make changes to the funding structure. Hotel tax rates, however, are subject to voter approval, and tax rates have increased regularly since 1961. In 2010, voters rejected a proposed rate of 16% and the hotel tax has remained at 14% since 1996. The following figure indicates the changes in tax rates over time.

Year	**Hotel Tax Rate**
1961	3%
1967	5%
1978	8%
1980	9.75%
1987	11%
1993	12%
1996	14%

Figure 2.1
Historical San Francisco Hotel Tax Rates

In its first year, San Francisco's hotel tax brought in $1.1 million, and $553,000 was awarded in grants. The remaining $540,000 went to the city's general fund. According to *Grants for the Arts: The First Fifty Years*,

> Slicing that early grants pie was hardly controversial: A modest quarter of it went to the San Francisco Opera, Symphony, Ballet, Museum of Modern Art and four much smaller 'cultural' groups; the majority went to the Convention and Visitors Bureau, 17 tourism organizations and four parades. The largest grant, $120,000, was to Californians Inc., formed in the 1900s to encourage people to move to the state (Beggs).

Grant decisions were made by the Chief Administrative Officer of San Francisco (there have been seven since 1961) and on the advice of an eleven-member committee appointed by the Chief Administrative Officer. Initially, the advisory committee was opposed to funding smaller, newer organizations, but over time the number of grants and size of the awards grew. Beginning in the 1980s, a shift in funding strategy gradually changed the amount of support going to organizations of all sizes. The goal was to “give meaningful sustaining support to the bigger institutions, and provide a springboard to the smaller groups.” Administrators wanted the grants to be large enough to make a difference for organizations with smaller budgets, but no so large so as to create dependency on GFTA funding.

In 1996, GFTA began to award dollars based on a sliding scale constructed on the size of an organization’s operating budget. According to its website, GFTA “has a goal of providing general operating funding based on a flexible and proportional percent of annual expense budgets, ranging from at least 15% of the expense budgets of small organizations to approximately 2.5% of the expense budgets of the largest groups” (Grants for the Arts). Figure 2.2 illustrates the budget categories and corresponding award amounts for organizations that are deemed eligible to receive GFTA funding.

Budget Size	**Award Amount**
Less than $350,000	15%
$350,000 - $750,000	10%
$750,000 - $1,000,000	8%
$1,000,000 - $3,000,000	6%
$3,000,000 - $10,000,000	5%
$10,000,000 - $25,000,000	2%
More than $25,000,000	No set percentage

Figure 2.2
Guidelines for Determining GFTA Award Amount

In its 2014-15 grant cycle, Grants for the Arts awarded $10,284,099 in operating support grants and $605,000 in special grants. Its Annual Reports states,

> Grants for the Arts funding levels are determined on a progressive basis, with smaller budget organizations receiving a larger percentage of their budgets and

larger groups a smaller percentage from the Fund. San Francisco's largest cultural institutions are given important sustaining funds in recognition of their world-renowned artistic contributions and economic importance to the City. The majority of the funds (nearly 70%) goes to the small and midsize organizations of all disciplines and cultures (Grants for the Arts).

Figure 2.3 outlines total dollars awarded to each arts category in the 2014-15 grant cycle.

2014-15 Grant Category	**Award Amount**
Dance	$1,573,850
Literary Arts	$233,640
Media	$523,730
Multi-Arts	$1,049,930
Music	$2,852,840
Theater	$1,131,260
Visual Arts	$1,647,770

Figure 2.3
2014-15 GFTA Funding by Grant Category

Community Partnerships

In addition to providing general operating support to arts organizations, Grants for the Arts seeks to advance the arts and culture sector in San Francisco through capacity-building initiatives. Since its founding, Grants for the Arts has participated in numerous projects to advance and increase support for the arts in the Bay Area. These initiatives have been educational, not discipline-oriented, and in many instances feature Grants for the Arts as a collaborator and convener rather than a funder. Through these projects, Grants for the Arts has been able to expand its mission and agenda to support community engagement and individual artists in addition to established arts organizations. Some of the most noteworthy and successful initiatives are detailed below.

- In 1967, the P&A Fund pioneered the Neighborhood Arts Program to provide arts and technical services to community organizations through ten San Francisco cultural centers.
- Grants for the Arts is one of 19 public and private Bay-area funders which comprise the Arts Loan Fund. The Fund was created in 1981 to provide quick-turnaround, low-cost aid to organizations and individual artists in specified regions. Following the Arts Loan Fund was the Nonprofit Performing Arts Loan Program, which began in 1984 and provided low-cost financing (thirty-year-maximum, 3 percent interest loans for up to $200,000) for arts organizations with budgets under $1,000,000. It was originally administered by the Mayor's Office of Housing. After 2005, administration of the program was transitioned to GFTA, and the program ended in 2010.
- Grants for the Arts first published *San Francisco Arts Monthly* in 1986, which features a comprehensive listing of the city's arts offerings. In the late 1990s, SFArts.org launched as an online version of the print piece. The publication and website are fully funded and entirely managed by Grants for the Arts. They serve as a resource for residents and tourists alike who seek information about cultural events, they offer organizations a free platform to promote their events, and they help build awareness about Grants for the Arts as a funding organization.
- In 1988, Grants for the Arts launched the Bay Area Multicultural Arts Initiative in collaboration with the San Francisco Foundation and the National Endowment for the Arts. The goal of the Initiative was to help five culturally

diverse, mid-size groups on the cusp of gaining prominence to develop artistry, visibility and organizational stability.

- In 1989, when the Loma Prieta earthquake had a significantly negative impact on San Francisco’s economy, Grants for the Arts contributed $75,000 to help create the Arts Recovery Fund to provide immediate relief for arts organizations. It prompted support from public and private funders, including from the National Endowment for the Arts, which contributed $500,000.
- 1989 also marked the beginning of a $1,000,000 Audience Development Initiative to explore the impact of targeted funding and technical assistance on audience growth. The Initiative, a partnership between Grants for the Arts and three private foundations, provided funding and consulting to fifteen organizations over a three-year period.
- A Cultural Affairs Task Force was created in 1991. Its 27 members were chosen to represent a diverse cross-section of the community and review all of San Francisco’s arts funding, management of which was spread among 23 city departments or agencies. A report summarizing ten task force recommendations was published in 1992 and focused on how the city could create a united and mutually supportive arts community. One recommendation that took hold was the creation of a new program, the Cultural Equity Endowment, which was designed to fund arts initiatives that reflect San Francisco’s multi-ethnic heritage. Funded with a small portion of the hotel tax, the Cultural Equity Endowment exists today and has made more than 1,800 grants totaling $27 million since 1995.

- In 2007, Grants for the Arts partnered with the San Francisco Foundation to offer a Best Practices Series. The five free sessions drew hundreds of attendees and focused on changes to the media landscape, audience demographics, collaboration, and staff retention. This series laid the groundwork for the 2009 Creative Capacity Fund, which was initially focused on strengthening the organizational skills of small arts groups. It has since grown into a statewide collaboration of 12 public and private funders.
- There are several re-granting programs in which Grants for the Arts participates, including Theatre Bay Area, Dancers' Group's CA$H, Musical Grant Program, and Alternative Exposures. These are important programs that help small but professional arts groups as well as individual artists get a start in the competitive world of arts philanthropy.

Success and Sustainability

In a discussion with Kary Schulman, Grants for the Arts Director, and Renee Hayes, Associate Director, they indicated that they measure success in several ways. The mission of Grants for the Arts is to promote San Francisco through support for the arts, and its primary goal is to provide a stable and dependable base of support for the city's arts and cultural organizations. Grants for the Arts considers its work successful if it is able to provide a consistent source of funds for general operating expenses to nonprofit arts organizations that help promote San Francisco as a destination for regional, national and international visitors. Grants for the Arts does not, however, provide any data that measures how many residents or visitors were served by Grants for the Arts-funded organizations.

Looking ahead, Schulman and Hayes foresee challenges with arts funding as the nonprofit model continues to change. More and more often, new arts activities aren't organized by nonprofits, so issues of Grants for the Arts' funding fairness are always present. Because Grants for the Arts funding is designated for operating support of arts organizations and is not linked to specific projects or productions, it is difficult for non-arts organizations to realize Grants for the Arts support for their arts programs. In addition, Schulman and Hayes continue to see challenges in facility development, in making sure that arts organizations have access to permanent or reliable spaces. Again, this relates back to Grants for the Arts' funding model that provides operating support, not capital support, to its grantees.

Schulman and Hayes believe that Grants for the Arts just needs to be "low-maintenance and reliable. It needs to work well." Transparency with the community, responsiveness to the needs of arts organizations and support of area partnerships will continue to be pillars of Grants for the Arts under the leadership of Schulman and Hayes.

Grants for the Arts occupies an interesting space in the arts-designated tax world. The tax itself is written into law, and any change to that law would be enacted by legislators, not the citizenry. Although an increase to the tax rate requires approval of the city's voters, the residents themselves are not actually paying the tax, as it is levied on hotel stays and is paid by guests to the region. This combination of factors means that Grants for the Arts does not actively promote itself or its value to the regional community. Its annual reports are almost entirely a listing of arts organizations and the grant dollars awarded to each one. Only two of the twenty-six pages in its most recent report have narrative about community activities and arts partnerships, and even those pages are purely informational rather than results- and impact-oriented.

This focus on fact-based information sharing rather than data-centric impact measurement is in line with Schulman's and Hayes' desire that Grants for the Arts focus on making meaningful grants to arts organizations through a transparent and easy-to-manage process. It seems, however, that it would be in the group's best interest to focus more on the impact and positive benefit these arts-designated tax dollars have in the San Francisco community. In an age where governmental spending and tax policies are heavily scrutinized and hotly contested, it is not inconceivable that some in the community might question why the city is spending tax dollars on the arts.

As a fundraising professional at an arts organization, something that I frequently hear from arts supporters in my community is that it can be difficult to justify philanthropy to the arts when many children lack access to quality education and the poor struggle to find adequate food, housing and employment. If the arts-designated tax dollars in San Francisco were questioned and had to be justified, Grants for the Arts has not invested in the type of data collection that would allow them to make the case that these tax dollars do indeed have a positive impact on the region's economy, quality of life for residents, and draw for tourism.

CHAPTER III

CUYAHOGA COUNTY AND CUYAHOGA ARTS & CULTURE

Context and History

Located thoroughly in the Midwest and far, both geographically and culturally, from San Francisco's West Coast locale, Cuyahoga County in Northeast Ohio is an area that experienced tremendous change throughout the 1900s. In the industrial heyday of the early twentieth century, Cleveland was at one point the fifth-largest city in the United States, and it had an arts and culture sector to match. Many major arts organizations were founded in Cleveland in the nineteen-teens, including The Cleveland Orchestra, the Cleveland Museum of Art, the Natural History Museum, and Playhouse Square, among others.

Although the area's industrial base and population declined as the twentieth century progressed, the region's arts organizations were sustained by a strong tradition of private philanthropy and institutional support. This allowed the cultural sector to thrive despite economic hardships faced by Cuyahoga County, and it forced arts leaders and cultural advocates to think creatively about how to create new sources of funding in a waning region. This spirit of philanthropic innovation ultimately led to the creation of Cuyahoga Arts & Culture.

Cuyahoga Arts & Culture (CAC) is the result of many years of planning and research. Beginning in 1998, leaders from arts and cultural organizations, foundations, local governments, and other institutions worked together to create an arts and culture plan for the region which called for public funding to strategically support local arts organizations. CAC was founded in 2006 after the voters of Cuyahoga County approved a measure (Issue 18) to support public funding for arts and culture through a one-and-a-half percent tax on every pack of cigarettes sold in the county. A group of advocates, including business people, artists, union members, elected officials, educators and civic leaders, came together to advocate and lobby on behalf of the issue, which passed with 56 percent of the vote. It is one of the largest regional public funding sources for arts and culture in the country. Since 2008, Cuyahoga Arts and Culture has awarded over 1,200 grants totaling more than $125 million to more than 300 organizations in Cuyahoga County.

Before its passage in 2006, Issue 18 was actually the county cultural industry's second attempt to win voter support for public funding. In March 2004, voters defeated a proposed property-tax increase to benefit economic development including arts and culture. After this defeat, arts leaders decided to change course and proposed that arts and culture in Cleveland should be supported by a cigarette-tax increase in 2006. Although they considered other types of taxes, including taxes on property, food-and-beverage sales and general sales, the cultural industry believed that a cigarette tax would provide the most significant funding with minimal political risk. The proposed tax was for one-and-a-half cents per cigarette, or thirty cents per pack of cigarettes.

As illustrated in Figure 3.1, the county tax has provided between $15 million and $20 million a year since 2007, the first full year of the program. The bulk of that money has been awarded competitively in grants for general operating support for 55 to 65 organizations a year. On average, grants have covered approximately 5 percent of annual operating expenses for the funded organizations. The total aggregate annual budgets of organizations receiving CAC funding exceed $300 million. In addition to general operating support, Cuyahoga Arts and Culture funds special projects for more than 100 organizations, plus individual Creative Workforce Fellowships for writers, artists, musicians, dancers and others who are self-employed in creative fields (Litt, Public Arts Funding in Cuyahoga County tops 13 U.S. metros in a University of Chicago Study).

Year	Tax Revenue
2008	19,948,122
2009	18,303,675
2010	17,508,063
2011	17,283,818
2012	16,866,127
2013	16,818,430
2014	16,085,722

Figure 3.1
Historical CAC Tax Revenue

As described in CAC’s 2010 Report to the Community, CAC funding is intended to supplement healthy organizations that offer high quality artistic programming and have strong management capacity, not to support struggling organizations that cannot survive without its assistance. The tax revenue that supports CAC is a dedicated funding stream, which means that it can only be used for the purpose described in its establishing legislation: grants for nonprofit organizations that provide arts or cultural programming. By law, CAC funds cannot be used for any other purpose. The cigarette tax levy is

CAC's sole source of income; it does not receive funds from the state budget, from county government or from any other unit of government.

As the Cuyahoga County arts tax approached expiration in 2016, the Arts and Culture Action Committee (ACAC) that paved the way for the tax's passage in 2006 re-formed to oversee the tax renewal. The ACAC, a political action committee, oversaw a fundraising campaign of $1.6 million and solicited contributions from community leaders and area arts organizations to fund its advocacy efforts for the tax renewal campaign.

In his February 6, 2015 Plain Dealer article, Steven Litt detailed the committee membership:

> Co-chairs of the ACAC include community leader and arts supporter Barbara Robinson and Chairman and CEO of the Cleveland Indians Paul Dolan. Other members of the committee include Tom Chema, immediate past president of Hiram College and board chairman of the nonprofit Community Partnership for Arts and Culture; attorney Helen Forbes Fields, a trustee of the Cleveland Museum of Art; Vickie Eaton Johnson, senior director of community relations at the Cleveland Clinic; philanthropist Jean Kalberer; Steve Minter, former president and executive director of the Cleveland Foundation; Jon Ratner, director of sustainability initiatives at Forest City Enterprises; Chris Ronayne, executive director of University Circle Inc.; Victor Ruiz, executive director of Esperanza; and Terry Stewart, the retired former director and CEO of the Rock Hall.

The Cuyahoga Arts & Culture Board voted unanimously at its April, 2015 meeting to ask Cuyahoga County Council to put a referendum to renew the arts tax on the November 2015 ballot. The board felt that seeking early renewal before the tax expired in 2016 would help avoid more expensive political advertising during the 2016 presidential election year.

Cuyahoga County Council debated the issue at its April meeting, and several individuals spoke for and against the levy renewal during a brief public comment portion of the meeting. The Council held two additional hearings on the arts tax, on May 12 and on May 26, and in June, 2015 voted unanimously to place the issue (Issue 8) on the November 2015 ballot.

As it did in 2006, the Cuyahoga County arts tax renewal faces criticism from those who say that the tax is regressive and that it hurts poor and working-class voters disproportionately. Jeff Rusnak, president of political consulting firm R Strategy, which has been hired by the ACAC to lead the tax renewal strategy, responded to this criticism by saying that the benefits to the community and to the arts and culture sector outweigh the cost of the tax. Stephen Litt, who writes about art, architecture, urban design and city planning for the Cleveland Plain Dealer, provided coverage of this criticism and Rusnak’s response in the publication.

> “He said he viewed the tax as an important way to ensure the longevity of the county's nationally recognized prowess in the arts. And he's optimistic it will be renewed. ‘If the community is going to strive and be strong, it has to make significant investments in its assets,’ he said. ‘Arts and culture is a meaningful and critical asset to the community and the region as a whole’” (Litt, PAC reactivates to seek renewal of Cuyahoga County's cigarette tax for the arts in November).

Another issue CAC had to overcome as it approached the renewal vote was the backlash to a June 2014 hiatus to its Creative Workforce Fellowship Program. This program had distributed more than twenty $20,000 grants to individual artists every year since 2009. The controversy over this change was reported in the Cleveland Plain Dealer by Litt. The pause in the program was to allow for CAC to “evaluate whether it should be refined, in part to enlarge the applicant pool and to show more clearly how it benefits the community” (Litt, Cuyahoga Arts and Culture stirs debate by hitting the pause button on 'Creative Workforce Fellowship" grants to individual artists). In February 2015, CAC announced the reinstatement of the program, albeit with significant changes. Grants would be reduced by $5,000 to $15,000, and recipients are now required to offer at least one public activity during their fellowship year. The additional requirement of a public activity is designed to help measure the impact and success of these grants.

Despite these criticisms, on November 3, 2015, 75.2% of Cuyahoga County voters overwhelming approved Issue 8, extending the tax through 2026. In total, the ACAC raised more than $1 million for television and radio ads, yard signs, fliers, and social media outreach. As detailed in a press release from Cuyahoga Arts & Culture:

- Voter turnout was not unusual for an off-year election, at 38.5% with 323,799 ballots cast.
- 96% of those who cast ballots voted on Issue 8.
- All 59 municipalities in the county voted to approve Issue 8, with rates of passage between 62% and 94%. These municipalities comprise 975 precincts, and only 9 did not support Issue 8 with a majority of votes.

Success and Sustainability

CAC has put the Cleveland cultural sector in a position to think expansively about how it can use the arts to enhance the quality of life for residents. It has positioned itself as an engine for creative expression, education and economic development, and it has elevated the region's discussion of and attention to cultural activities.

In 2014, a study completed by the University of Chicago found that arts organizations and individual artists in Cleveland received more total funding from federal, state and local sources between 2002 and 2012 than any of the other twelve cities in the study, including Miami, San Francisco, Chicago and Boston. CAC support rocketed Cleveland to the number two spot on the list for per capita arts funding in each city; Cleveland, at $12.48, was second only to San Francisco’s $12.95. With continued support from CAC for at least another ten years, Cuyahoga County will continue to be recognized nationally as a vibrant place for arts and culture.

Perhaps because the cigarette tax that funds CAC is enacted for only ten years at a time and is subject to voter renewal each decade, CAC has invested significant time and energy into data collection and information sharing that helps illustrate the positive impact of the tax dollars to Cuyahoga County residents. CAC has clearly defined criteria for success, and it looks at three major impact areas to evaluate its regional impact each year: support of education and learning opportunities; enriched quality of life for the region’s residents; and support of the local economy. Through its annual Reports to the Community, CAC shares progress on these objectives. Its most recent report from 2014 includes the following success metrics:

- CAC-funded organizations served 1.4 million school children through educational experiences including field trips and in-school programs.
- CAC-funded organizations served 6 million residents and visitors via events and activities in Cuyahoga County, that 50% of all admissions were free of charge.
- CAC-funded organizations supported Cuyahoga County's economy through more than $342 million in direct expenditures and nearly 9,000 jobs.

By collecting data from the organizations it supports, CAC is able to clearly illustrate its value to the community. It is prepared to make its case to anyone who challenges its impact, and it holds itself accountable to the public as a steward of resident tax dollars.

As a resident of Cuyahoga County and an employee of an organization that receives annual funding from Cuyahoga Arts & Culture, I believe our tax to be tremendously worthwhile and beneficial. The financial benefits are substantial, and the publicity and arts advocacy generated by CAC has advanced the Northeast Ohio cultural scene in an immense and enduring way. In my opinion, however, the major downside to this tax is that it is not permanent. The support is so significant a part of revenue for so many organizations that they've come to rely on it, and they've expanded their programs because of it. While the funding source is secure in the short-term, the long-term possibility that it might go away is something that many organizations choose to ignore. The mindset of, "We'll cross that bridge when we get to it" is a dangerous one, just as it is dangerous for an organization to rely too greatly on a single funding source. Seeing the stability and impact of San Francisco's permanent tax makes me believe a similar structure in Cuyahoga County could further advance the cultural scene in Northeast Ohio in a lasting way.

CHAPTER IV

DETROIT AND THE COUNTY ART INSTITUTE AUTHORITY MILLAGE

Context and History

Just as the Cuyahoga County region of Northeast Ohio faced steep economic and population declines during the second half of the twentieth century, so too did the city of Detroit, Michigan. Largely built on the success and fortune of the auto industry, the surrounding region suffered tremendously as that industry declined in the face of increased global competition. Social unrest and riots in the late 1960s further contributed to the city's urban decay and increased crime rates. Detroit's cultural scene also had its ups and downs as the city changed shape, as its arts organizations were directly linked through philanthropy to the automobile industry. As those companies relocated facilities, workers and executives to other areas, arts support declined significantly. For the Detroit Institute of Arts (DIA) in particular, a new arts funding model seemed to be the best way to ensure a continued and robust presence in the city. The central piece of this new model was a ten-year museum-dedicated property tax.

In August 2012, residents in three Michigan counties passed this ten-year property tax increase, or millage, expected to provide approximately $23 to $25 million per year for the life of the tax to the Detroit Institute of Arts. The millage operates as a fee assessed on the value of a home: the more a property is worth, the more tax the owner pays. The DIA levy costs approximately $10 for every $100,000 of a home's fair market value and will be paid by residents in Oakland, Macomb, and Wayne counties, the last of which includes Detroit (Urist). This funding is expected to fully cover the Museum's operating budget each year until 2022, allowing Museum staff to focus only on raising money for the endowment. In return, residents of the three counties, who made up seventy-nine percent of the DIA's annual visitors in 2012, will receive free admission to the Museum. The Oakland County Art Institute Authority was created to coordinate the county's payment of the millage tax. The amount of endowment dollars raised over the ten-year tax period, as well as measured attendance from residents of the three counties paying the tax, will be key metrics used to evaluate the success of this tax.

As alluded to earlier in this chapter, the DIA faced substantial financial difficulties in the years leading up to the millage tax request; it was operating without a significant endowment and received no financial support from the City of Detroit or the State of Michigan. Its decision to pursue a property tax increase from the surrounding three-county area was not without precedent: the same three counties approved a similar tax increase designated for the Detroit Zoo in 2008 and for the SMART bus system in 2010 (Urist).

Making the case for support to Michigan voters through the "Art Is For Everyone" Campaign was an iterative, ongoing process. According to the museum's deputy director and chief curator Jeannine O'Grody, the staff were constantly looking "for new ways to share [the museum] with the community and become more meaningful to … the surrounding areas" (Urist). In preparation for the August 2012 vote, the museum hired a team of professionals to run a political campaign, ensuring that the millage tax passed at the polls and allowing the museum to stay open. Awareness for the levy was increased using television advertisements, literature, yard signs, phone banks and public events throughout the spring and summer of 2012. DIA also employed the use of “scare tactics” and warned that it would have to continue operations at a significantly reduced level if the funding levy did not pass: the museum would have to cut its hours and would only be open two or three days per week; certain galleries would no longer be open to the public; and special exhibitions would be discontinued (Runk).

Controversy and Detroit’s Bankruptcy

The millage passed in August 2012 with strong support in Wayne and Oakland Counties and a 50.5% vote of support in Macomb County. The victory for the museum after the tax passed, however, was short-lived. As explained by Roberta Smith in The New York Times, it was first suggested in May, 2013, just nine months after the tax increase passed, that Detroit, which owns the institute’s building and its collection, should sell some of the art to help cover about $18 billion of Detroit’s debts. Opposition to this idea was immediate and vocal.

> Were this to happen, it would be a betrayal of public trust and donors’ bequests and a violation of the museum’s nonprofit status. It also makes no economic sense. The Detroit Institute of Arts is one of the few remaining jewels in Detroit’s tattered identity, and is essential to the city’s recovery (Smith).

The appraisal of the collection was requested by Kevyn Orr, Detroit’s emergency manager who was appointed by Michigan Governor Rick Snyder. Bill Nowling, Orr’s spokesman, stated that the appraisal was necessary in order to prepare for inquiries from Detroit’s bondholders and their insurers. “If we are going to ask creditors to get a big haircut, we have to look at how to rationalize all of the city’s assets, including the artwork," Nowling said in May 2013. "We obviously don't want to get rid of art" (Neavling). But if Orr did want to gain access to the collection, it would have taken a judge to decide whether the city had the authority to do so because the Detroit Institute of Arts was, at this point, funded by the regional tax increase and operated by a nonprofit.

In July 2013, Detroit officially filed for Chapter 9 bankruptcy, and Orr said that Chapter 9 requirements meant the sale of art had to be considered. One month later, the city hired the New York-based auction house Christie's to begin appraising the 1,741 works bought directly by the city and whose sales were therefore not restricted by donated funds or other private agreements that might cloud legal title (Stryker, DIA in peril: A look at the museum's long, tangled relationship with Detroit politics and finance).

As explained in Mark Stryker's September 2013 history of DIA for the Detroit Free Press, the DIA's legal protections were unclear.

> Michigan's attorney general has issued a formal opinion that says a forced sale of DIA art would be illegal because the museum holds the works in the public trust. However, many experts say such reasoning may not hold up in federal bankruptcy court. The DIA has lawyered up, and behind the scenes is preparing for a potential legal fight that could take months or years to resolve. Publicly, DIA officials argue the sale of any art — or any plan that would otherwise use the collection to raise cash — would lead to a death spiral and closure, because county officials have pledged to respond by rescinding the property tax supporting the museum. DIA supporters also predict donors would stop giving money and art.
>
> Some who favor selling argue that it's morally unconscionable to protect the art while city workers may have their pension cuts and city services, including fundamental police and fire protection, remain hamstrung by lack of resources. But those who oppose a sale argue that money would mostly go to Wall Street, that art is no less relevant to residents of modest means and that destroying one of the city's greatest cultural institutions would leave Detroit weaker, not stronger, post-bankruptcy (Stryker, DIA in peril: A look at the museum's long, tangled relationship with Detroit politics and finance).

In August 2013, elected officials in Oakland County voted on a resolution to stop distributing funds from the tax levy if any art was sold or if any tax funds were used to pay Detroit's debt; Macomb and Wayne Counties followed suit. In his September 2013 newsletter, museum director Graham W. J. Beal wrote that "selling any art would be tantamount to closing the museum."

On December 3, 2013, Federal Bankruptcy Judge Steven Rhodes ruled that Detroit could proceed with a Chapter 9 restructuring, adding, however, that the city "must take extreme care that the [museum collection] asset is truly necessary in carrying out its mission" (Guarino). Although a June 2013 opinion issued by Michigan Attorney General Bill Schuette stated that the art is immune to public sale or lease because it is protected by a public trust, it did not necessarily offer any protection in the bankruptcy proceedings because Judge Rhodes would have final authority in the matter. Orr suggested that the museum quickly liquidate at least $500 million of its collections as a way to appease creditors during the upcoming mediation process. (The Christie's valuation pronounced the city's collection to be worth between $421.5 million and $805 million.)

Over the two month period of December 2013 and January 2014, a group of local and national foundations pledged funds totaling $330 million to allow for the transfer of ownership of the museum from the city of Detroit to a nonprofit funded and operated by the foundations. Foundation participants included The Ford Foundation and the John S. and James L. Knight Foundation. Billed as the Grand Bargain, this plan would allow the city to reduce its debt by using money from the sale of the museum, rather than by retaining ownership and selling artwork. In addition, the museum pledged to raise $100 million to help pay the city's debt and keep the art safe. By May 2014, the Grand Bargain had raised "more than $800 million to mitigate reductions to Detroit pensioners, safeguard the DIA art collection and speed the bankruptcy proceedings by avoiding lengthy and costly litigation" (Detroit Institute of Arts); in June 2014 the Michigan Legislature approved the plans; and in December 2014 the Michigan Settlement Administration Authority approved the grand bargain bankruptcy contribution.

The success of the Grand Bargain, however, brought the Museum only fleeting relief from the threat of losing its public tax dollars. In October 2014, it came to light that Museum leaders had received significant pay increases in 2012, the same year in which they were "pleading poverty" and lobbying that the millage tax was critical to saving the Museum (Stryker, DIA pay hikes raise eyebrows, anger politicians). Director Graham Beal had received a 13% increase to $514,000 annually, and Chief Operating Officer Annmarie Erickson had received a 36% increase to $369,000.

County Executives from Macomb and Oakland Counties, two of the three which pay the Museum millage tax, publicly expressed concern that the pay increases created the perception that voters had been misled and that this would make it more difficult in the future for millage taxes to be passed. As outlined by Mark Stryker in his article, "DIA pay hikes raise eyebrows, anger politicians," Museum Chairman Gene Gargaro headed the compensation committee at that time and strenuously defended the pay increases.

> He pointed to what he called their exceptional leadership and skill in carrying their museum through one of the most complex and difficult periods in its history. And he noted that their pay is comparable to museums leaders' pay nationwide, and that their duties and responsibilities have broadened substantially as the museum expanded its post-millage reach into Macomb, Oakland and Wayne counties and beyond.

Oakland County Commissioner David Woodward explained that because “the DIA now receives a large majority of its funding from tax dollars…it needs to change to match up more in line with that public support” (Associated Press). In an effort to stem discontent from the three counties, Museum leadership planned to meet with elected official to discuss ongoing transparency in compensation decisions.

Success and Sustainability

The millage tax for the Museum survived enormous challenges throughout its first two years, but its overall effectiveness remains to be seen. The Museum’s ability to raise substantial endowment funds by 2022 will be an objective standard by which to measure the effectiveness of the tax, as will the percentage of the populations from the three millage tax counties who participate in Museum programs.

It is a valid concern that if this tax proves to be ineffective, it will be harder to pass similar taxes in the future. There is much more at stake, however, than future tax support if this millage tax fails to produce the promised result of stabilizing the Detroit Institute of Arts. In a city that has seen as much decline and struggle as Detroit has seen, cultural institutions such as the DIA are often a bright spot in the landscape and a point of pride for residents. If the DIA millage tax fails to allow the museum to significantly grow its endowment, many of the warnings articulated by the DIA in order to garner support for the millage may still come to pass. If the millage is unsuccessful and DIA does indeed end up cutting back on community programs or restricting access to its collection, the residents of Detroit will have one fewer reason to believe that their city can recover from its downturn and return to its days as an economic engine with a vibrant cultural scene and an exceptional quality of life.

CHAPTER V

SUMMARY

Although San Francisco, Cuyahoga County and Detroit all use public tax dollars to fund arts and culture activities, each region's tax abides by very different principles.

- In San Francisco, visitors to the city pay the hotel tax that funds Grants for the Arts, which asserts that the arts are a draw for visitors paying the tax. The San Francisco tax has been enacted into law, and there is no sunset on it.
- In Cuyahoga County, some of the region's residents pay the cigarette tax that funds Cuyahoga Arts & Culture, which asserts that the arts enhance the quality of life for all of the region's residents. Cuyahoga County's tax was voted into effect in 2006 for a ten-year period and was renewed in November 2015 through 2026.
- In Detroit, all of the region's residents pay the property tax that funds the Detroit Institute of Arts, and in return the residents are granted free admission to the Museum. The Detroit tax was voted into law for a ten-year period, at the end of which the Museum has promised to have raised an endowment that will provide sufficient future support; the tax will not be renewed.

There is a similarity between the successful tax models in San Francisco and Cuyahoga County even though they are based on different principles. Both tax models provide a double benefit, or a positive impact with limited negatives for the community. In San Francisco, no residents are paying any money for enhanced service, and all residents can benefit from the enhanced service. In Cuyahoga County, some residents are paying more money for enhanced service, and all residents can benefit from the enhanced service.

Detroit does not have the same characteristics, as its tax is a strain on the residents, only sustains an existing organization, and provides no direct benefit to the resident who is not inclined to visit the Detroit Institute of Arts. In Detroit, all residents are paying more money for the same service, and not all residents are benefiting from that service.

While all three taxes are currently in effect, only San Francisco's tax is guaranteed in the long term. Cuyahoga County did renew its tax before the 2016 sunset, but it is still not permanent and will again face expiration in ten years. The Detroit tax has faced numerous challenges during the city's bankruptcy proceedings. In addition, as both the Cuyahoga County and Detroit taxes are paid for by the regions' residents, the use of those tax dollars is viewed with much more care and scrutiny than the San Francisco tax dollars, which are paid for by visitors to the city.

In contrasting how Cuyahoga Arts & Culture and Grants for the Arts measure success, it is clear that CAC has focused on defining and collecting objective data, while GFTA remains largely subjective in its measurements. This is perhaps because CAC is a non-permanent tax subject to voter renewal every ten years, and therefore CAC must clearly and consistently demonstrate the value of the tax dollars in order to win voters' support. GFTA, by contrast, is funded by a tax that has been written into San Francisco law and will remain in place unless amended through the legislative process. Their more subjective measurements of success reflect the fact that they do not need to prove the tax's value to the voters on a regular basis, as well as the fact that the tax is paid by visitors to the city who stay in hotels.

Detroit's millage tax increase for the arts is significantly different than both CAC and GFTA. While CAC and GFTA both collect tax dollars and redistribute them to provide operating support for arts- and culture-based nonprofit organizations in their region, all tax dollars collected by the Detroit millage tax increase are dedicated entirely to operating support for one Detroit institution: the DIA. This also means that proof of success rests entirely with the DIA. While endowment dollars raised and resident attendance can help show the impact of the tax dollars, the fact that the Detroit tax will expire in ten years and there is no intention to renew it presents an interesting twist. If those measurements do not illustrate success, the implications are longer-term: Detroit residents may be less likely to approve a similar tax in the future, whether for support of the arts or for support of other quality of life initiatives.

In conclusion, a dedicated arts tax can be an impactful and sustainable way for cultural sectors to create a new source of revenue. When exploring tax options, communities should bear in mind that while a dedicated tax can offer significant advantages to a community's arts organizations, the initial implementation of such taxes usually requires expensive campaigns, and long-term success requires a steady or growing tax base. Regions considering a dedicated arts tax should take the time to figure out which tax structure is best suited to both their residents and revenue goals. Those ultimately responsible for managing the tax dollars should be sure that a robust system for reporting on use of those dollars is implemented immediately and reviewed regularly.

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