

# MILWAUKEE ARTS AND CULTURE DISTRICT

RESEARCH REPORT

## **TABLE OF CONTENTS**

A REVIEW OF REPORTS ON ARTS AND CULTURE IN MILWAUKEE	2
A SAMPLE OF ARTS AND CULTURE DISTRICTS ACROSS THE U.S.	6
GOVERNMENT FUNDING FOR ARTS AND CULTURE	11
ASSESSING THE ECONOMIC IMPACT OF ARTS AND CULTURE	16
THE EFFECT OF ARTS EDUCATION ON GENERAL LEARNING	20
FURTHER READING	23

## A Review of Reports On Arts and Culture in Milwaukee

This chapter provides a review of four different reports on the value and viability of arts and culture institutions across Southeastern Wisconsin.<sup>1</sup>

1. Report from *The Mayor's Task Force On Public Support for Cultural Organizations in Metropolitan Milwaukee*, May 1990.
2. Report from *The Southeastern Wisconsin Regional Recreation and Culture Task Force*, January 1996
3. Report from *Milwaukee County Parks, Recreation and Culture Funding Task Force*, June 2003
4. *Arts and Culture in Southeastern Wisconsin: The Public Speaks*, February 2005, Center for Urban Initiative and Research at The University of Wisconsin-Milwaukee (UWM), Commissioned by the Helen Bader Institute for Nonprofit Management

### Common Themes

- All reports discuss Milwaukee's long history of investing in arts and cultural organizations and the growing financial restraints on government and non-profit sectors that are impacting the industry
- While the independence of arts groups makes their willingness to participate in a group dynamic (e.g. district) questionable, there is a collective value in a larger entity supporting the growth/stability of multi-purpose venues
- Education is an important impact of arts and culture: all surveys asked questions about the educational value of cultural opportunities, and the respondents in all of the surveys (including individuals who do not attend cultural events) overwhelmingly stated that there is a strong positive educational impact from these events
- Arts and culture have a positive economic impact on the community, including direct employment, economic activity, the ability to recruit employees, etc.

### Mayor's Task Force on Public Support For Cultural Organizations in Metro. Milwaukee Task Force and Methodology

- Charged with preparing a recommendation to be submitted to the Mayor on appropriate structure and methods for public and private support of all cultural organizations in Greater Milwaukee (five counties).
- Thirty members, primarily non-profit, business, and community leaders
- Commissioned two different surveys: 1) surveyed cultural organizations on their developmental needs including survival requirements and community vision, and 2) surveyed cultural organizations and affiliated businesses in Southeastern Wisconsin to ascertain the economic impact of cultural industry on the community
- Task force funding was a mix of private, business, and public funds

### Findings

- Arts and culture have a positive direct and indirect economic impact

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<sup>1</sup> An additional report by the Milwaukee County Commission for the 21<sup>st</sup> Century that discusses relevant information is also summarized at the end of this section.

- In 1988, the amount spent by audiences attending cultural events supported 20,400 full-time equivalent jobs and resulted in more than \$44.2 million in state and local taxes; the actual impact would be greater than the reported impact since the survey measured only the effect caused by survey respondents
- People outside the five counties were responsible for 43 percent of spending
- Cultural attractions were cited by three-quarters of all businesses as among the factors that either encouraged or strongly encouraged them to stay or expand at their location; numerous industries receive a direct benefit.
- Culture attracts tourists who add to sales and related tax revenue and jobs; in 1988, nonresidents of the surrounding five counties spent an estimated \$157.8 million in the Greater Milwaukee area while attending cultural events
- Culture serves as a catalyst for neighborhood revitalization; Riverwest, Walker's Point, Harambee, and Third Ward are cited as examples

#### *Recommendations*

- Encourage joint efforts at every level (arts boards, local government and cultural organizations) through leveraging government support, sharing resources, and joint management of cultural facilities
- Advocates more cooperation in marketing arts through cooperative promotions, community and out-of-state advertising, etc.
- Increase presence of cultural activity in the instructional programs of local educational institutions
- Further diversify cultural offerings
- Advocates building a broad support base through the formation of a regional task force to centralize administration, technical assistance, marketing, and education for cultural organizations and artists
- Advocates the continued support and public recognition of the value of healthy large cultural organizations; the success of the "majors" (MPM, MSO, MAM, etc.) are intrinsically linked to the viability of smaller groups

#### *Data Supplement*

- A data supplement was included that includes samples of other cities' initiatives to strengthen the arts

### **Southeastern Wisconsin Regional Recreation and Culture Task Force<sup>2</sup>**

#### *Task Force and Methodology*

- Created by the Milwaukee County Board of Supervisors and studied arts/culture and parks
- Comprised of 15 individuals representing business, education, government and public sectors of Milwaukee, Ozaukee, Racine and Waukesha counties<sup>3</sup>
- Conducted small survey (273 people) of population in Southeastern Wisconsin regarding use and support of arts and recreational venues/activities

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<sup>2</sup> The reports from *The Southeastern Wisconsin Regional Recreation and Culture Task Force* and *Milwaukee County Parks, Recreation and Culture Funding Task Force* are commonly referred to as the Diliberti Reports after task force member Dan Diliberti.

<sup>3</sup> Report from Southeastern Wisconsin Regional Recreational and Culture Task Force, January 1996 Full Task Force List p. 24.

*Findings*

- Found strong support for the arts (the strength and depth of this support is unclear)
- Many Milwaukee cultural institutions reported that over one-half of attendees are from outside Milwaukee county

*Recommendations*

- Advocates having Milwaukee institutions establish programming outside the county to build broader support and take advantage of population shifts
- Advocates that Milwaukee cultural institutions share resources to increase efficiency
- States that the institution coordinating resource sharing between arts groups initially begin with funding from National Endowment for the Arts (does not anticipate that Milwaukee County will provide significant funding for institutions)

**Milwaukee County Parks, Recreation and Culture Funding Task Force**

*Task Force and Methodology*

- Created by Milwaukee County legislative and executive bodies endorsing a resolution calling for “parks and culture dedicated funding” work group in response to growing concerns about future of recreation, parks and cultural institutions
- Task force charged with studying alternative and/or dedicated sources that could be used to finance the parks, recreational and cultural institutions in Milwaukee County
- 16-member taskforce comprise of County officials, business leaders and cultural institution representatives<sup>4</sup>

*Findings*

- Documents that county funding for parks and the arts has declined significantly and blames the decline on property tax caps and increased funding for criminal justice and social services
- Considers non-tax sources of funding (e.g. increasing user fees and naming rights), and finds that they are either exhausted or face legal problems
- Considers motor vehicle taxes, property taxes, and special real estate taxes, and concludes that each is inferior to a county sales tax

*Recommendations*

- Recommends that the legislature authorize a 0.5 percent county sales tax to fund parks and culture (a majority of the funding would go for parks); this would allow a significant reduction in county property taxes, since part of the property tax receipts are dedicated to funding parks and culture
- Recommends the creation of a regional task force to develop a regional funding mechanism (implicit is the expansion of the sales tax to the metro region)

**Arts and Culture in Southeastern Wisconsin**

*Methodology*

- The Helen Bader Institute of Nonprofit Management commissioned the UWM Center for Urban Initiatives and Research to conduct a study of the nonprofit arts and culture sector in Southeastern Wisconsin

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<sup>4</sup> Milwaukee County Parks, Recreational and Culture Funding Task Force Final Report, June 9, 2003  
Task Force List p. 39

- 473 individuals were interviewed in a seven-county region

*Findings*

- Respondents overwhelmingly believe, 81 percent, that arts and culture have a positive impact on the education and overall development of children and 95 percent of parents and guardians whose children participated in the arts say it had a moderate or strong impact on children's development
- The survey also found that respondents perceived economic benefits, for example:
  - Respondents strongly supported the assertion that arts and culture strengthens the social and economic vitality of downtown Milwaukee and metropolitan area
  - Respondents affirmed that arts and culture makes Milwaukee an attractive place for business to set up operations
- Forty-three percent of Milwaukee County residents favored paying more property tax to fund arts and culture organizations in Milwaukee County; 41 percent favored a dedicated sales tax to support arts and culture in Milwaukee County and 23 percent favored a new governing authority for arts, culture and recreation in Milwaukee County; the survey didn't provide all the questions

**Milwaukee County Commission for the 21<sup>st</sup> Century (1996)**

- Recognizes that increases in spending on health care, social services, and to a lesser degree public safety, has crowded out spending on recreation and culture; as a percentage of county expenditures, spending on parks, recreation, and culture fell by almost half between 1985 and 1995
- Two justifications for public arts funding: 1) add "vibrancy" to community, and 2) economic impact
- Recommends expansion of public/private partnerships as the best way to meet additional funding requirements for arts and culture; does not envision increased county funding
- Advocates that county set "reasonable levels of funding over a set number of years" to provide financial stability for the organizations
- Recommends regional support for arts and culture

## A Sample of Arts and Culture Districts Across the U.S.

**Denver Scientific and Cultural Facilities District:**<sup>5</sup> seven counties of metropolitan Denver  
*Funding*

- Funded by a 0.1 percent sales tax levied in all seven counties
- Raised over \$39.9 million in 2006

*Role:* Funds three types of organizations

1. Tier 1: major regional organizations (e.g. Denver Art Museum and Denver Zoo); funding set by statute
2. Tier 2: regional organizations with revenues in excess of roughly \$943,000 and minimum attendance rates
3. Tier 3: local, grass-roots arts organizations; funding awarded by county cultural councils; currently over 300 funded organizations in region

*History*

- District was created in response to loss of government funding by major arts institutions
- District was first authorized in 1988 referendum and was renewed in 1994 and 2004 referendums; in 2004 referendum, overall pro-district vote was 65 percent and majority in every county supported district

*Governing Body*

- Board of directors composed of ten members (each county appoints one and three appointed by the Governor)
- Small grants awarded by county cultural councils; members of cultural councils are appointed by county commissions or city council (Denver and Broomfield)

*Public Support*

- Funded arts organizations all have “free days” to thank voters
- Accountability: all funded local groups are evaluated every year to ensure that they achieved their stated goals and “gave back” to the public
- Quantify and publicize education benefits to school children
- Promoted as an economic engine for the region; every two years Deloitte conducts a study quantifying the economic and social impact of the District (e.g. economic activity, payroll, and visitors) and the results are heavily publicized on television and in the newspaper<sup>6</sup>
- Emphasis on grass roots spurs creativity and builds support within communities
- Focuses only on funding, allowing low overhead (four staff members) and contained spending on administrative costs
- Emphasis on spreading resources and power: Tier 2 and Tier 3 organizations exist in all seven counties and Tier 3 funding is determined by independent councils in all seven counties

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<sup>5</sup> Much of the information listed here was obtained from the SCFD website: [www.scfd.org](http://www.scfd.org). Fonda Burnett, SCFD Program Officer, provided information about how the SCFD builds and maintains public support.

<sup>6</sup> Colorado Business Committee for the Arts and Deloitte Consulting. 2004. *The Impact of Art and Cultural Organizations in Metropolitan Denver*. Report published by Colorado Business Committee for the Arts.

## **Cuyahoga Arts and Culture (Cleveland):**<sup>7</sup> Cuyahoga County, Ohio

### *Funding*

- In 2006, voters approved a ten-year tax on cigarettes (30 cents per pack) to fund the district
- A earlier, failed referendum (referendum was defeated 53% to 47%) would have allowed a property tax of 7 cents per \$100 valuation in Cuyahoga County; it is estimated that this would have generated approximately \$20.7 million in the first year of operation, and approximately half would have gone to arts and culture

### *Role*

- In 2007, the district awarded grants to 68 groups for general operating support (total of \$15 million per year, renewable for three years) and in early 2008 plans to award specific project grants (total of \$1 million per year)
- District also has authority to administer facilities

### *History*

- District was formally created in June of 2005 by County Commissioners, after Ohio legislature passed enabling legislation

### *Governing Body*

- There are five trustees appointed by Cuyahoga County Commissioners
- An outside panel of experts reviews all grant applications and makes recommendations

### *Public Support*<sup>8</sup>

- Issued multiple research reports and conducted 42 public forums prior to property tax referendum
- In the 2004 referendum, arts and culture was combined with other economic development funding, and the entire measure was promoted as a measure for economic development (the title on the ballot measure was “Economic Development Levy”)
- The defeat of the property tax referendum has been attributed, in part, to the presence of other property tax measures on the same election ballot

## **St. Louis Regional Arts Commission:**<sup>9</sup> St. Louis City and St. Louis County

### *Funding*

- Funded by 4/15 of a 3.75 percent hotel tax levied in St. Louis City and St. Louis County
- Raised \$3.6 million in 2007

### *Role*

- Awards grants to arts/culture/scholarly organizations in St. Louis County
- Organizations can request program support and/or operating support

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<sup>7</sup> Much of the information here was obtained from the Community Partnership for Arts and Culture (Northeastern Ohio) website: [www.cpacbiz.org](http://www.cpacbiz.org) and by talking to district staff. Information about the history and role of the district was obtained from Resolutions of the Board of Commissioners of Cuyahoga County and Chapter 3381 of the Ohio Revised Code. Conversations with the President, Thomas Schorgl, and Director of Research at CPAC provided information about building public support. For the cultural district website, see <http://www.cacgrants.org/>.

<sup>8</sup> CPAC and Thomas Schorgl were instrumental in building support for cigarette and property tax.

<sup>9</sup> This information was obtained from the Commission’s website: [www.art-stl.com](http://www.art-stl.com). St. Louis City is not part of St. Louis County.

*History*

- A 1982 attempt to guarantee public support for arts, culture, economic development and tourism using a 5/8 percent sales tax failed
- Created in January 1985 after a successful referendum

*Governing*

- Fifteen commissioners appointed jointly by mayor and county executive
- Commissioners serve four-year terms

*Public Support*

- Council can only spend 15 percent of its budget on administrative costs

**St. Louis Zoo/Museum District:**<sup>10</sup> St. Louis City and St. Louis County

*Funding*

- Dedicated city and county property taxes ranging from 3.1 to 6.1 cents per \$100 valuation for each sponsored institution
- Distributed \$51.5 million in 2003

*Role*

- Funds zoo, science center, art museum, botanical gardens, and Missouri History Museum—property tax for each organization was approved by voters

*History*

- Originally funded zoo, art museum, and science center in 1971; other institutions were added later (1983 and 1987) by ballot referendums
- In 1988 voters rejected funding for symphony by 3-1 margin—apparently the symphony was perceived as too elitist
- Recently, there has been discussion of broadening the district to outlying counties (this has been supported by The Regional Business Council)

*Governing Body*

- Zoo Museum Board consists of eight individuals (four from the city and four from the county); Board sets tax assessments
- Each institution is governed by a sub-districts consisting of 10 individuals (five city and five county residents)

*Public Support*

- All supported institutions except Botanical Garden are free every day to city and county residents (Botanical Garden is free to residents two days a week)
- In 2005, the symphony was deciding whether to seek funding again (they decided not to after deciding that the referendum would likely be defeated); to increase public support, the symphony would have limited tax revenues to funding educational initiatives, not operating costs

**Allegheny Regional Asset District (Pittsburgh):**<sup>11</sup> Allegheny County, Pennsylvania

*Funding*

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<sup>10</sup> Much of the information listed here was obtained from a museum association website: [www.midwestmuseums.org/zoomuseum.html](http://www.midwestmuseums.org/zoomuseum.html). Information about the Symphony and budget was in a St. Louis Post-Dispatch article on January 13, 2004.

<sup>11</sup> The information here was obtained from the District's website: [www.radworkshere.org](http://www.radworkshere.org).

- Funded by 0.5 percent sales tax levied throughout the county
- The 2008 budget estimates that \$83.4 million in grants will be awarded

*Role*

- In 2008, funded over 80 arts and culture, recreational, and community organizations, and donated over \$1 million each to symphony, botanical gardens and zoo
- Also funds parks (\$24.2 million) and public libraries (\$26.3 million)

*History*

- Created by legislature in 1994
- The tax is actually a 1 percent sales tax, but 50 percent goes to county and municipal governments; remainder is given to RAD

*Governing Body*

- Seven member Board of Directors, composed of four persons appointed by the County Chief Executive, two appointed by the Mayor of Pittsburgh and one person elected by the six appointees
- Members serve terms concurrent with appointing authority

*Public Support*

- By law, cannot fund “any asset which fails to serve a significant number of residents outside of the municipality in which the asset is located,” a useful response to opponents who argue that district will only benefit central city
- Free admission on certain days every year for many of the sponsored organizations (called RAD days)

Other Districts:

- There are other cultural districts funded by an earmarked sales tax (e.g. Salt Lake City and St. Paul)
- There are also other cultural districts funded by an earmarked hotel/motel tax (e.g. San Francisco, Houston, and Columbus)
- The geographic breadth of these districts varies (one county or multiple counties), as do the funding goals of the district organizations (in San Francisco it is funding cutting edge art and in Houston it is bolstering tourism)

For a comprehensive overview of 20 arts and culture districts, see: Leslie Silletti. 2005. *Public Funding for the Arts: Specialized Taxes and Assessment*. Center for Urban Initiatives and Research, University of Wisconsin-Milwaukee.

Wisconsin Districts

Wisconsin law currently allows municipalities to create districts to manage facilities (e.g. performance theaters, convention centers, museums, etc.); a brief summary of each type of district is listed below.

**Wisconsin Local “Cultural Arts Districts”**

- Authorized under Subchapter 5 of Chapter 229 (229.840) of the Wisconsin Statutes
- Legislative process began in 1999 and the statute was enacted in 2000
- Cities (with populations greater than 150,000) can create a special purpose district that is independent of the city and state

- Only two eligible cities: Madison created a district, Milwaukee has not
- A Madison philanthropist was interested in donating a large sum of money (ultimately over \$200 million) to construct and refurbish cultural facilities in Madison and the City of Madison did not want to have management and financial responsibility for creating/maintaining the new facilities, and thus the city leadership favored the creation of an independent district that would construct and manage the facilities; this statute was enacted to allow the creation of such a district
- Upon repayment of construction bonds, the city has the right to acquire the cultural facilities for \$1
- The powers of such a district include: maintain an office, sue and be sued, acquire or construct cultural arts facilities, collect fees from such facilities, condemn property for facilities (eminent domain), issue revenue bonds, issue short term obligations, promote the arts, enter into partnerships with other persons, and receive grants
- A “cultural arts district” created under this statute would be limited to the City of Milwaukee and could only raise funds through donations and fees (entrance, parking, etc.) from the facilities managed by the district

#### **Wisconsin Local Exposition Districts**

- Authorized under Subchapter 2 of Chapter 229 (229.41) of the Wisconsin Statutes
- Exposition center—“one or more related structures, including fixtures and equipment, owned, operated or leased by a district and used primarily for conventions, expositions, trade shows, *musical or dramatic events or other events involving educational, cultural or commercial activities*”
- Can be created by a county or city
- Milwaukee County is the only locality that has an exposition district; the Milwaukee district includes Midwest Express Center, U.S. Cellular Arena, and Milwaukee Theater
- Districts may have more than one sponsoring county or city, as long as each sponsoring entity passes a resolution within 90 days of the first sponsoring resolution
- Powers: maintain an office, sue and be sued, acquire or construct cultural arts facilities, collect fees from such facilities, issue bonds, issue short term obligations, promote the exposition centers and related activity, enter into partnerships with other persons, receive grants from county or city, levy a 2 percent room tax, levy a further 7 percent room tax under certain circumstances (basically limiting the tax to the City of Milwaukee), levy a 0.25 percent tax on restaurant food and beverage, and levy a 3 percent car rental tax

## Government Funding for Arts and Culture

### State and Local Government Funding for Arts and Culture in Milwaukee

- The largest government funder in Milwaukee has been Milwaukee County
- Over the past two decades, arts and culture funding by the county has declined due to property tax caps and mandated spending on social services and criminal justice
- County funding for most arts and culture organizations has declined, and the change is especially large in terms of purchasing power (see Table 1 for unadjusted amounts and Figures 1 and 2 for dollar amounts adjusted for inflation)<sup>12</sup>
- The zoo<sup>13</sup> is an important exception to this overall trend, as county funding has either increased or stayed constant
- State funding for Milwaukee organizations through the Wisconsin Arts Board has declined slightly over the past seven years; in 2007, organizations in Kenosha, Ozaukee, Walworth, Racine, Washington, and Waukesha counties received a total of \$126,998 with no individual county receiving more than \$29,000<sup>14</sup>

**Table 1: Milwaukee County Arts and Culture Funding Over Time<sup>15</sup>**

Organization	2007 Amount <sup>16</sup>	2005 Amount	1995 Amount	1985 Amount
Zoo	\$5,633,117	\$5,407,567	\$3,533,529	\$3,005,874
Milwaukee Public Museum <sup>17</sup>	\$3,327,257	\$3,380,750	\$4,246,507	\$5,137,468
Marcus Center	\$1,280,000	\$1,280,000	\$1,500,000	\$1,780,045
War Memorial Center <sup>18</sup>	\$1,504,594	\$1,311,636	\$1,406,528	\$1,409,541
CAMPAC-Fund for the Arts <sup>19</sup>	\$377,688	\$352,688	\$500,000	\$575,000
Villa Terrace/Allis Art Museum	\$243,656	\$243,656	\$261,104	\$187,852
County Historical Society	\$242,550	\$242,550	\$307,481	\$222,708
<b>Total</b>	<b>\$12,608,862</b>	<b>\$12,218,847</b>	<b>\$11,808,642</b>	<b>\$12,371,981</b>

<sup>12</sup> Amounts were adjusted for inflation using the Consumer Price Index (CPI) for All Urban Consumers, see: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>. July 2007 was set as the base (i.e. CPI=100) for inflation adjustment. The indexes for the other years are: 1980=40.1, 1985=51.7, 1990=62.6, 1995=73.2, 2000=82.7, and 2005=93.8.

<sup>13</sup> Whether a zoo or natural history museum should be classified as “culture” is debatable. However, in Milwaukee these institutions are often considered part of the arts and culture community.

<sup>14</sup> The Wisconsin Arts Board also receives money from the National Endowment for the Arts. Wisconsin Arts Board Annual Report, FY 2007

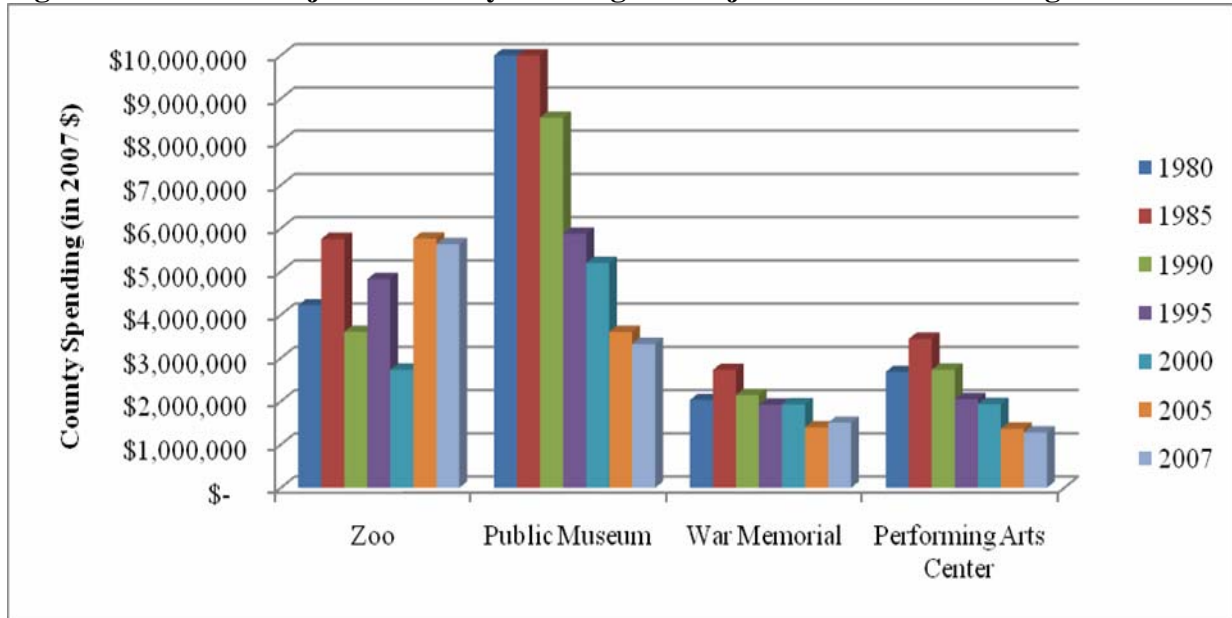
<sup>15</sup> Milwaukee County 2007, 2005, 1995, and 1985 Adopted Budgets. These amounts are not adjusted for inflation. For inflation-adjusted amounts, see Figures 1 and 2.

<sup>16</sup> There are often additional administrative costs that are borne by other departments.

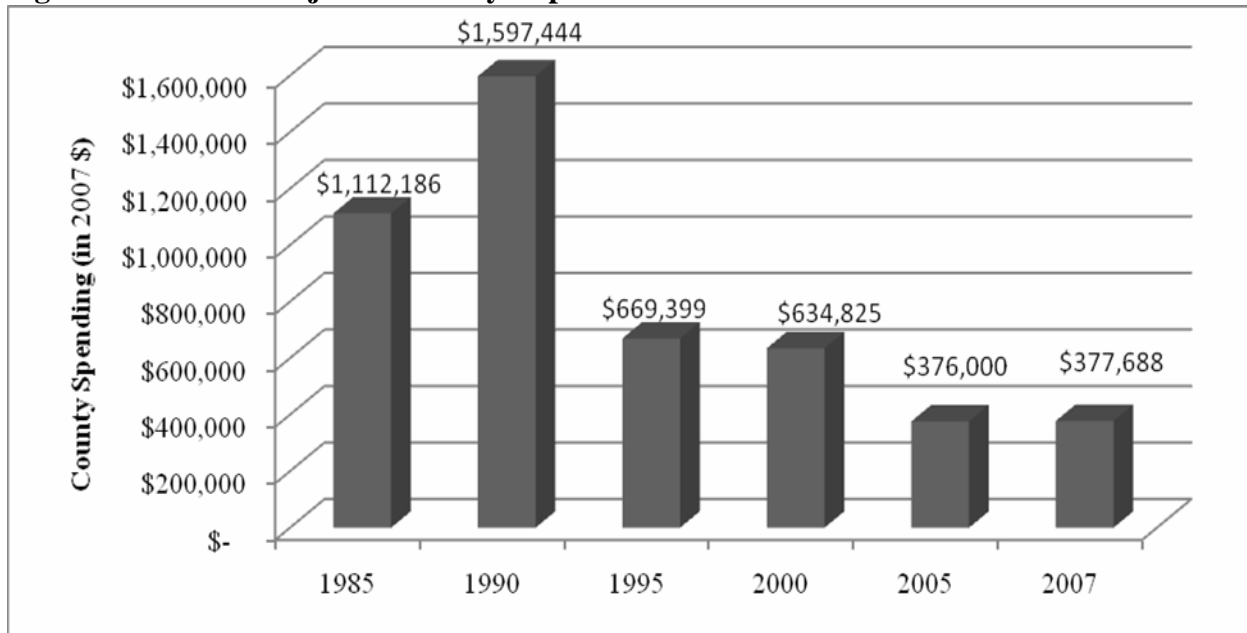
<sup>17</sup> The Milwaukee Public Museum was owned by Milwaukee County until 1992 when it became a not-for-profit museum corporation in order to provide alternative sources of funding.

<sup>18</sup> The War Memorial Corporation is directed to give part of this amount (\$250,000 in 2007) to the Art Museum. The Memorial also provides space to the Art Museum and other arts organizations.

**Figure 1: Inflation-Adjusted County Funding for Major Milwaukee Arts Organizations<sup>20</sup>**



**Figure 2: Inflation-Adjusted County Expenditures for the Fund for the Arts<sup>21</sup>**



<sup>19</sup> The Cultural Artistic and Musical Programming Advisory Council (CAMPAC) makes smaller grants to grass roots organizations. Prior to 1986, small grants were made individually, rather than as part of the Fund for the Arts (see Budget Unit Number 1935).

<sup>20</sup> Milwaukee County Adopted Budgets 1980-2007.

<sup>21</sup> Milwaukee County Adopted Budgets 1985-2007. The Fund for the Arts did not exist in 1985, but there was arts funding for miscellaneous arts and culture organizations (see Budget Unit Number 1935).

**Table 2: State of Wisconsin Arts Funding 2007<sup>22</sup>** (through Wisconsin Arts Board)

Organization	Amount	2005 Amount	2000 Amount
First Stage	\$50,049	\$51,019	\$19,866
Latino Arts, Inc.	\$79,524	\$36,947	\$85,149
Milwaukee Repertory Theater	\$99,011	\$83,343	\$92,291
Milwaukee Art Museum	\$107,383	\$161,016	\$95,741
Milwaukee Symphony Orchestra	\$182,262	\$123,848	\$240,850
Total grants to other Milwaukee County organizations (each received less than \$50,000)	\$378,658	\$473,774	\$566,965
<b>Total</b>	<b>\$896,887</b>	<b>\$929,947</b>	<b>\$1,100,862</b>

**Milwaukee City Funding<sup>23</sup>** (through Milwaukee Arts Board)

- Small grants to arts and culture organizations based in Milwaukee
- Total 2007 Funding: \$172,800

**Budgets of Milwaukee Arts/Culture Organizations<sup>24</sup>** (to provide context)

- Milwaukee Art Museum: \$15.2 million
- Milwaukee Public Museum: \$14.7 million
- Marcus Center: \$4.4 million
- Milwaukee Zoo: \$20.5 million

**Economic Theory Against Using Taxes to Fund Arts and Culture<sup>25</sup>**

- According to traditional economic theory, competitive markets provide efficient outcomes unless there is a market failure (e.g. public goods, externalities, incomplete information, etc);<sup>26</sup> because there is no clear market failure in the arts market, a tax benefiting arts and culture would create inefficiency and waste

<sup>22</sup> Wisconsin Arts Board Annual Reports, FY 2007 and FY2000. In 2000, funding also went to organizations like CAMPAC and the Milwaukee Arts Board that may have passed some of the money on to other arts and culture organizations. An additional method for the state to provide revenue would be to create vanity “Supporter of the Arts” Wisconsin license plates. For example, Wisconsin currently charges \$15 (plus the regular registration fee) for a Green Bay Packers or Endangered Resource license plate. In 2004, the Packers plates raised \$416,112, the Endangered Resources plates raised \$584,861, the Celebrate Children plates raised \$97,189, and the Ducks Unlimited plates raised \$39,150 (Wisconsin Department of Transportation). The legislature must approve any new license plates and the initial cost of designing and manufacturing the plates must be covered before the plates generate revenue for the cause.

<sup>23</sup> City of Milwaukee 2007 Adopted Budget.

<sup>24</sup> For Milwaukee Art Museum and Milwaukee Public Museum, the amounts were obtained from 2006 Form 990 line 17. For the Marcus Center, the amount was obtained from their 2006 expenses posted on their website. The Zoo amount was obtained from the 2006 Annual Report.

<sup>25</sup> A strong argument can be made that these taxes should be regional rather than limited to just Milwaukee, based on the clear regional utilization of arts and culture in Southeastern Wisconsin (see Appendix).

<sup>26</sup> Specifically, markets lead to Pareto efficient outcomes, meaning that it is impossible to make one person better off without making another person worse off. Any government interference, such as taxes, will reduce the total amount of economic surplus.

- Although arts subsidies do generate economic activity, the taxes will displace other, more efficient, economic activity
- Arts and culture are luxuries not necessities, and consequently government does not need to subsidize consumption by the less well-off
- Finally, some economists acknowledge the presence of market failures in the arts and culture market, but argue that government intervention is unlikely to correct the problem, as governments are inherently poor decision makers (e.g. subject to pressure from interest groups etc.)<sup>27</sup>

### **Economic Rationale for Using Taxes to Fund Arts and Culture**

- *Positive Externalities*: Some economists have argued that arts and culture generate “positive externalities” (meaning the consumption or production of a good benefits those outside the immediate market transaction); for example, improved education for children and improved overall quality of life for residents when others are culturally literate; markets usually provide too little of a good/service when there are positive externalities, and consequently government subsidies may lead to a more socially optimal outcome.
- *Merit Good*: Some economists have argued that arts and culture deserve public support because they are “merit goods”—goods that are determined by government to be good for people, regardless of whether people desire them for themselves or not; the basic idea is that due to incomplete information, citizens may not realize all the benefits of arts and culture and that arts and culture are essential to preventing a “nation of Philistines”
- *Public Good*: Some economists have argued that many arts are similar to public goods in that the marginal cost of an additional user is close to zero; in that case, charging high prices (or indeed any non-zero price) would lead to inefficient outcomes<sup>28</sup>
- *Option value*: although the current generation may not value arts and culture, it is our responsibility as a society to preserve historic arts and culture and support contemporary arts and culture for future generations
- *Equity*: Society should value equality as well as efficiency; with entirely private funding the arts might be closed to people, especially children, who cannot afford to participate, depriving them of cultural experiences (for example, due in part to county funding, Milwaukee Art Museum and Milwaukee Public Museum currently provide free entry for Milwaukee County residents on certain days of the week and attendance is dramatically higher on those days)<sup>29</sup>

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<sup>27</sup> Bruno Frey. 2003. “Public Support” in *Handbook of Cultural Economics*, ed. Ruth Towse.

<sup>28</sup> Specifically, if someone is willing to attend an event, the marginal benefit of attendance to that person, and thus to society, is greater than zero. Since the marginal cost to society of additional attendance for many arts events is zero (at least up to a certain level), public welfare would be increased if the person attended the event; however, if there is a charge to attend the event and that charge is greater than the person’s marginal benefit, they will not attend, leading to an inefficient outcome.

<sup>29</sup> Raw data provided by the Milwaukee Public Museum.

## Appendix: Regional Consumption of Arts and Culture

Consumption of Milwaukee arts and culture is clearly regional. UWM’s Center for Urban Initiatives and Research conducted a telephone survey in 2002. This survey examined geographic differences in utilization rates at Milwaukee arts institutions, sports facilities, festivals, and recreational facilities. The sample was composed of 600 residents from four counties (Milwaukee, Waukesha, Ozaukee, and Washington). In general, utilization rates for individuals living in Milwaukee City, Milwaukee County, and the other metro counties were very close. It should be noted that some of these rates are significantly higher than rates calculated using a national survey (SPPA) conducted the same year (the cause of the difference is unclear).

**Table 3: Attendance rates for various events/venues within the past year**

Event	Milwaukee City	Milwaukee County	Other Counties
Marcus Center	38%	49%	42%
Milwaukee Art Museum	46%	44%	41%
Riverside Theatre	34%	24%	20%
Bradley Center	60%	62%	60%
State Fair Park	65%	71%	66%
Summerfest	69%	60%	53%
County Zoo	58%	64%	51%

Individuals outside Milwaukee County also represent a sizable minority of visitors and members to the Milwaukee Art Museum and the Milwaukee Public Museum. It is important to note that Milwaukee County residents can attend both museums for free on certain days of the week, and attendance by county residents is significantly higher on these days. For example, having a “Free Day” on Mondays for Milwaukee County residents (part of county property taxes go to MPM) significantly increased attendance at the MPM on Mondays (Monday total attendance from Milwaukee was 111,000, while the average for the other days was 38,600).<sup>30</sup> Attendance by non-Milwaukee County residents may increase if they also receive this free day option.

**Table 4: Percentage of museum visitors and members from different metro counties**

	Number*	Milw.	Wauk.	Racine	Ozauk.	Wash.
Population (2000)	1,689,572	56%	21%	11%	5%	7%
MAM-members (2004)	18,177	62%	19%	7%	9%	2%
MAM-visitors (2004)	172,996	72%	17%	3%	5%	2%
MPM-members (2004)	~18,000	63%	21%	4%	7%	3%
MPM-visitors (2004-5)	533,440	64%	21%	6%	5%	4%

Source: Data from Milwaukee Art Museum and Milwaukee Public Museum

\*This is only the number of visitors from the counties in metropolitan Milwaukee.

<sup>30</sup> These numbers were calculated based on raw data provided by the MPM. There was some incomplete data, and thus these numbers should be considered approximate.

## Assessing the Economic Impact of Arts and Culture

### **Economic activity is not necessarily *new* economic activity<sup>31</sup>**

- Economic activity consists of the operating and capital expenditures of arts/cultural institutions plus event-related spending by their audiences<sup>32</sup>
- Classifying all arts and culture spending as new economic activity is inappropriate because if individuals do not spend money on arts and culture, they will likely spend their money on other goods or services within the region; therefore, to some degree, arts and culture spending may only be displacing other spending, not generating new spending (i.e. changing the mixture of spending, not the amount of spending)
- To the extent that local arts and culture events attract local residents who otherwise would have traveled outside the region (e.g. Milwaukee residents going to Chicago), then arts and culture does contribute to new regional economic activity
- Net economic activity only consists of “new” economic activity in the region, i.e. excludes spending on arts and culture that is merely spending that was displaced from other activities in the region

### **Economic activity by visitors is more likely to result in net economic activity**

- Economic activity by visitors is defined as expenditures on arts and culture and related spending by individuals from outside the region
- Studies often focus on visitor spending as it is more likely to be “net” spending, because if visitors did not spend the money on local arts and culture they would be more likely to spend it on activities outside the local region
- When visitors attend an arts and culture event, many studies attribute all ancillary spending (e.g. hotels, meals, etc.) in the region to the event; this attribution is mistaken as the visitor may have engaged in similar levels of ancillary spending had they not attended the arts and culture event; particular methodological approaches can more precisely disentangle the spending<sup>33</sup>

### **The economic activity created by arts and culture is larger than the initial expenditures**

- Initial expenditures by arts and culture organizations generate further spending, as initial expenditures become income for businesses/individuals and that income is then spent on other goods and services providing income for other businesses/individuals who then spend more money, and the process continues
- For example, \$100,000 spent by the symphony will increase the incomes of musicians and suppliers who will then spend money on local goods and services, further increasing local incomes, etc.
- Clearly, money does not circulate indefinitely; some income is saved and some money is spent on goods and services produced outside the region (i.e. leakages)

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<sup>31</sup> Bruce Seaman. 2003. Economic Impact of the Arts. In *A Handbook of Cultural Economics*, Editor Ruth Towse.

<sup>32</sup> Different sources define economic activity (and the other terms listed in this report) differently.

<sup>33</sup> Dick Stanley, Judy Rogers, Sandra Smeltzer, and Luc Perron. 2000. “Win Place of Show: Gauging the Economic Success of the Renoir and Barnes Art Exhibits.” *Journal of Cultural Economics*.

- Indirect economic activity is defined as secondary (and tertiary, etc.) expenditures that result from the initial economic activity
- The multiplier is a number that is multiplied by an initial dollar amount to get an estimate of the complete economic activity of new spending (including indirect activity); this is a way of estimating economic activity beyond the original expenditures

### **The total economic impact of arts/culture is more than just economic activity (1)**

- The total impact also includes the consumption value of arts and culture that is composed of ticket expenditures and consumer surplus<sup>34</sup>
- Consumer surplus is the difference between what a person would be willing to pay for the arts and culture and what he/she actually has to pay to purchase the arts and culture; it is clear that a person who buys a symphony ticket is willing to pay at least the price of the ticket (otherwise he/she would not purchase the ticket); however, the buyer is often willing to pay considerably more and the difference is the consumer surplus; it can be viewed as the net benefit of consumption
- The consumer surplus generated by arts and culture can often be much larger than the purchase price of arts and culture<sup>35</sup>
- Consumer surplus is typically measured by contingent valuation surveys that attempt to measure a “willingness-to-pay”; these studies<sup>36</sup> are essential in demonstrating that the total benefits of arts and culture consumption (not just the benefits that are measured by the market) are greater than the costs of producing arts and culture<sup>37</sup>

### **The total economic impact of arts/culture is more than just economic activity (2)**

- The total impact also includes any increases in labor productivity and economic development due to arts and culture
- Two examples of increased productivity:
  1. Workers willing to accept reduced wages in return for living in a city with arts and culture amenities
  2. Productivity increases due to the educational benefits of arts and culture<sup>38</sup>

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<sup>34</sup> There are potentially additional values to individuals besides the consumption value of the good, including “*existence value* (e.g. many people appreciate the existence of the Grand Canyon, even if they never have or never intend to visit it), *altruistic value* (i.e. the value derived from having others use the good), *option value* (i.e. the value of having the option to use something at a later date), [or] *bequest value* (i.e. the value derived from providing the good for others in the future).” Douglas Noonan. 2002. “Contingent Valuation Studies in the Arts and Culture: An Annotated Bibliography.” University of Chicago Cultural Policy Center Working Paper Number 11.

<sup>35</sup> Douglas Noonan. 2002. “Contingent Valuation Studies in the Arts and Culture: An Annotated Bibliography.” University of Chicago Cultural Policy Center Working Paper Number 11.

<sup>36</sup> For an analysis of 65 studies, see Douglas Noonan. 2003. “Contingent Valuation and Cultural Resources: A Meta-Analytic Review of the Literature.” *Journal of Cultural Economics*. Unfortunately, survey methodology, rather than any actual values, can often have a large effect on individuals’ stated willingness to pay.

<sup>37</sup> Bruno Frey. 2005. “What Values Should Count in the Arts? The Tension between Economic Effects and Cultural Values.” Center for Research in Economics, Management and the Arts, Working Paper.

<sup>38</sup> There is empirical evidence that arts participation can improve cognitive performance in non-arts academic areas. However, there are many areas where the relationship between arts participation and

- Two examples of economic development
  1. Increased property values and rents due to arts and culture amenities
  2. Increased business relocation due to arts and culture amenities

### **Economic Impacts Are Not the Only Important Impacts**

The discussion of economic impacts should not obscure that arts and culture organizations contribute to society and to individual well-being by the act of providing access to arts and culture, regardless of how much economic activity or jobs arts and culture generate.

### **Example #1: 2004 Deloitte Consulting Report for Denver SCFD**

The Deloitte Consulting report for the Denver Science and Cultural Facilities District is repeated every other year and the results are widely publicized; the reports have been effective in building public, and voter, support for the District.

#### *Methods:*

- In 2004, all organizations that received SCFD funding were required to complete surveys regarding their expenditures, employment, payroll, and tax payments in 2003 (93 percent response rate)
- Ancillary spending (e.g. hotel, meals, etc.) by arts and culture attendees was estimated using a report by BBC Research and Consulting
- Indirect economic activity was determined using the Regional Input-Output Modeling System (RIMS) developed by the U.S. Bureau of Economic Analysis

#### *Findings:*

- Economic activity generated by SCFD institutions (there are other arts and culture institutions not part of SCFD) was equal to \$1.3 billion (\$552 million in direct expenditure and \$759 million in indirect expenditure using the multiplier)
- Cultural and scientific institutions paid \$13.7 million in taxes to local, state, and federal governments
- Economic activity by visitors at SCFD institutions was \$403 million
- Cultural and scientific organizations employed 9,450 people with a payroll of \$86 million

### **Example #2: 2003 Art and Economic Prosperity Report**

The Americans for the Arts' *Art and Economic Prosperity Report: The Economic Impact of Nonprofit Arts Organizations and Their Audiences* is a national survey of the economic activity created by arts and culture; the report allows communities to assess the economic activity, both direct and indirect, generated by arts and culture.

#### *Methods:*

- Based on information from 91 communities
- Community arts organizations were asked to first identify their local universe of nonprofit arts organizations and then disseminate and collect expenditure surveys from each of those organizations (average response rate was 47 percent); expenditure surveys measured: employees, payroll, facilities, payments to artists, etc.

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cognitive performance is still unknown. For a comprehensive summary, see a special double issue of *The Journal of Aesthetic Education* published in 2000 (Vol. 34, Nos. 3 and 4) and titled "The Arts and Academic Achievement: What the Evidence Shows."

- Seventy-five community arts organizations also conducted audience surveys with arts attendees at a minimum of 15 diverse arts events (N=39,518); the surveys measured itemized expenditure data on attendance-related activities such as: meals, souvenirs, transportation, and lodging; combined with attendance figures, total attendance-related spending was then estimated
- Indirect economic activity was measured using a sophisticated economic input-output model that takes into consideration regional and industry expenditure patterns, as well as spending “leakages” to industries outside the local area

*Findings*

- Non-profit arts and culture organizations and their audiences generated \$134 billion in total economic activity (direct and indirect expenditures); of this total, \$80.8 billion was attendance-related spending by audiences
- Non-profit arts and culture organizations and their audiences (direct and indirect expenditures) generated \$24.4 billion in federal, state, and local government revenues (taxes and fees)
- Expenditures on arts and culture (direct and indirect) created 4.85 million full-time equivalent jobs (describes the total amount of labor employed by arts and culture organizations, including part-time employees)
- The arts and culture industry provided \$89.4 billion in household income
- Provides “calculator” that arts and culture organizations or localities can use to calculate their total economic impact

## The Effect of Arts Education on General Learning

### Background

- Many claims have been made that arts education can improve performance in other academic subjects such as mathematics or reading<sup>39</sup>
- To examine these claims, the editors of *The Journal of Aesthetic Education* devoted a special issue (Volume 34: 2000) to this topic; the issue was titled “The Arts and Academic Achievement: What the Evidence Shows”<sup>40</sup>
- The special issue contained articles that used meta-analysis to examine the relationship between different types of arts education and academic outcomes; the findings from each article are summarized in this chapter
- Meta-analysis is a statistical method that aggregates the results of many previous empirical studies; when many studies have examined the same topic, meta-analysis can provide a useful statistical summary of the current empirical literature
- For example, one meta-analysis finds a statistically significant relationship between arts participation in school and academic outcomes (e.g. SAT or other test scores)<sup>41</sup> and the effect size is small to moderate;<sup>42</sup> however, this relationship is correlational not causal (i.e. it is possible that children who are better students tend to take more arts classes, and this relationship causes the correlation between arts participation and academic outcomes)<sup>43</sup>

### Caveat: The Goal of Arts Education is ... Arts Education

- Whether arts education impacts academic performance outside of the arts should not be the standard used to judge arts education, as studying the arts is intrinsically beneficial for children
- History classes are judged on whether they improve knowledge of history, and not on whether history instruction improves mathematical performance
- Similarly, arts education should be judged on whether it improves arts knowledge and performance; any effect of arts education on performance in other subjects should be considered a bonus of arts instruction

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<sup>39</sup> The basic theoretical idea is that many of the brain structures that are used (and thus developed) by the arts are also used in reading, mathematics, etc.

<sup>40</sup> For a more qualitative summary of recent research, see: *Critical Links: Learning in the Arts and Student Academic and Social Development*. 2002. Arts Education Partnership.

<sup>41</sup> Page 24.

<sup>42</sup> The effect size measures the strength of the relationship. A relationship may be statistically significant but of no practical importance if the effect size is very small.

<sup>43</sup> Correlational studies can be misleading when, as in this case, both the independent variable (e.g. arts participation) and the dependent variable (e.g. academic performance) are likely associated with third factor (e.g. good students choose to study the arts). Under these circumstances, increasing arts participation would not cause improvements in academic performance (since the current increased performance is actually caused by better students choosing to study the arts). Due to the limitations of correlational studies, only meta-analysis results summarizing quasi-experimental studies (studies including a control group) or experimental studies (students are randomly assigned to either a treatment or a control group) will be discussed in this chapter.

### **Arts Education and Academic Outcomes**

(Authors: Ellen Winner and Monica Cooper)<sup>44</sup>

- There is a marginally statistically significant positive relationship between arts education and academic achievement (e.g. SAT scores), but the effect sizes were very small
- On the whole, there is little empirical evidence that general arts participation causes real improvement in either verbal or math test scores

### **Arts and Creativity**

(Authors: Erik Moga, Kristen Burger, Lois Hetland, and Ellen Winner)

- In general, there is no statistically significant relationship between arts participation and verbal creativity outcomes
- There is a statistically significant relationship<sup>45</sup> between arts participation and measures of figural creativity (e.g. visual or spatial creativity)
- There were only six studies combined on creativity (and four of those were dissertations), and thus further work needs to be done to further examine these initial findings

### **The Effect of Music on Spatial-Temporal Reasoning**

(Author: Lois Hetland)

- Spatial-temporal reasoning—capacity to change mental images without using a physical model, for example the ability to mentally rotate shapes
- Listening to music causes a statistically significant improvement in performance on spatial-temporal reasoning tasks when those tasks occurred soon after the music listening, and this effect is of moderate size; this effect has been labeled the “Mozart effect” although it also occurs with non-Mozart music
- There is no systematic evidence establishing a relationship between listening to music and improvements in other kinds of reasoning; there is also no evidence that listening to music affects spatial-temporal tasks when the tasks are not temporally proximate to the music
- Music training (e.g. learning to play an instrument or learning to sing) for preschool and elementary children has a statistically significant positive effect on spatial-temporal reasoning, and the effect size is moderate<sup>46</sup>
- Music training also has a positive effect on *general* spatial reasoning

### **The Effect of Music Training on Mathematics and Reading Performance**

(Authors: Kathryn Vaughn; Ron Butzlaff)

- There is a statistically significant relationship between musical training and performance in mathematics, although the effect size is small (as is the number of studies)<sup>47</sup>

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<sup>44</sup> These are the authors of the relevant article in the special issue of *The Journal of Aesthetic Education*.

<sup>45</sup> One significance test was significant ( $p < .01$ ), while another, more conservative, test was marginally significant ( $p = .09$ ).

<sup>46</sup> The effect of the training can last for at least two years after the training has ended. Frances H. Rauscher. 2003. “Effects of Piano, Singing, and Rhythm Instruction on Spatial Reasoning of At-Risk Children. *Proceedings of the European Society for the Cognitive Sciences of Music*. Hannover University Press.”

- On the whole, there is no empirical evidence that musical training improves reading performance

### **The Effect of Drama on Verbal Skills**

(Author: Ann Podlozny)

- Classroom drama study (including acting out the roles) results in a statistically significant increase in understanding and recall of the story (that was acted out) compared to students who just read the story, and the overall effect size is between moderate and large
- Classroom drama study (including acting out the roles) results in a statistically significant increase in reading achievement on a standardized test (the test has nothing to do with the story that was acted out), and the overall effect size is between small and moderate
- Classroom drama study (including acting out the roles) results in a statistically significant increase in young children's reading readiness scores on a standardized test (the test has nothing to do with the story that was acted out), and the overall effect size is moderate
- Classroom drama study (including acting out the roles) results in a statistically significant increase in writing achievement, even on writing assignments that have nothing to do with the drama; the overall effect size is moderate
- There is no reliable relationship between drama instruction and vocabulary development
- Overall "drama does promote skills that transfer to new material." (page 266)

### **The Effect of Visual Arts and Dance Instruction on Reading Performance**

(Authors: Kristen Burger and Ellen Winner; Mia Keinanen, Lois Hetland, and Ellen Winner)

- There is no reliable relationship between instruction in visual arts and reading performance
- There is no statistically significant relationship between dance instruction and reading achievement
- There is a statistically significant effect of dance instruction on non-verbal reasoning, and the effect size was small

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<sup>47</sup> A more recent experimental study found that three years of music instruction (including a free home piano) had no significant effect on math and language achievement for fourth-graders. Eugenia Costia Giomi. 2004. "Effects of Three Years of Piano Instruction on Children's Academic Achievement, School Performance and Self-esteem" *Psychology of Music*.

## Further Reading

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Towse, Ruth. 2003. *A Handbook of Cultural Economics*. Edward Elgar Publishing.

Winner, Ellen and Lois Hetland (ed.). 2000. The Arts and Academic Achievement: What the Evidence Shows (Special Issue). *The Journal of Aesthetic Education*.

Wisconsin Department of Revenue. 2004. *Wisconsin Tax Incidence Study*. (available at <http://www.dor.state.wi.us/ra/txinci04.html>)

## **Corrections**

An earlier version of this report incorrectly reported the amount of funding Milwaukee County gave to the War Memorial in 1980 and 1985 and to the Performing Arts Center in 1990 (see graph on page 14). In all three cases, the previous report dramatically overstated the amount of funding. Although Milwaukee County funding for both organizations has declined significantly since 1980, the graphs exaggerated the decline. (updated March 29, 2006)