Support for the Arts Among
Metro Nashville Arts Commission and Comparison Agencies

Report on Funding Mechanisms and Practices

RISE Research & Evaluation
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“If one could make a people lose touch with their capacity to create, lose sight of their will and their power to make art, then the work of subjugation, of colonization, is complete. Such work can be undone only by acts of concrete reclamation.”

-bell hooks, Art on My Mind

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EXECUTIVE SUMMARY

In January 2023 RISE Research & Evaluation began working with the Metro Nashville Arts Commission (Metro Arts) to review the funding mechanisms and financial sustainability strategies of municipal arts agencies of selected “comparison cities.” The purpose of this analysis was to inform the ongoing financial wellness of Metro Arts after years of relatively stagnant funding. The resulting report shares a comprehensive analysis of existing data and original data gathered by RISE Research & Evaluation during the project. Drawing insight from peer agencies’ funding stories across the last five years, the findings are intended to guide the City toward more robust and sustainable mechanisms and practices.

Background

Nashville-Davidson County is well-positioned to be one of the nation’s municipal arts leaders if it decides to correct the disinvestments that are currently present. While numbering less than one million in population, the county boasts a vibrant arts community and strong creative economy. Still, as we heard members of the Nashville-Davidson arts community share at an April 2023 listening session, arts investment remains largely focused on the commercial music industry, rather than the myriad non-profit organizations and independent artists that are vital to the broader creative life of this community.

Nashville’s population growth only strengthens the need for increasing the municipal investment in the arts. According to the US Census, the population of Nashville-Davidson County has steadily increased over 14% from 2010-2020, making it one of the fastest growing metropolitan areas in the United States. The number of nonprofits qualifying for and receiving Metro Arts grants has also increased, as have living and operating costs in the area. However, the Metro Arts budget has not kept up with this growth, staying relatively stagnant, and actually decreasing when inflation is considered over the last twenty years.

Methods

Against the backdrop of Metro Arts’ current funding mechanisms, we identify and analyze five comparison agencies’ funding sources and discuss the corresponding strengths, challenges, and questions that emerge in local contexts. They are:

- Phoenix Office of Arts and Culture
- Dallas Office of Arts and Culture
- Austin Cultural Arts Division
- San Francisco Arts Commission
- Cuyahoga Arts and Culture (Cleveland)

These agencies were selected through several criteria, including fast growing city designation[1], municipal arts vitality[2], and prior relationship to Metro Arts[3]. While they vary by population size, budget, and geographic location, they are all midsize or large cities with vibrant arts communities. Several also reflect a city/state relationship similar to that of Nashville, TN. It is important to note that because the cities we selected serve populations larger than Nashville-Davidson County, we largely rely on per-capita calculations so as not to compare total budget sizes of differently-sized cities.

To gather relevant information, we corresponded directly with the leaders of each city's (or county's) municipal arts agency, collecting fiscal information via written surveys and qualitative insights through live interviews. We gathered additional information from agency websites, impact reports, and budget and planning documents provided by the agencies. We solicited information for the last five fiscal years, 2019 through 2023. We also drew on community knowledge shared at a Metro Arts listening session in Nashville in April 2023.

In the final report, we present several benchmarking categories:

- Agency responsibilities and full-time equivalencies (FTEs)
- Funding sources
- Total agency budget, grantmaking budget, and public art budget
- Historical funding patterns, including any changes
- Funding partnerships and collaborations
- Challenging and supportive factors at local, state and national levels

While each case is highly specific, a look across the cities reveals patterns and themes that are informative, cautionary, and inspirational for Metro Arts.

Findings

1. *Among all six agencies, Nashville-Davidson has the lowest arts funding.* In Fiscal Year 2023, Metro Arts had the lowest per capita budget and lowest per capita spending of all the arts agencies considered in this report. Furthermore, Nashville's per capita spending lags behind the average per capita spending of the five comparison cities by $8.86. With the exception of Phoenix, all peer agencies spend at least twice as much on the arts per capita as Nashville.

[1] "Fast growing" cities were determined through a review of US census data on metropolitan area population change from 2010-2020. Cities were selected based on rates of growth comparable to that of Nashville-Davidson County (+14.2%) as well as the vibrancy of municipal arts programs. These cities include Phoenix, Dallas, and Austin. The cities/counties we chose correspondingly have these levels of population growth: Austin (Travis County): +26%, Phoenix (Maricopa County): +15.8%, Dallas (Dallas County): +10%, San Francisco (SF County): +8.5%

[2] See the SMU Data Arts Index of Cultural Arts Vibrancy

[3] Cleveland-Cuyahoga County and Austin were previously included in a 2017 comparison funding report commissioned by Metro Arts.

2. *Despite its rapid population growth, the rate of budget increase for Metro Arts is lagging behind comparison agencies.* When compared with the five identified peer cities (three of them also fast growing cities), Nashville had the lowest average rate of budget increase across the last five years. In fact, it had a lower rate of budget increase than San Francisco and Cleveland, even though its population has been increasing, while theirs have been decreasing.

3. *Nashville relies far more heavily on General Fund dollars than all comparison city/county agencies, with 97% of its total budget coming from the General Fund.* Agencies like Metro Arts that do not have additional funding sources have seen drops in funding over the last five years, even if their budgets were not directly negatively impacted by the pandemic. In contrast, agencies with diversified funding sources (e.g. service or commodity tax) have larger per capita budgets and rely less heavily on the General Fund. At the same time, they are subject to fluctuations in the market, whether due to recession, pandemic, or other factors.

Conclusion

The data we have gathered loudly affirms the primary message that members of the Nashville- Davidson arts community shared at the Metro Arts listening sessions in April 2023: ***Nashville funding for the arts is abysmally low***. The need for increased funding is made all the more pressing when steady population growth and rapidly rising costs are considered. As Nashville looks to live out its reputation as a vibrant arts and cultural center that serves residents and tourists alike, we draw on wisdom gleaned from comparison agencies' experiences to offer the following recommendations:

1. Given the dearth of Nashville-Davidson arts funding, *we recommend a permanent increase in the amount of funding from the City's general fund based on a percentage of the total budget, similar to the Parks & Recreation department.*

2. Looking toward longer-term financial sustainability, *we recommend a consideration of diversified funding sources*. Peer cities that have diversified funding streams see an overall healthier picture in terms of dollar amounts and are somewhat protected when General Fund allocations stagnate or decrease. At the same time, there are important caveats to consider for this type of solution. For example, commodity and service taxes can bring in large revenues, especially in tourist cities, but they are subject to fluctuations in the market, whether due to recession, pandemic, or other factors.

INTRODUCTION

In this study, we set out to review the funding mechanisms and financial sustainability strategies of municipal arts agencies of selected "comparison cities" to inform the ongoing financial wellness of Metro Nashville Arts Commission, or Metro Arts. The resulting report shares peer agencies' funding stories across the last five years. We identify each agency's funding sources and discuss the corresponding strengths, challenges, and questions that emerge in local contexts. While each case is highly specific, a look across the cities reveals patterns and themes that are informative, cautionary, and inspirational for Metro Arts.

The comparison agencies included in this report are:
- Phoenix Office of Arts and Culture
- Dallas Office of Arts and Culture
- Austin Cultural Arts Division
- San Francisco Arts Commission
- Cuyahoga Arts and Culture (Cleveland)

Methodology

The five peer agencies were selected through several criteria, including fast growing city designation[4], municipal arts vitality[5], and prior relationship to Metro Arts[6]. While they vary by population size, budget, and geographic location, they are all midsize or large cities with vibrant arts communities. Several also reflect a city/state relationship similar to that of Nashville. It is important to note that because the cities we selected serve populations larger than Nashville-Davidson County, we largely rely on per-capita calculations (so as not to compare total budget sizes of differently-sized cities).

To gather relevant information, we corresponded directly with the leaders of each city's (or county's) municipal arts agency, collecting fiscal information via written surveys and qualitative insights through live interviews. We gathered additional information from agency websites, impact reports, and budget and planning documents provided by the agencies. We solicited information for the last five fiscal years, 2019 through 2023. We also drew on knowledge shared at a Metro Arts listening session in Nashville in April 2023.

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[5] See the SMU Data Arts Index of Cultural Arts Vibrancy

[6] Cleveland-Cuyahoga County and Austin were previously included in a 2017 comparison funding report commissioned by Metro Arts.

The impact of the COVID-19 pandemic on municipal budgets in this time period cannot be overstated, and is reflected in the numbers, both in terms of decreasing revenue (e.g. via service tax) and in the financial padding provided by one-time federal assistance programs like Coronavirus Aid Relief and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA). Where quantitative information is inconsistent, we draw on interviews to illuminate how peer agencies are navigating the present and planning for the future.

In this report, we present several benchmarking categories:

- Agency responsibilities and full-time equivalencies (FTEs)
- Funding sources
- Total agency budget, grantmaking budget, and public art budget
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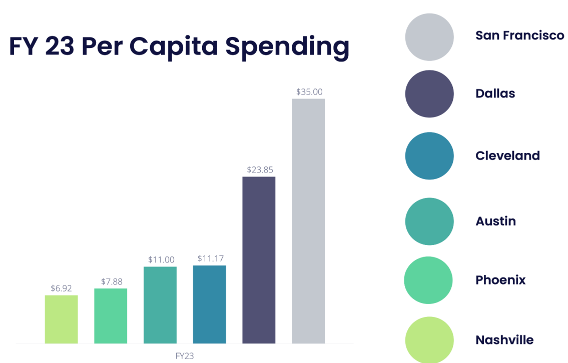
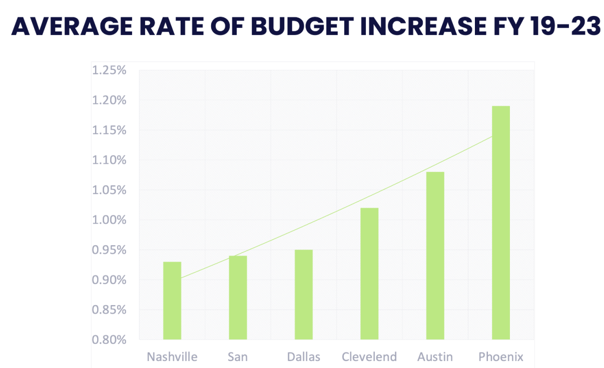
Current State

Nashville-Davidson County is well-positioned to be one of the nation's municipal arts leaders if it decides to correct the disinvestments that are currently present. While numbering less than one million in population, the county boasts a vibrant arts community and strong creative economy. Still, as we heard members of the Nashville-Davidson arts community share at an April 2023 listening session, arts investment remains largely focused on the commercial music industry, rather than the myriad nonprofit organizations and independent artists that are vital to the broader creative life of the community.



Indeed, our analyses suggest that among a selection of cities recognized for arts and culture, Nashville makes the smallest financial contribution by way of arts funds to organizations and individual artists. As visualized here, our comparison of peer city budgets reveals that Metro Arts had the lowest per capita budget and lowest per capita spending of all the arts agencies considered in this



report (FY2023). Furthermore, Nashville's per capita spending lags behind the average per capita spending of the five comparison cities by $8.86. Aside from Phoenix, the comparison cities' per capita spending amounts are nearly double that of Nashville, or more.

Nashville's population growth only strengthens the need for increasing the municipal investment in the arts. According to the US Census, the population of Nashville-Davidson County has steadily increased over 14% from 2010-2020, making it one of the fastest growing metropolitan areas in the United States. The number of nonprofits qualifying for and receiving Metro Arts grants has also increased, as have living and operating costs in the area.

However, the Metro Arts budget has not kept up with this growth, staying relatively stagnant, and actually decreasing when inflation is considered over the last twenty years. Furthermore, when compared with the five identified peer cities (three of them also fast growing cities), Nashville had the lowest average rate of budget increase across the last five years. In fact, it had a *lower* rate of budget increase than San Francisco and Cleveland, even though its population has been increasing, while theirs have been decreasing.

The fiscal data illustrates that the moment is ripe for investing more municipal dollars toward supporting local cultural workers, and creating the highest quality of life for Nashville's residents and resident artists.

Arts Operating and Public Art Program Support Review.

Nearly all comparison city agency budgets include both operating and capital budgets[7]. Operating budgets are funded through municipal allocations including the general fund, earmarked taxes such as a portion of a city's Hotel Occupancy Tax (HOT), and additional state and federal funds (including one-time COVID relief funds). Operating budgets draw on the General Fund and any earmarked taxes, and are used for grantmaking and administrative costs. Capital budgets are funded through percent for art tax ordinances on private and/or public development projects, and are used exclusively for public art and related costs (e.g., a percentage of all new development projects is allocated to new public art).

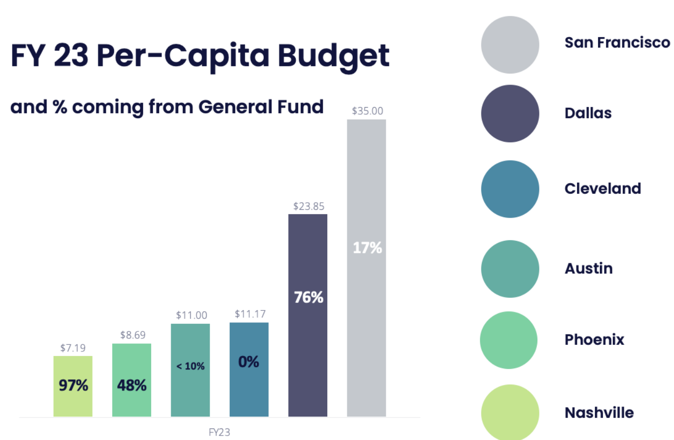
As the chart below illustrates, with the exception of Cleveland-Cuyahoga County, all of the cities rely on some General Fund revenue and on percent for art revenue. However, only some are also funded via additional taxes. Considering this chart alongside the graph of municipal per-capita spending (p. 4), we see that the cities with additional service and commodity taxes also have the largest budgets and highest per-capita spending, at $11-$35 per person (San Francisco, Dallas, Cleveland, Austin). Meanwhile, Phoenix and Nashville, which rely almost exclusively on the General Fund for their operating budgets, spend under $8 per person on the arts.

[7] Cleveland-Cuyahoga County is an exception, as it does not fund public art.

Major Revenue Sources for Municipal Arts Agency, by City/County

	General Fund	Service or Commodity Tax	% for Public Art
Nashville-Davidson	X	-	X
Austin	X	X (HOT)	X
Dallas	X	X (HOT)	X
San Francisco	X	X (HOT)	X
Phoenix	X	-	X
Cleveland-Cuyahoga	-	X (cigarettes)	-

A closer look (in the graph below) reveals differences in the degree to which municipal and county arts agencies rely on the General Fund. Nashville relies far more heavily on General Fund dollars than all comparison city/county agencies, with 97% of its total budget coming from the General Fund.



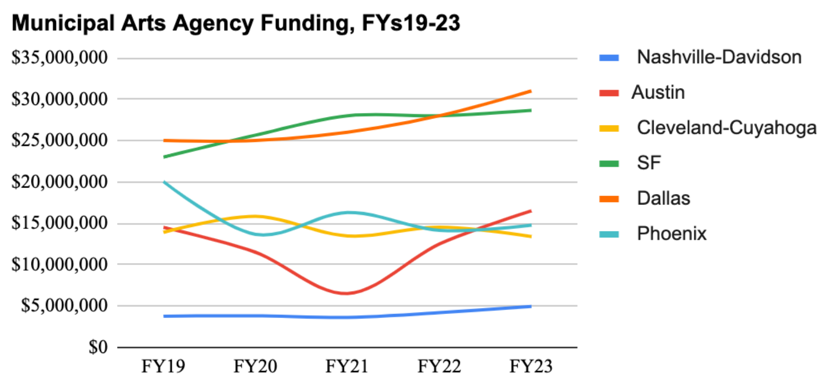
In contrast to Nashville and Phoenix, agencies with diversified funding sources (i.e., San Francisco, Austin, Dallas) have larger per-capita budgets and rely less heavily on the General Fund. Austin Cultural Arts Division, part of the Economic Development Department, sees only a combined 10% of its funding pulled from various City sources (General Fund, Austin Energy, Austin Water, etc.) to fund their administrative costs. The rest comes from HOT-funded monies and CIP-funded AIPP[8] monies. Similarly, San Francisco Arts Commission only receives 17% of its total budget from the General Fund, with the rest coming from HOT funding (72%) and a percent for art program. San Francisco Arts Commission leadership shared that the agency is in the process of transitioning from the general fund to the hotel tax as the dedicated fund source, meaning general funds will be even more limited.

[8] The Art in Public Places (AIPP) program is supported by the City's eligible Capital Improvement Projects (CIP). The AIPP program receives 2% of the funding from those eligible CIP projects to use for obtaining unique artwork, for parks, public buildings, walkways, etc.

Dallas presents an interesting contrast to San Francisco, as it has a large per-capita budget and diversified funding streams[9], but also maintains a relatively high reliance on the General Fund (76%)[10]. While agency employees noted that this protected them from the deleterious financial impact of the COVID-19 pandemic (e.g. on travel and thus HOT revenue), they also shared apprehension about the prospect of a future recession, in which the municipal contributions to the arts would certainly be reduced.

Strengths and Limitations of Various Funding Models.

Owing to the upheaval caused by the COVID-19 pandemic, the last five fiscal years offer an unstable but interesting look at financial sustainability strategies for comparison city agencies. When interpreting the graph, it is important to note that most agencies received one-time federal COVID relief funding. For example, Phoenix received $3 million of CARES and ARPA funding; CARES bolstered the budget in FY21 and had to be spent that year, while ARPA bolstered in FY22 and then was carried over to FY23 and FY24.



Agencies that do not have diversified funding streams have seen drops in funding over the last five years, even if their budgets were not directly negatively impacted by the pandemic. Cleveland-Cuyahoga's budget, which relies solely on a cigarette tax for funding, has seen a decrease in revenue as cigarette sales drop. Agencies like Nashville and Phoenix that rely on General Fund monies for cultural service in the absence of a HOT or other earmarked tax were not adversely affected, but also did not see a growth in funding, despite rising populations and an increasing number of organizations applying for funding. Phoenix's General Fund contribution to the overall budget has not grown reliably, as evidenced by these numbers: in FY19, 43% of the total budget came from the General Fund, FY20: 28%, FY21: 45%, FY22: 57%, FY23: 48%[11].

Dallas Office of Arts and Culture has seen some financial growth across the last five fiscal years. While contributions from the General Fund have been decreasing

[9] A Hotel Occupancy Tax began to fund the arts in FY19-20.

[10] Dallas Office of Arts and Culture leadership clarified that much of this budget goes toward overseeing 19 cultural facilities and directly running 7, rather than directly to "cultural service," which receives $7.1 million of the total $31 million budget..

[11] In the case of Phoenix, it appears there is a large decrease in funding since FY2019, but 2019 is itself somewhat of an outlier than can be contributed to general fund monies allocated for a sprinkler system for a large art museum. This shows the trouble of relying solely on quantitative data and suggests the complexity of municipal arts funding

(FY22: $21.3M or 87% of total budget, FY23: $22.5M or 79%, FY24: $23.4M or 76%), the agency began to receive HOT funding in FY19. Leadership noted that the agency's budget sees large dips during recessions, but during the pandemic was not as adversely affected as cities such as San Antonio, which is fully funded through HOT, or Austin, which took a big hit because of their reliance on HOT.

Indeed, it is difficult to miss the drop in Austin Cultural Arts Division's funding in FY21, owing to the effects of the pandemic on travel and thus on the HOT. In the meantime, capital improvement funding remained steady as city construction continued on, and ARPA, CARES, SAVES, and NEA provided pandemic-relief funding. The agency's leadership shared that HOT funding has now been restored and is exceeding pre-pandemic levels, as evidenced in the upward trend from FY21 to the present. Despite its own increasing reliance on HOT, a similar trend is not seen in San Francisco because of special mayoral allocations to the arts during the pandemic.

Ultimately, as the cases of Cleveland-Cuyahoga and Austin suggest, commodity and service taxes are subject to fluctuations in the market, whether due to recession, pandemic, or other factors. As such, they are not wholly reliable funding sources. At the same time, they offer agencies much-needed revenue, given that General Fund allocations stagnate or decrease, and are themselves subject to cuts during recessions. For example, even with HOT contributions, Austin's leadership continues to be concerned with the agency's reliance on the city and is turning toward public-private partnerships for new revenue. As one agency leader put it, arts is a quality of life department, not a survival agency, and so it is always in a state of precarity.

OVERVIEW OF METRO ARTS NASHVILLE AND COMPARISON CITIES

Nashville Metro Arts

Metro Nashville Arts Commission (Metro Arts) is the office of Arts & Culture for the city of Nashville and Davidson County, established in 1978 by Metro Charter. Currently, the agency serves a population of 689,447 with 8 FTEs. Davidson County has grown over the last ten years at a rate of 14%+, seeing an expansion of the general population served and of arts organizations eligible for funding. Metro Arts administers public art projects and grantmaking programs for both organizations and individual artists.

Arts and culture funding opportunities include Operating Grants, Thrive, Cultivate, and Arts Build Communities (funded by the Tennessee Arts Commission and administered by Metro Arts). ABC and Operating Grants are open to arts-focused nonprofit organizations. Award size is relative to organization size, as determined by annual revenue, with a minimum award of $2000. The Thrive program "connects artists and organizations with the community to create investments, cultural connections, and transformations", and offers awards in two categories: Community Public Art Projects and Community-Based Art Projects, for up to $20,000 in funding per project. Cultivate highlights individual artists or arts organizations with annual revenues under $100,000, granting awards of up to $2500. Currently, Metro Arts is soliciting community feedback on its grants process and recruiting paid grant editors.

Funding Sources and Finance Model.

Metro Arts' $4.9 million budget is funded through the municipal General Fund, state and federal grants, and a percent for art ordinance that allocates 1% of eligible funds for the commission and purchase of public art. Like other agencies, Metro Arts received one-time CARES and ARPA funding for pandemic relief.

Funding Strategies: Strengths and Challenges.

The most significant challenge Metro Arts faces is a stagnation in funding despite a growing city and county population, as well as a growing number of organizations seeking a limited amount of funding. Because percent for art funds are relegated to public art, aside from small state and federal support, Metro Arts has only one major funding source to draw on for grantmaking: the General Fund. While Metro Arts did not suffer the financial hardships faced by cities reliant on service and commodity taxes, it also does not reap the benefits of these additional funding sources. This positions the General Fund as insufficient but critical to the well-being of Nashville's non-commercial arts and culture community.

This need was echoed by the arts and cultural workers invited by Metro Arts to provide feedback on municipal arts funding (April 2023). While participants expressed gratitude for the funding they did receive, the resounding message from the audience was that funding was just too minimal, and that much more was needed. As one attendee put it, though existing funding is helpful, it is simply not enough to "make a difference."

Phoenix Office of Arts and Culture

The City of Phoenix Office of Arts and Culture (POAC)[12] "champions, promotes, and supports the City's arts and culture community to make Phoenix a great place to live, work, and visit." The agency currently employs 13 FTEs, serving a city of 1.7 million people. Phoenix is a fast-growing city, its home county of Maricopa having grown by 15.8% over the last ten years. The office administers a public art program, offers grants to nonprofit organizations and artists, oversees eight cultural facilities, and supports additional public arts programs.

Grants are administered through a Community Arts Grants program, "provid[ing] both general operating and project support to organizations, small arts and culture businesses, and neighborhood groups and artist collectives that apply using a fiscal

[12] https://www.phoenix.gov/arts

sponsor." General Support grants, Project Support grants, and "Phoenix Flash Grants" are available. Organizations can apply for General Support and Project Support, while Phoenix Flash Grants of $1,000-$3,500 are extended to arts and cultural organizations, groups, and individual artists creating specific projects in underinvested areas of Phoenix. In 2023, ARPA funds supported an additional "Artists to Work Program," funding individual artists' work. In FY24, artists will again be eligible for $7,500.

Funding Sources and Finance Model.

The Phoenix Office of Arts and Culture's budget of $14.7 million is supported by the General Fund and a percent for art program funded by a penny on the dollar of city spending (not private development), as well as funding from the state art agency and the NEA[13]. Consistent with other cities, general fund dollars support operations and grantmaking, while the percent for art program is reserved for public art. There is no additional earmarked tax for the arts. Of the $14.5 million annual budget, about half is reserved for public art. A five-year public art plan forecasts $27 million for public art, heavily funded via the water services department and a large percentage from the airport.

In contrast, of the remaining $7 million in the overall budget, only $1.4 million goes to grantmaking, with much used for the management of cultural facilities (e.g., in 2019, an apparent 1.5 million increase in the General Fund was actually reserved to fund the sprinkler system of a large art museum).

Funding Strategies: Strengths and Challenges.

The general fund proved to be a stable funding source during the COVID-19 pandemic. However, the dollar amount has not significantly increased and pales in comparison with public art funding. While the city spends about $9 per capita on the arts, the majority of these funds are directed toward the capital budget (public art, buildings), with less than $1 per capita going to grantmaking. Currently, agency leadership has a goal of raising $1.7 million for grantmaking, the equivalent of $1 per capita.

Because it is difficult to raise general fund contributions, leadership is working to solicit $300k from a foundation, with the goal of re-routing funds to small and mid-size organizations. A goal of $1.7 million for city grantmaking would approach the $2 million state arts commission budget. Additionally, there are creative attempts to interpret the public art municipal code toward more equitable outcomes. As it stands, the public art ordinance states that funds need to be used at or near the development site, prioritizing areas of the city that already have public art and parks. There is a desire to reconsider where public art is made, as well as to re-imagine "public art" to encompass community engagement and artistic workshops.

[13] Phoenix reported receiving $3 million in federal CARES/ARPA funding.

Dallas Office of Arts and Culture

The City of Dallas Office of Arts and Culture (OAC)[14] is a division of the City Manager's Office that "fosters support, partnerships, and opportunities for Dallas residents, visitors, artists, and arts and cultural organizations." Serving a growing city of 1,300,000, the office employs 54 FTEs, the most of any comparison city. They oversee 19 cultural facilities and directly run several (12 are partner-managed, and administers public art and grantmaking.

With most of the funding going to cultural facilities, actual "cultural service" is projected to only receive $7.2 million out of a total of $35 million. In FY22-23, Cultural Funding Programs included ArtsActivate and Cultural Organizations Program (COP). ArtsActivate provided project-based cultural funding to arts and culture nonprofits, social service organizations, individual artists, artist collectives and other eligible non-profit organizations. Cultural Organizations Program (COP) provided operational support to established organizations with budgets over $100,000, with additional support for the operation of city-owned facilities. In the past, OAC has also run a Community Artist Program (CAP), which allocates annual funding for "culturally based and ethnic-specific artists to provide no-cost services to residents of Dallas."

Funding Sources and Finance Model.

The Dallas Office of Arts and Culture's budget of $31 million is funded through the General Fund, a portion of the city's Hotel Occupancy Tax, a percent-for-art program, and NEA funding. 1.5% of all city bonds projects (e.g. new library, fire station, water utilities work) is directed to public art, reimbursing the salaries of staff working in the public art program. Meanwhile, in FY22-23, 10% of the city's Hotel Occupancy Tax was directed to the Office of Arts and Culture.

The agency first began receiving HOT funds in FY2019-2020, the result of advocacy on the part of Visit Dallas's Cultural Tourism committee. The committee, made up of the city's arts and culture leaders, advocated for the financial support of cultural tourism and historic preservation. With a supportive mayor in FY19-20, the HOT began at 5% and its planned growth was written into a renewal contract for the subsequent five years (7.5% in FY21-22, 10% FY23, 12.5% FY24). It is expected that an arts-friendly council will support arts leaders' efforts to push HOT to 15%.

Funding Strategies: Strengths and Challenges.

The diversification of funding sources mitigated the adverse economic effects of the COVID-19 pandemic. Leadership noted that while the agency's budget did take a large dip, it was not as adversely affected as other cities that rely more heavily on the Hotel Occupancy Tax, such as Austin and San Antonio. Given the volatility of service and commodity taxes, the General Fund is a reliable contributor to the city arts budget.

[14] https://dallasculture.org/

At the same time, according to Dallas leadership, the growth of the general fund dollar amount is “miniscule,” hardly keeping up with inflation. In contrast, the 10% HOT holds potential for growth (as noted above).

With the HOT funding larger, tourism-driving organizations, general funds are more readily directed to smaller and mid-sized organizations, including BIPOC organizations, as well as individual artists. Of $7.1 million in grantmaking in the current fiscal year, about $1 million went to project-based grants, with individuals receiving up to 10k. 60$ of this $1 million went to organizations of color. The agency leader we spoke to expressed concern that, in the event of a future recession, a scarcity of funding will cause conflict among arts organizations. A racial equity plan passed last year determined that in the event of funding cuts, the largest “Tier 1” organizations would face the largest cuts. Fewer funds would go to the largest organizations (also historically white institutions), in order to support smaller organizations (including BIPOC organizations).

Austin Cultural Arts Division

Austin’s Cultural Arts Division,[15] housed in the city’s Economic Development Department, “manages the City’s cultural arts programs and provides leadership for the economic development of Austin's creative economy.” The agency serves a population of 1,500,000, through the work of 17 FTEs. The Cultural Arts Division oversees grantmaking through the Cultural Arts Funding Program, public art via the Art in Public Places Program (AIPP), as well as other programs and initiatives. In addition, the agency manages the City's African American Cultural and Heritage Facility, though this was not discussed during our interview. In June 2022, the division published an equity report on their cultural funding process, “The Journey Toward Cultural Equity, City of Austin Economic Development Department, Cultural Funding Review Process.”

The Division distributes grants through the Thrive, Elevate, and Nexus cultural funding programs, which were developed with input from Austin’s creative community. As discussed in the equity report, Thrive grants range are open to 501c arts organizations that are “deeply rooted in and reflective of Austin’s diverse cultures” but have not yet reached “institutional status” like access to endowments and large cash reserves. Intended to correct historical under-funding, awards range from $85,000 - $150,000. Elevate is open to all arts and culture organizations and individuals, in two categories: $10,000-$75,000 is offered to those with 501c status and $10,000-$30,000 to those without 501c status, including individual artists, coops, troupes, and dance companies). Finally, the Nexus program specifically supports “new and emerging applicants by funding creative, public projects,” with a flat award of $5,000.

Funding Sources and Finance Model.

[15] https://www.austintexas.gov/department/cultural-arts

With a budget of $16.5 million, the Cultural Arts Division is supported by municipal funding via the Economic Development Department, the City of Austin Capital Improvement Program (which directs 2% of funding for eligibility projects toward public art), and a portion of the city's Hotel Occupancy Tax. More specifically, the annual budget includes approximately $12 million in HOT-funded monies per year (both contracted out in full), $2 million in CIP-funded AIPP monies per year for public art, and $1.6 million from various City sources (General Fund, Austin Energy, Austin Water, etc.) to fund administrative costs[16].

As authorized by state law in 1981, the agency also receives 15% of the city's portion of tax collected through the Hotel Occupancy Tax. This is a special revenue fund established by ordinance that accounts for the revenue distribution of 1.5 cents for every 9 cents of Hotel Occupancy Tax receipts from Austin Hotel/Motel Occupancy Tax fund, as permitted by Texas tax code. State regulation caps the rate at 15%, and advocacy to increase this number is currently deemed risky. As for public art, 2% of eligible capital improvement project budgets are allocated to the commission and purchase of public art for the corresponding development site[17]. Bond measures have allowed for the construction of private-public partnership arts projects.

Funding Strategies: Strengths and Challenges.

The Division's leadership expressed concern that the city is currently the biggest funder of arts in Austin, noting that funding needs to be more diversified. Generating additional city and municipal revenue is unlikely. Three years ago, the state legislature capped the city budget, limiting the city's ability to raise property taxes beyond 3%. A tax at the state level is currently not being considered. There is some interest in increasing corporate support and incentivizing private developers, as a way to generate arts funding.

One of the new mechanisms for funding is an Economic Development Corporation (EDC). Started one and a half years ago, this quasi-government entity works as a partner executing real estate deals on behalf of the city (Bond law requires the city to own property, which the city then leases to EDC and EDC subleases to arts organizations). Its work includes addressing the loss of creative space due to rapid market growth. EDC is an intermediary that intervenes in public-private partnerships, with the city offering financing in deals that provide public benefit, such as the preservation of creative space. This helps develop a long term plan that can support organizations to survive over time. There is currently initial seed funding of $20 million from various sources, distributed among 12-14 projects, with EDC as the landlord.

[16] Whereas other city agencies are paid directly via the General Fund, Austin's Cultural Arts Division is housed within the Economic Development Department and thus receives funding from the EDD budget, a mixture of the general fund and transfers in from other funds that are approved by the council every year.

[17] The public art ordinance is the result of citizen advocacy, first launched in 1985 at 1%. Since then, it has doubled to 2% and has expanded to expand eligibility, including adding an art component to streetscapes.

San Francisco Arts Commission

The San Francisco Arts Commission (SFAC)[18] articulates itself as "the City agency that champions the arts as essential to daily life by investing in a vibrant arts community, enlivening the urban environment and shaping innovative cultural policy." It serves a population of 815,000 and has 28 FTEs. The Commission oversees public art and grantmaking, as well as an architectural civic design review committee, two art galleries, four cultural centers that provide low-cost space to nonprofit organizations, and an art vendor program.

SFAC stewards grants through the Cultural Equity Endowment fund, Cultural Centers funds, and additional municipal resources. It is a quirk of San Francisco city government that there are two arts granting agencies: Grants for the Arts[19] provides grants to larger organizations, while SFAC provides grants to the smaller orgs focused on equity. They are essentially sister agencies. Within SFAC, the Community Investments program "supports San Francisco artists, arts organizations, and historically underserved communities through grants, technical assistance and capacity building, economic development, arts education initiatives and the community- based Cultural Centers." Just within the Community Investments program, there are 12 different grants available to organizations and/or individual artists.

Funding Sources and Finance Model.

Notably, San Francisco is a very well-resourced city, with a budget of $13 billion for a population of only 800,000, concentrated in a 7x7 mile geographic area. As the commission's leadership shared, the arts are a big industry in San Francisco, and so are also well-resourced.

The San Francisco Arts Commission's budget of $28.7 million is funded by Hotel Occupancy Tax, a line item in the city's General Fund, a percent for art public art program, and some funding from the state arts agency and the NEA. Currently, the HOT makes up roughly 72% of the total budget, while the general fund accounts for 17%. As in other cities, the HOT (1.5% out of 14% hotel tax) is directed to the grants budget, while the general fund goes to operations, and a 2% allocation of city bond-financed projects funds public arts. Aside from the 2% allocation for public art, private developers in the downtown area are required to spend 1% of their construction budget towards public art in their property or pay the 1% to the city's public arts trust fund, which can fund art in the downtown area.

Funding Strategies: Strengths and Challenges.

[18] https://www.sfartscommission.org/

[19] Grants for the Arts is a division of the City and County of San Francisco's City Administrator's Office, established through a combination of city and state legislation

In 2018, the city passed Prop E, supplementing the general fund with a portion of the hotel tax (1.5% out of 14% hotel tax) and allowing room for the allocation to grow by about 10% per year. Prior to 2018, the Arts Commission was at the tail end of HOT allocation: the hotel tax first paid for convention center debt and directed a remainder to the arts, leading to volatility in funding amounts and a greater reliance on general fund. A confluence of wealthier institutions and more grassroots organizations came together to write Prop E, moving the Arts Commission to the front of allocation. The agency leadership noted that San Francisco can maintain a high tax because it is a big arts city. Still, the hotel tax is a bit unpredictable, decreasing by 10-15% during the pandemic. Because arts funding was a mayoral priority, federal aid went to arts to make up for the loss. Nevertheless, beginning next year, the agency will move toward relying fully on HOT revenue and percent for art monies, phasing out dependence on the General Fund completely.

Cuyahoga Arts & Culture

Cuyahoga Arts & Culture (CAC)[20] is an arts district with a county footprint, created by state statute, that encompasses the city of Cleveland. It is not itself part of the county, but rather is a separate government agency, whose appointing authority is the county executive. It is responsible for operating and capital support only, and is not authorized to do arts programming. CAC is primarily an agency through which funding is routed. It serves a county population of 1,200,000 and has seven full-time employees.

Funding Sources and Finance Model.

Aside from one-time state and federal grants,[21] CAC's $13.4 million budget is fully funded through a single revenue source: a permissive cigarette tax, with 1.5 cents per cigarette or 30 cents per pack at wholesale level designated for the arts. Vaping is not included. The tax is a ten year levy, created at the state level and legislated by the state via a stamp mechanism. It has been approved by voters twice, and is up for a county vote in November.

Funding Strategies: Strengths and Challenges.

The cigarette tax is characterized by several challenges: Since it was first approved in 2007, it has declined 40% and continues to decline about 5% per year. It dropped by 12% last year, though it was not negatively impacted by the COVID-19 pandemic. The tax is regressive, meaning it falls disproportionately on low-income people, though leadership was not aware of any research on this issue. Additionally, because the agency receives all funds from the state monthly, they are required to

[20] https://www.cacgrants.org/

[21] In 2020 and 2022 Cleveland-Cuyahoga CAC received additional, one-time funds from Cuyahoga County due to the pandemic: 2020 - $3mil CARES funding, all passed through, and 2022 - $1.65 mil ARPA funding, all passed through.

forecast ahead for decline. They must be careful of how much grant funding they promise, as they must have money in the bank in order to disperse grants.

Despite these challenges, the cigarette tax has been renewed by vote several times, most recently by 76% of the vote in 2015. This may be the case because it does not financially impact most voters. There will be a county vote in November that may raise the % of wholesale cigarette box tax to 9%, which would increase the steadily declining budget.

Pursuing additional tax revenue does not seem likely at this time. Cleveland-Cuyahoga County Arts and Culture is restricted to either a property tax or a cigarette tax, both of which need to be approved by a majority of voters in the county. Changes to permissive taxes are done at a state level. Passing property taxes in the red state of Ohio failed 25 years ago (when the cigarette tax was created), and high property taxes in the county would not make this option tenable today.
There is no existing state mechanism for taxing other commodities (e.g. water bottles) for potential arts funding.

CONCLUSION AND RECOMMENDATIONS

A review of comparison agencies the last five years demonstrates that municipal arts offices that depend on service and commodity taxes for funding suffer when markets drop. This suggests that the General Fund continues to be the most stable and sure revenue source. At the same time, it tends to be the most limited, and is evidenced to decrease over time, even as inflation and population growth demand increases. This is certainly the case in Nashville.

Among all six cities, a diversification of revenue sources emerges as the path for the most abundant funding. For agencies that do not already have an HOT ordinance or other earmarked tax, this may be a long-term goal. Especially where no Hotel Occupancy Tax or other commercial tax is on the horizon, the General Fund allocation must include a documented plan for growth. That is, the allocation should increase annually to account for population growth, inflation, and equity practices that remedy historic disparity.

At the same time, we urge an expansive imagination that moves beyond small, incremental change. As one community listening session participant eloquently stated, “The arts have something in common with the very young, the very old, and the very sick: we cost more money than we generate. So I don't want the arts to be assessed by their earning potential, but also don't want us to assume that funding is the solution. I am especially concerned that our public perception would be that enough moderate grant awards means the arts are functioning well for community well-being.”

The answer to the question of funding, of course, is not moderate grant awards, but an abundance of support that not only brings art projects to life, generates community connectedness and enables the economic stability of a crucial resource: the artists themselves. Especially in a city like Nashville, where the commercial music industry does realize the ‘earning potential’ of the arts, the bustling arts and cultural community just beyond the center needs and deserves to be supported. It is sure to give back more than it receives, as it has already been doing for years.