



City of Fort Wayne, Indiana
Redevelopment Commission

Arts & Culture Funding Study
Final Summary Report

April 2003

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Introduction

In May 2002 the Fort Wayne Redevelopment Commission issued a Request for Proposals for consultants to undertake an “Arts & Culture Study.” The RFP noted “Leaders of Fort Wayne’s arts and cultural community wish to explore innovative public funding models for arts, culture and entertainment organizations and venues and capital expenditure plus develop an action plan to accomplish their funding needs.” The Redevelopment Commission, in partnership with the city’s arts and culture community, decided to undertake this Arts & Culture Study as an outgrowth of a downtown revitalization planning process jointly sponsored by the City of Fort Wayne and Allen County.

After a review of submissions from several consulting firms, AMS Planning & Research was selected. The project consisted of the following tasks:

- Review of prior studies and reports, economic impact studies, redevelopment
- An initial meeting with a volunteer Steering Committee
- A series of “key informant interviews” with arts, cultural, recreation, business, foundation and government representatives focusing on goals and objectives for a public funding mechanism, opportunities, potential obstacles, competition, and mechanics of implementation
- A “situation analysis” with respect to financing of arts, cultural, entertainment, and related heritage organizations, facilities, and programs, based on a written survey of arts, cultural, and heritage organizations and follow-up telephone interviews. The analysis focused on current budgets, funding amounts, and specific funding needs and expectations of an on-going public funding mechanism.
- A series of studies of comparable and innovative funding mechanisms based on similarity of market and “cultural ecology”
- An analysis of local taxing options to accurately understand the legislative requirements for alternative funding mechanisms
- A second planning meeting with the Steering Committee focusing on review of research findings and development of recommendations on alternative and preferred financing mechanisms

Key Informants

In order to provide context for the study a series of interviews was conducted with community leaders. Individual and small group sessions focused on opportunities for and obstacles to establishing a stable funding mechanism for the city's arts and cultural organizations. Key issues determined through these interviews are summarized below:

- The State of Indiana's laws that limit the ability of local governments to enact legislation without state approval is a potential constraint to any future public funding source. This lack of "home rule" ensures that many potential funding sources would require state legislative approval, representing an additional hurdle in advocating for votes from legislators representing other parts of the state.
- Existing sales taxes on lodging (known locally as the Innkeeper's Tax) and Food/Beverage are already dedicated to existing organizations and facilities. The countywide 6% Innkeeper's Tax supports the Greater Fort Wayne Convention & Visitors Bureau and the Grand Wayne Center, while proceeds from a countywide 1% food and beverage tax are earmarked for debt retirement of the Coliseum (through 2017). In many communities across the country, these taxes are seen as logical funding sources for arts and culture given the perceived linkage between attending arts/cultural events, dining out, and attracting visitors (i.e., cultural tourism).
- Two major capital projects, a \$65 million expansion/renovation of the downtown library (part of a total \$84 million bond issuance), and a \$40 million expansion of the Grand Wayne Center, are seen as "consuming" significant community resources. The dedication of food/beverage taxes to the Grand Wayne Center expansion and the library system's use of its levy cap leaves little or no room for additional funding from either of these sources.
- Many leaders interviewed for the study indicate that the current climate for considering any new taxing mechanism is bleak given the national recession, state and local budget cuts, felt particularly hard in Indiana and in the Fort Wayne/Allen County area where the costs of criminal justice services are seen as "eating the county budget alive." The funding climate has not been helped by the departure of corporate headquarters from Fort Wayne. Several potential funding mechanisms are considered "untouchable" ("sacred cows") by many community leaders (e.g.,



property tax), and others (such as gaming revenues from pull tabs, for instance) are seen as highly unlikely to pass through the state legislature.

Cultural Budget Survey

In order to quantify the need for funding among Fort Wayne's arts and cultural organizations, a survey was undertaken of groups identified by the Steering Committee, with the assistance of Arts United.

The universe of cultural organizations considered for the study included the ten "funded members" of Arts United as well as "Associate" members who completed the survey. A total of twelve organizations completed the questionnaire – highlights include:

- The aggregated annual budget of the participating groups is about \$12.1 million including the annual operating funds (but not pass-through grant monies) of Arts United of Greater Fort Wayne. (For the purposes of this report, a total aggregate budget of \$13.6 million is being used to account for groups that did not complete the survey).¹
- Total government funding accounts for about \$573,000 (in FY 2001), or 4.7% of the aggregate. Government funds increased 7% between 1999 and 2000, and 2% in the following year.²
- Private funds account for just over \$5.9 million (48.8% of the aggregate), representing annual increases of 9% and 6% during the last two years, respectively.
- Earned revenues are approximately \$3.7 million (30.7% of the aggregate), having remained more or less steady over the past three years.
- Total reported annual attendance is close to 260,000 up more than 10,000 over the past two years.

¹ Please note that a 1997 Economic Impact Report prepared by Arts United of Greater Fort Wayne consisted of data from 52 organizations in the City and County and utilized a total annual budget figure of \$16.5 million. This total included a number of large organizations that were not asked to participate in this study including the region's public television and radio stations, public library (whose cultural program budget was included in the larger total), and public cultural programming of area colleges and universities.

² Local government funding amounts to about \$200,000 and includes funds from the City of Fort Wayne to Arts United for facility operation (about \$82,000) as well as an annual subsidy of about \$100,000 to maintain evening hours parking in the Standard Federal Building.



- Of all funding needs, Fort Wayne's cultural groups identified general operating support, marketing, and promotion of downtown-based events and attractions as top priorities.

This task was ultimately designed to establish a funding target for an effort to secure a dedicated public funding source. Steering committee discussion focused on a range of \$500,000 to \$1 million in annual funding that would represent between approximately 4% and 8% of the total aggregate budget amount.

Model Case Studies

As part of the research for the Arts & Culture Study a series of case studies of funding models was conducted. Sites for study were selected in consultation with the Steering Committee. Results are summarized below following an introductory summary of public funding models.

Benchmarks

Based on interviews with national arts service organizations there are no comprehensive and/or authoritative listings of funding sources for arts and cultural organizations. However, Americans for the Arts does publish a triennial monograph describing the universe of local arts agencies (e.g., arts councils, commissions, government office of cultural affairs, united arts funds, and other similar program/service organizations) and their funding sources.

From the most recent report describing funding of local arts agencies (LAAs) (published by Americans for the Arts in August 2001, covering the years 1997-2000), the following statistics can be drawn (related to MSAs with population up to 500,000):

- 86% of LAAs serving pops of between 100,000 and 500,000 receive some form of local government funding
- Local government funding accounts for an average of 32% of LAA budgets
- 22% receive funds from hotel/motel taxes (alternatively known as Lodging Tax, Transient Occupancy Tax [TOT], Innkeeper's Tax, etc.)
- 17% receive public funds from a percent-for-art ordinance (typically dedicated to art in public places programs)
- 10% receive property tax (25% of LAAs located in MSAs with populations between 500,000 and 1 Million)
- 6% receive funds from sales taxes
- Local government support has increased an average of 13% annually since 1997; larger increases have been reported in the last few years in markets up to 1 Million, as much as 24% growth per year
- Since 1994, 50% of LAAs have experienced an annual increase in revenue received from local government



In addition to the commonly-used lodging, sales and property taxes, other local option taxes used by some municipalities include community development fees, admissions taxes (e.g., ticket surcharges), fees on videotape rentals, proceeds from lotteries and/or gaming, and income taxes.

Lodging Taxes

The use of hotel/motel taxes to fund arts and culture grew in popularity during the 1980s thanks to a number of communities that established a “nexus” between tourists/visitors and a community’s cultural offerings. Many communities have chosen to apply TOT funds to arts and culture believing that a healthy arts community helps to draw visitors and contributes to economic development. These taxes are often more palatable to the citizenry because they are paid by outsiders. On the flip side, often times the travel and tourism industry is opposed to this levy, believing that higher occupancy taxes will make a community less competitive (particularly in the convention market where a few percentage points difference could amount to a substantial total when hundreds of hotel rooms are booked).

Some examples of lodging taxes for arts and culture include:

- Dade County, Florida, where 20% of a 2% tax (.4%) funds programs of the Cultural Affairs Council
- San Diego where 1% of a 10.5% tax supports the Arts Commission
- San Antonio, Texas, where 9% of net hotel/motel taxes support the Office of Cultural Affairs
- Austin, Texas, where the city’s Department of Cultural Affairs receives 14.3% of a 7% occupancy tax (64% funds the Convention Center, 21% to the Convention & Visitors Bureau), resulting in \$2.2 million to cultural groups out of \$15.6 million in total receipts
- Columbus, Ohio where the Arts Council receives one-quarter of a 6% tax (1.5%) that generated \$6 million in 2000.
- In San Jose, California, hotel/motel taxes generate almost \$11 million each year.

Other communities that utilize this funding source include Santa Fe, St. Louis, Atlanta and El Paso.

Local Option Sales Taxes

Broward County, Florida (Fort Lauderdale) is a great example of a local option sales tax where legislation has dedicated existing sales taxes on specific goods and services (admissions, compact discs, home electronics, and videocassette rental) to the Cultural Affairs Council, generating approximately \$5 million



annually. Others include video rental, lottery or gambling taxes (Phoenix, Shreveport).

Denver's Scientific and Cultural Facilities District

Created by a popular vote in 1988 (and reauthorized in 1994), Denver's Scientific and Cultural Facilities District (SCFD) is one of the nation's best-known model public funding mechanisms. The District's mission is "to fund organizations that provide for the enlightenment and entertainment of the public through the production, preservation, exhibition, advancement or preservation of art, music, theater, dance, zoology, botany, natural history or cultural history." The District encompasses portions of 6 counties with boundaries that mirror those of the Regional Transportation District, and is funded by a .1% sales tax.

Within the District, average annual per capita collection is about \$15, and some \$38 million was distributed in 2001. Funding is divided among three "tiers" of organizations: Tier One, accounting for 59% of total expenditures, consists of four "regional organizations" (e.g., Art and Science Museums, Botanical Gardens, Zoo). Membership in the top tier is static and defined by the District's enabling ordinance. Tier Two organizations (some 20 members with annual budgets over \$850,000 and paid attendance) divide 28% of total receipts; funding in both of the top tiers is according to a formula, which takes into account annual budget, attendance, and other factors. Tier Three funds (13%) are distributed by local boards in each county through a competitive grant application process, and in 2001 supported efforts of some 280 cultural organizations.

St. Louis's Zoo/Museum District

One of the few regional initiatives in a metro area known for city / county discord, the Zoo/Museum District was created in 1971 and later expanded in 1983. Funding is generated through a .222% tax on real property in both St. Louis City and County. From humble beginnings in 1972 (generating \$4 million), District revenues have grown to some \$40 million in 1998. Membership in the District and revenue allocations among organizations is determined by public vote. Three original members (Zoo, Art Museum, and Science Center) were city-owned and operated, and sit in Forest Park on city land. Subsequently, the Missouri Historical Society and Botanical Garden have been added. Recipients of District funding must be primarily open to the public without admission charges, though organizations can charge fees for special exhibits and other programs. In addition to the District, which supports 5 major institutions, the metro area also dedicates a portion of hotel/motel taxes to the Regional Arts Commission (which receives 4/15 of the 3.75% regional tax, generating \$3 million annually) and supports a private United Arts Funds (known as the Arts & Education Council).



Indianapolis

Founded in 1986, the Arts Council of Indianapolis was originally funded through the Department of Parks & Recreation. Its mission, “to build the community through the arts by developing visibility, funding, audiences, information, and partnerships,” is supported by an annual budget of \$2.25 million (FY 2002). Funding originates from the Parks & Recreation Department (\$1.25 million) and the city’s Capital Improvements Board (\$1 million), which receives hotel/motel taxes and other tax, receipts and distributes them to a variety of public and non-profit agencies. All cultural funding in the Indianapolis metro area is non-dedicated, but has benefited greatly from the tenure of Mayor Bart Peterson, an ardent supporter of the arts, who has increased funding every year.

Oakland

With a population of 380,000, the City of Oakland was one of the nation’s first municipalities to utilize a portion of redevelopment (TIF) funds to support operating and project grants for arts and cultural groups. This funding, instituted in the 1980s, has since been discontinued. The City’s Craft & Cultural Arts Department is organized under the Office of the Mayor with a mission “to serve as the primary resource and advocate for art throughout Oakland...honoring and celebrating the diversity of Oakland.”

Currently, cultural funding in the city consists of some \$1.7 million of general operating support, from the city’s general fund, as well as funds for neighborhood- and education-specific arts programs. Public Art, supported by a 1989 Public Arts Ordinance / Redevelopment Resolution, receives 1.5% of municipal capital improvement project costs for commissioning public artwork.

Tucson/Pima County

With a population of 489,000 the Tucson / Pima Arts Council receives \$1.1 million in government support, some \$800,000 of which comes directly from the City of Tucson. All revenue streams are non-dedicated and support general operating costs of cultural organizations. The Tucson (Downtown) Arts District Partnership receives an additional \$225,000 in city support.

Legislative Analysis

Based on the input from key informants and members of the Steering Committee, a number of potential public funding options were identified and further researched by the consultants. A brief description of each follows.

Sales Taxes

The statewide sales tax was recently increased from 5% to 6%. For many community leaders, adding any local option to this total is doubtful given the recent statewide increase. A few specific local option sales taxes are described below.

Innkeeper's Tax

The Innkeepers tax is currently at 6% in Allen County, and is levied on approximately 4,500 hotel rooms, generating about \$2.2 Million annually. As part of the enabling ordinance, one-sixth of the total receipts (about \$400,000 in the most recent fiscal year) support the region's Convention & Visitors Bureau and the remaining five-sixths are dedicated to subsidizing operations at the county-owned Grand Wayne Center (the Fort Wayne area's convention facility, which receives 68% of its \$2.9 million annual operating budget from the hotel/motel tax).

According to almost every representative interviewed for the study, even given the tremendous precedent for TOT funding of the arts nationally, it is seen as highly unlikely that the countywide Innkeepers Tax could actually be increased (or even reallocated), as any change would require the active support of the county's hospitality industry and the approval of the state legislature. (It was noted to the consultants that raising the tax from 5% to 6% ,to fund more tourism promotion, was an "uphill battle"). Reportedly, Marion County's 8% TOT rate is the highest in the state. Wanting to maintain a competitive advantage in the conference/convention market, Fort Wayne's tourism and political leaders suggest, therefore, that there is little taste for any concerted effort to raise the tax rate.

Food & Beverage Tax

Allen County's food and beverage tax is 1% on food prepared to eat on premises or for take-out. The tax returns between \$2 and \$4 million annually, and was earmarked through State legislation to retire bond debt on the Fort Wayne Coliseum. The tax is scheduled to end in 2017 because of a sunset clause; any effort to extend it after that would require state legislation. Increasing the tax is seen as highly unlikely; no community in the state has a higher rate. Re-allocating it is also seen as doubtful – as one representative noted, "changing legislators' minds on this would require 2 years of work."



Entertainment Tax

Entertainment taxes, sometimes known as admissions taxes or ticket surcharges, are used in some cities to fund the arts; interviewees noted that such a tax is levied on sports and entertainment events in Marion County at a rate of \$2 per ticket. Some communities have debated the use of such taxes on arts events themselves, in addition to the sports and commercial venues, noting the irony of raising (slightly) ticket prices to generate operating support. There is currently no such tax in Allen County.

In order for these taxes to generate any substantial income a high volume of sporting events and “big ticket” touring acts is required, hence its use in Marion County where Pacers and Colts attendance generates a substantial portion of the tax receipts.

Allen County’s primary sports venue, home of the minor league hockey Komets, already levies a ticket surcharge of .50¢ as a “facility maintenance fee,” generating some \$160,800 in 2001. (Ticket surcharges by facility owners are quite common). The fee will be expanded this year to include concerts (but not expositions such as home and garden shows) on the “Expo side” of the facility, to bring in additional revenues from some of the more than 1 million annual attenders.

Leaders interviewed for the study were doubtful that the political appetite for enacting such a fee was in place. In addition, analysis of potential income, even if all Komets and Wizards games (and other commercial Coliseum events and non-profit arts events) were impacted, at a modest rate of .50 cents per ticket, suggests less than \$500,000 would be generated (based on annual paid attendance at non-profit cultural events of about 300,000). It was felt by many that even a modest fee would be unreasonable on, say, a ticket price of \$4 or \$5 common at the minor league baseball venue.

Gaming

The possibility of Allen County commencing some form of gaming, and dedicating some portion of proceeds to arts and culture, was a hope of many interviewed for this study. Allen County currently is home to an off-track betting facility, but does not have any pull tab activity (not currently allowed by state law) or riverboat gambling facilities. The state has one remaining boat license to issue and most leaders expect it to eventually be granted to the West Baden Springs National Historic Landmark as part of a proposed restoration of the historic resort. Allen County is not seen as being seriously in the running for any riverboat gaming operation (which have returned millions for local revitalization efforts and capital projects in communities such as Evansville and Gary).

The best hope of many is for state legislation to allow pull tabs in OTB facilities; even if this were to be enacted, it is unclear to what these revenues would be dedicated, or even how much money would be raised. Some interviewees reported that state estimates range up to \$5-7 million/year in Allen County though the consultants were unable to confirm this figure from state sources.



Legislators interviewed for this study indicated that it would be very difficult and most unlikely for a unified effort to secure gaming in what is seen as conservative Allen County.

A few leaders suggested considering some tax on what is known as “cherry masters,” a quasi-legal form of gaming which exists in various taverns and fraternal organizations within Allen County, “at the discretion of the County Prosecutor.” Reportedly some bars earn as much as \$20,000 each week from these untaxed gaming activities. However, as with pull-tabs, any effort to legalize and/or tax this activity would require state legislation, seen as highly unlikely.

Gaming Revenue Sharing

Revenue sharing from gaming is distributed by the state to counties without gaming operations. In Allen County this year, some \$2 million is anticipated, distributed (according to State law) by population, two-thirds to the City of Fort Wayne and one-third to Allen County. Legislation passed this past summer requires that these funds be dedicated to pension relief, water and storm water, TIF replacement, and/or property tax relief. There is reportedly some lobbying by counties to change the required allocation, but conventional wisdom suggests any new or unrestricted funds would be applied to general funds or tourism promotion. It is unlikely this source would represent a viable funding mechanism for Fort Wayne’s cultural sector.

Cable Franchise Fee

Some cities have elected to use a portion of cable franchise fees to fund arts and cultural programs. The City of Fort Wayne and Allen County each negotiate their own cable franchise fee separately with Comcast. All receipts (approximately \$150,000/year) support a Public Information Office, cable access programs and related publications. Community leaders thought it unlikely that this source would rise given that cable rates are reportedly already higher than in many other parts of the state.

Property Tax

Property taxes are used to fund the arts in a variety of communities including Fargo, East Lansing, Minneapolis, St. Louis, Baltimore, and dozens of others. The City of Fort Wayne is reportedly \$20 million below its cap in property tax assessments. It was noted continually to the consultants that this source, however, has been considered “politically untouchable” by the current and past two mayoral administrations. Were they ever to be on the table for consideration, property taxes might represent the best potential source given the national precedent for using such funds and the sheer amount they could generate.

Income Tax

The state income tax rate is currently 3.4%. State law provides for cities and counties to levy their own “local option” income taxes known as County Economic Development Income Tax (CEDIT), County Option Income Tax (COIT), and CAGIT. CEDIT & COIT combined cannot exceed 1% and by State law, counties can only have two of three income taxes (e.g., COIT and CEDIT, or COIT and CAGIT, but not CAGIT and CEDIT).



CEDIT

CEDIT taxes are assessed on income earned in Allen County, and by law must be used to promote economic development. Receipts are divided between the City of Fort Wayne and Allen County, according to population, with the City receiving approximately two-thirds. CEDIT is currently assessed at .06% and generates about \$20 million annually, with the county receiving \$4 million.

COIT

COIT is also assessed on income earned in Allen County; these funds revert to the general fund (unrestricted use) and are typically used for infrastructure. COIT receipts are divided between the City and County according to property values. COIT is currently assessed at .04%, meaning that CEDIT and COIT are at their combined maximum 1%.

CAGIT

Some counties may have obtained an additional one-quarter cent CAGIT by state legislation, but these funds are reportedly limited to bond debt retirement only.

Other Potential Sources

Library Authority

Some communities have considered incorporating arts funding under the auspices of a library district, particularly when libraries enjoy strong public support. In Allen County, the library authority is currently at its cap for operating funds (generating some \$13 million a year) so that this is not considered a viable option.

Telephone Tax

The consultants considered the possibility of a surcharge on telephone bills. Research determined that these fees are restricted by law to support emergency 911 dispatchers, based on a monthly assessment of approximately \$3/household in rural areas (and a calculated percentage amount in urban areas).

Airport Rental Car Fees

In some states these fees have been applied to arts grant-making. Rental cars are already subject to a state surcharge; Marion County reportedly has such as local option sales tax, approved by the state legislature. Allen County has been reported to be considering the possibility of such a tax, but for the express purpose of tourism and convention promotion. The viability of any rental car tax for arts/cultural funding is doubtful given the relatively low volume of rental cars in Allen County (unlike, for instance, Florida, where such funds generate a substantial portion of state arts funding).

Capital Improvement Board

Many of those interviewed for the study suggested that a Capital Improvement Board, as exists in Indianapolis and in other metro areas, would represent a comprehensive approach to distributing tax dollars. While this may be the case with an entity that receives and distributes funds from a variety of tax sources, it



would not in and of itself generate any new source of funding that might be dedicated to arts and cultural organizations. Nonetheless, many in the community feel that such a board should be created to prioritize bond issues of all non-elected entities in the jurisdiction. This option is seen as requiring a concerted effort, however, of legislators and advocates, and does not represent any short- or even mid-term solution to the challenge of creating a new public funding source for arts and culture.

Bingo

The consultants explored the possibility of a cultural consortium operating a bingo game or parlor as some arts groups in other cities have done successfully and lucratively. Indiana State Code 4-32 governing games of chance permits licensed qualified nonprofit organizations to operate bingo games as a “fundraising activity for the lawful purposes of the organization.” Qualified organizations must be in existence in Indiana for five years (or under the auspices of a qualified umbrella) and games are limited to not more than three events during each calendar week, and not on more than two consecutive days. Officers of the organization must live within the county; game prizes cannot exceed \$1,000, or a total of \$6,000 per “event, and only volunteers (unpaid) can provide support functions at the events.

While income from a bingo operation would not truly fit the bill as a public funding mechanism, it was considered nonetheless. Bingo games in Fort Wayne are typically offered by fraternal organizations and churches. Research into one such fraternal operation (from public records submitted by the Time Corners Optimists Foundation) suggests a regular game yielded \$67,000 in at least one recent fiscal year. Steering Committee members concluded that the level of effort required to generate a relatively small sum did not seem viable.

Summary

The legislative analysis did not reveal any particularly promising funding sources. It can be summarized, therefore:

- The most commonly-used tax nationally, hotel/motel or TOT, is already dedicated in Allen County to a convention facility and tourism promotion through the CVB, and re-allocating and/or increasing this source is seen as highly unlikely.
- Another potential local option sales tax that might logically be linked to arts and cultural activity, that being food and beverage taxes, is also already dedicated for the next 14 years so that it too does not represent a viable option.
- Securing legalized gaming in Allen County appears like a long shot as does relaxing restrictions on the use of statewide gaming revenue sharing.
- Local option income taxes (CEDIT and COIT) are reportedly at their caps, and although it was noted that there might be an effort in the State



Assembly to increase the CEDIT cap, the potential of this legislation was not known.

- The one source that seemingly has the potential to be increased, that being the City's property tax, is seen as not realistic given the political "sacred cow" this option has become.

That said, after a planning meeting with the Steering Committee to review these research findings, one possible concept for establishing a "Cultural Trust Endowment" was discussed and promoted as one option worth considering. This concept is described in the following section.

It should also be noted that Committee members briefly considered the potential of enacting a new downtown cultural district which would, as with the Downtown Improvement District, consist of a special district with identified boundaries. Owners of property within the District would be assessed a fee to support activities and programs within the District and promotion thereof. It was unclear, however, how any proposed downtown district, either co-terminus with or larger than the existing downtown improvement district, would generate any substantial income above the relatively modest \$150,000 annual DID assessment.

The “Cultural Trust Challenge” Concept

Discussion with the Steering Committee focused on two innovative funding solutions that several states and communities have established, one being the “cultural trust” endowment fund, and the other consisting of a major “challenge” grant campaign typically spearheaded by a major lead foundation gift. Both are described below.

Cultural Trust

Indiana is actually one of several states where the state arts council has initiated a “cultural trust,” a form of endowment that also exists in Missouri, Texas, Arizona, Delaware, Connecticut, Montana, and Tennessee.³ The purpose of such a trust fund is typically to amass a sizable endowment fund to provide on-going support for arts and cultural groups, often enacted by state legislatures as a replacement for an annual appropriation.

The Indiana Arts Commission Cultural Trust Fund was created through legislative action in 1997 with passage of House Enrolled Act 1358. The legislation received unanimous approval in the Indiana Senate, and passed in the Indiana House of Representatives by a 98 to 1 vote. The Cultural Trust Fund establishes a vehicle with which the Indiana Arts Commission (IAC) can enhance the funding, encouraging, promoting, and expanding of the arts in Indiana through previously untapped financial resources outside the agency’s biennial budget. The long-term funding goal is \$50 million to be acquired through a variety of funding sources including public and private donations. In Indiana, it was intended that moneys generated through the fund would be used to augment, not replace, biennial budget appropriations from the Indiana General Assembly to the IAC. Interest income from the IAC Cultural Trust Fund would provide the

³ *Missouri’s Cultural Trust was established based on anticipated funding from 60% of the income tax levied on nonresident athletes and entertainers. The fund was envisioned as a long-term stabilization program for cultural organizations in the state. Over a 14-year period, the public monies of the Trust were projected to reach \$100 million, which would be matched with \$100 million in private investment. As of this year, funds were well short of these initial projections, and owing to the state budget crisis, the addition of new income tax receipts into the Trust was suspended.*

The Arizona Arts Endowment Fund, known as Arizona ArtShare, was created in 1996, based on an annual state contribution of up to \$2 million with an initial goal of \$20 million. As of one year ago, the fund had received \$8 million from the state, \$1.5 million in non-designated private gifts and pledges, and \$23 million in designated gifts to endowments of arts organizations.



IAC with additional revenue to address the growing level of requests to support cultural resources in communities throughout the state.

A series of policy guidelines are also specified in the legislation including those addressing management and oversight of the Trust fund. Unfortunately, as was reported by community leaders, this statewide fund has not been a statewide priority and has not reached its goal (nor has much progress been made). Other states, such as Missouri in particular, have also not been successful in raising the intended funds for the trust.

Nonetheless, the concept of establishing a one-time endowment fund for Fort Wayne and Allen County, from which annual interest payments could subsidize arts and cultural programs, was deemed worthy of further study. Initial speculation focused on the possibility of establishing an Allen County Cultural Trust in the range of \$10-20 million, which might be conservatively estimated to generate some \$500,000 to \$1 million each annually.

A subsequent discussion focused on the possibility of a major challenge initiative, perhaps instituted by a large foundation gift. The consultants described one such community wide effort, in Columbus, Georgia.

The Columbus Challenge

The Columbus Challenge is an exceptional example of a public-private partnership involving the City of Columbus, State of Georgia, the Bradley-Turner Foundation and other funding agencies. The initial campaign challenge in 1993 totaled \$87 million to support capital projects and endowment funds of nine cultural groups.⁴ The lead gift was a \$25 million challenge from the Bradley-Turner Foundation. The Challenge topped \$100 million in 1999 consisting of, ultimately, \$50 million from the Bradley-Turner Foundation and more than \$17 million in state bond allocations. When considering monies levied through a 1% local option sales tax (approved by a great majority of the voting population), funding for the Challenge and other projects (including a marina, River walk, civic center, softball complex, etc.) over the past 8 years totals more than \$200 million!⁵

⁴ *Participating organizations truly run the gamut from art to science to history, and include: Coca-Cola Space Science Center, The Columbus Museum, RiverCenter for the Performing Arts, Columbus State University Schwob School of Music, Columbus Symphony Orchestra, Historic Columbus Foundation, Liberty Theatre, Springer Opera House, and Port Columbus Civil War Naval Museum.*

⁵ *It is worth noting that the Director of Columbus's downtown business improvement district credits the success of the Columbus Challenge to a number of criteria including 1) a strong delegation within the state legislature, 2) consolidated city/county government, 3) citizen-approved sales taxes, 4) supportive media, chamber of commerce, and United Way, 5) a good working relationship between the public and private sectors, and 6) a healthy climate of inter-racial relations.*



Building on its success, the Bradley-Turner Foundation recently announced another \$25 million gift to Columbus State University to re-locate its art and theatre departments to “uptown” (i.e., downtown) Columbus therefore adding to the synergy of Columbus Challenge projects (e.g., Music School, River Center, Coca-Cola Space Science Center, Liberty Theatre, all within blocks of each other in the city’s central core). By next year more than 100 students will be living in renovated loft style apartments in the central Uptown area, creating an amazing critical mass of activity. As the chancellor of the Georgia State University System recently remarked, “There is no finer example of partnership and collaboration than on this project. It is one of the best examples in the U.S. of higher education and a community joining together to serve students and impact economic development.” The consultants strongly concur with this sentiment, and suggest that there are a range of similarities with Fort Wayne (e.g., population, “second city” phenomenon, river front development opportunity, attractive downtown cores with historic buildings, etc.) to warrant city and county leadership taking a close look at the overall Columbus model.

A Concept for Fort Wayne?

The Columbus Challenge is particularly interesting to Fort Wayne arts leaders given the recent precedent of a challenge grant to the Fort Wayne Parks Department (through its non-profit foundation, consisting of \$5 million in windfall CEDIT funds), and the presence of several noteworthy foundations in Fort Wayne and elsewhere in Indiana (as well as the prospect of generating interest by a “national” foundation for a new funding model). Combining the mechanisms of a cultural trust/ endowment fund with a foundation-initiated challenge grant, leads to the possible germination of a partial funding solution for Fort Wayne:

- Could a public-private effort establish a \$10-20 million trust fund, with proceeds earmarked to provide project and operating support for arts and cultural groups, based on one or more lead gifts from foundations (of \$5-10 million), to be matched with public sector funds in “response” to the private sector’s “challenge or, conversely, as a challenge issued by a lead gift from local government to be matched with private sector funds?” Could such an effort be seen as a new national model for local arts funding?

As noted earlier, there is some local precedent for the challenge grant model as evidenced by the Fort Wayne Park Foundation’s successful receipt of \$5 million. These public seed monies were granted as a challenge to raise matching funds from the private sector. The agreement that governs this effort (January 2002) calls for the Foundation to conduct a 3-year campaign to match city funds on a dollar-for-dollar basis. Funds are expressly intended “to supplement and not replace the current regular budget of the Parks Department.”

In essence, representatives of the cultural community who have guided this study process are proposing a scenario that either mirrors the Parks Foundation



precedent (e.g., commencing with a *private* foundation gift as a challenge to the public sector) or “copies” it (e.g., a public sector seed gift as challenge to the private sector). In either scenario, such a challenge grant leading to formation of a “cultural trust” (endowment) might be envisioned to take 5 to 10 years. For a \$20 million goal the City and County might commit \$1 million annually for 10 years in order to leverage an additional \$10 million from the private sector. A \$10 million goal might be realized in only 5 years at that level of funding, or would only require \$500,000 annually for 10 years. Perhaps an annual commitment of up to \$1 million by the public sector becomes more achievable; rather than the formidable obstacles posed by securing an on-going dedicated public funding mechanism (as described through the Legislative Analysis section, especially in the absence of home rule legislation), municipal and county governments might be better able to identify a source for an annual appropriation without the need to enact state legislation or re-commit existing dedicated funds.⁶

It is hoped that this document serves as a catalyst for further discussion now that the research into specific funding options has been completed.

⁶ While the overall picture for a dedicated funding source for arts and culture was deemed not to be promising based on the Legislative Analysis, the consultants would like to point out that should a concerted effort be made to fund the Downtown Revitalization Plan, and with the assumption that arts and culture are at the forefront of programming and venue strategies to lure patrons downtown, some approach can be identified to make at least an annual commitment of up to \$1 Million to some Cultural Trust Challenge fund. It would seem that some combination of funds from, possibly, City property taxes, gaming revenues (if pull tabs were to be approved and/or if gaming revenue sharing use restrictions are lifted), and/or TIF funds (after some downtown redevelopment begins returning tax dollars) might be committed to the concept outlined above.