

**REPORT OF THE
COMMISSION STUDYING**

**CREATIVE SOLUTIONS FOR
FUNDING FOR THE ARTS IN THE
COMMONWEALTH**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 84

**COMMONWEALTH OF VIRGINIA
RICHMOND
1997**

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Sen. Richard J. Holland, Vice Chair
Del. W. Tayloe Murphy, Jr.
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REPORT OF THE COMMISSION STUDYING CREATIVE SOLUTIONS FOR FUNDING FOR THE ARTS IN THE COMMONWEALTH

**To
The Governor
and
the General Assembly of Virginia**

Richmond, Virginia

I. BACKGROUND

A. AUTHORITY AND SCOPE

At the 1996 Regular Session, the General Assembly passed House Joint Resolution No. 174 (Appendix A), that established the Commission Studying Creative Solutions for Funding for the Arts in the Commonwealth. The study resolution directed the Commission, comprised of legislative and citizen members, to consider (i) current funding needs for the visual and performing arts in Virginia; (ii) federal, state, local, and private sources for arts funding; (iii) the role of the Virginia Commission for the Arts and local arts organizations in supporting and promoting the arts; (iv) arts funding initiatives in other states; and (v) such other issues as it deemed appropriate.

B. MEMBERS

Serving on the Commission were Delegates Marian Van Landingham of Alexandria (chair), W. Tayloe Murphy, Jr. of Westmoreland, William Roscoe Reynolds of Henry, and Anne G. Rhodes of Richmond City; Senators Richard J. Holland of Isle of Wight (vice chair), Joseph B. Benedetti of Richmond City, and Benjamin J. Lambert III of Richmond City; and citizen members Russell Allen of Norfolk; Donna F. Bergheim of Alexandria; and Anthony Sgro of Richmond City.

C. STUDY APPROACH

In determining its objectives for the study, the Commission first reviewed the prior work of two Virginia studies on the arts: the 1992 Governor's Task Force on the Promotion of the Arts and the Joint Subcommittee Studying Educational Museums and the Appropriate Level of Public Support to Be Provided to Such Institutions (1993-1996). Both of these studies examined in depth the need for additional state funding to support the arts and cultural activities in Virginia. Upon reviewing the testimony

based on these two studies, the Commission concluded that the need for additional funding had been well established and that the current Commission should direct its efforts to finding new and innovative funding sources.

The Commission initially examined and evaluated other states' funding initiatives designed either to supplement or replace direct state appropriations for the arts. Most of the information collected on these initiatives was obtained from the 1994 comprehensive report of the National Conference of State Legislatures on Creative Solutions for Funding the Arts and follow-up interviews with fiscal and policy analysts from several state art agencies. Representatives from Arizona, Delaware, Florida, Missouri, Texas, and Utah were asked to assess their funding initiatives and evaluate the level of support for these programs from arts organizations, local governments and businesses.

After determining which revenue-generating programs had been well-received in other states, the Commission examined the feasibility and desirability of implementing these programs in Virginia. The Commission also examined ways other states have supported the arts indirectly through tax incentives to encourage individuals and corporate sponsors to contribute to the arts.

In determining the fiscal impact of implementing the various funding programs in Virginia, the Commission was assisted by and wishes to thank staff members of the Department of Motor Vehicles, the Department of Planning and Budget, the State Corporation Commission, the State Lottery Department, the Department of Taxation, and the Virginia Commission for the Arts. From the information provided by these agencies, the Commission was able to assess the full fiscal impact of each funding program. This information also served as the basis for the deliberations of the Commission and the development of legislation which was circulated in November to all interested parties, including local arts organizations.

D. FINANCIAL SUPPORT FOR THE ARTS

1. Current Support

According to statistics compiled by the Virginia Commission for the Arts, state funding for the arts constitutes only six percent of the total support received by local arts organizations in Virginia. These organizations receive their primary support, comprising approximately 66 percent of their operating budgets, from earnings generated from ticket sales to the organization's sponsored events. However, state funding is still seen as essential because of its domino effect in stimulating contributions from local governments, corporations, and individuals that add another 28 percent to the pool of funds.

Traditionally, the state has supported the performing and visual arts through general appropriations to the Virginia Commission for the Arts and the Virginia Museum of Arts and through grants to nonstate agency educational and cultural

entities. An undetermined amount of additional funding is also available to Virginia's public schools and institutions of higher learning to sponsor art activities in the classroom. However, these funds are part of the general appropriations to these entities and are not separately tracked at the state level. For Fiscal Year 1997, funding specifically designated for the arts in the Appropriation Act (Chapter 912 of the 1996 Acts of the General Assembly) was compiled and reviewed by the Commission. (See Table 1 at page 11.)

According to the 1994 statistics compiled by the National Assembly of State Arts Agencies, Virginia ranks at the bottom for its state appropriations and National Endowment for the Arts grants to its art agency (the Virginia Commission for the Arts). (See Table 2 at page 12.) In comparison, all of Virginia's neighboring states rank in the top half of the survey. Defenders of Virginia's present level of support for the arts argue that the ranking does not take into account all federal, state, and private support for the arts, nor does it consider other factors, such as the state's demographic characteristics and other pressing fiscal priorities. However, the Commission stated that increasing support of the Virginia Commission for the Arts should be a top priority regardless of Virginia's ranking because of the many worthy and successful programs initiated by the Commission for the Arts.

Initial efforts to raise additional revenue for the Virginia Commission for the Arts began in 1996 when the General Assembly authorized a special license plate for the arts and designated a certain portion of the proceeds to support the Commission. Under this program the Department of Motor Vehicles transfers to the Virginia Commission for the Arts \$15 of the \$25 fee charged for every special arts license plates sold in excess of 1,000 registrations. These proceeds will be used by the Commission to increase its grant awards to artists, arts and other not-for-profit organizations, educational institutions, educators and local governments and to provide technical assistance in arts management.

2. Virginia's Goal

In the mid-1980s, Virginia's leaders in government, business, and the arts embraced a public funding goal of one dollar per capita to support the activities of the Virginia Commission for the Arts. By the 1989-1990 fiscal year, state and federal funding of the arts Commission had exceeded \$5.5 million and Virginia was within a few hundred thousand dollars of reaching the goal of one dollar per capita. However, the recession of 1989 coupled with a change in the spending priorities of Virginia's new administration resulted in substantial and disproportionate cuts to the Commission for the Arts and plummeted Virginia's support to 30 cents per capita. Even though some of the funding for the Commission has been restored over the past several years through modest increases proposed by the General Assembly, Virginia still ranks third from the bottom of all states in its support of the arts.

In 1992, the Governor's Task Force on Promotion of the Arts heard from 78 speakers about the value of state support for the arts and the impact of state spending

cuts on not-for-profit arts organizations and artists. The task force found an integral link between the expansive growth in the arts in every area of the state and the programs offered by the Commission for the Arts, which the task force found had a multiplier effect by encouraging additional funding from individuals, businesses, and local governments. The task force recommended that the General Assembly establish a financial goal of one dollar per capita of the Commonwealth. Also, the task force recommended that the Virginia Commission for the Arts continue and increase its efforts to support the arts throughout the state, particularly by bringing the arts to underserved areas and into the arts education curriculum in public schools.

In 1995, the Joint Subcommittee Studying Educational Museums and the Appropriate Level of Public Support to be Provided Such Institutions concluded its three-year study. [See House Document 70 (1996)]. This study was directed to conduct a comprehensive study of educational museums, develop eligibility criteria for receipt of public funds as well as guidelines for state appropriations, and to examine ways in which the Commonwealth might encourage and promote the arts.

In its report, the joint subcommittee cited the many valuable contributions of educational and cultural museums to the Commonwealth. Like its predecessor, this subcommittee also recommended that state funding for the Virginia Commission for the Arts be increased to an annual general fund appropriation of one dollar per capita. The joint subcommittee found that although private donations comprise the majority of arts funding, government funding--from the federal, state, and local levels--is essential to the survival of museums and other cultural institutions in Virginia. Further, a stable funding source for these institutions is essential to the fulfillment of their missions.

3. Other States

State-supported funding for the arts has reached a crossroads. With an increasing share of the states' budgets allocated for education, Medicaid, and criminal justice, states have had to find other sources of revenue to support the arts. Federal spending cuts and the possible elimination of the National Endowment for the Arts have forced states to look internally for these funding solutions. (See Table 3 at page 13.) Through creative thinking, several states have found steady sources of funding for the arts from the following:

Endowment Funds -- are the most commonly used alternative funding mechanism created either to supplement or replace state general fund art appropriations. The principal of the endowment fund is invested in long-term securities, and the income from the interest is used to support the arts. Sources for endowment funds and how those funds are distributed vary among the states. The most recent endowment fund was created in Arizona in 1996 and is supported from a portion of entertainment taxes collected. The legislation designates up to \$2 million over the next 10 years.

Bond Issues -- raise money to fund projects that require large expenditures, such as infrastructure and capital projects. Many states' ability to use bond instruments is restricted by legal limitations regarding the amount of debt they can assume.

License Plate Programs -- enable drivers to purchase artistic, specially designed license plate for an extra fee, part or all of which goes to support the arts. In 1996, Virginia established this program.

Income Tax Checkoff -- gives taxpayers the option, by checking a box on their tax forms, to contribute a portion of their tax refunds to a particular cause. Currently, Rhode Island and Alabama have arts checkoff boxes on their tax forms.

Allocation of Lottery Funds -- permits a portion of the funds generated from lottery sales to be used to promote the arts. Lottery revenue in Arizona is distributed by a formula to localities, which have the authority to allocate 10 percent for cultural endeavors. Opportunity to tap lottery proceeds is limited in many states because of laws requiring lottery proceeds to be used for specific purposes such as education.

Corporate Filing Fee Programs -- allow a portion of the fees assessed against corporations conducting business in the state to be dedicated to the arts.

Creation of Special Tax Districts -- are designated by a number of states in metropolitan areas to support cultural institutions. One of the most successful special tax districts described in the NCSL report is Colorado's Scientific and Cultural District, encompassing six counties in the Denver metropolitan area. This special district is supported by an additional sales tax of .1 percent. To distribute the tax yield, three tiers based on the size of the cultural facilities were created. The percent share to each tier was developed after a great deal of discussion and compromise. A volunteer cultural council is appointed in each county to receive requests and distribute funds appropriated to the nine-member district board.

Local Option Taxes Earmarked for the Arts -- typically include taxes on lodging, food and beverage, rental cars, and admissions to attractions. In Broward County, Florida, the county levies a 0.5 sales tax on admissions to movies, sporting events, theaters, concerts and cultural events. The tax is also collected on music and electronics store sales including tapes, compact disks and computer wares and the rental of tangible personal property that includes video rentals.

Percent for Art Programs -- set aside a given percentage (usually one percent) of the cost of constructing or renovating a public building for artwork. The laws differ concerning whether the amount set aside is mandatory or voluntary and whether a maximum threshold on the cost of the project is required. ¹

¹ Mary Rafool and Laura Loyacono, Creative Solutions for Funding the Arts (National Conference of State Legislatures), October 1995, pp. vi and vii.

II. COMMISSION DELIBERATIONS

A. PRELIMINARY ASSESSMENT OF OTHER STATES' FUNDING PROGRAMS

Following a preliminary assessment of other states' funding programs, the Commission discussed the type of funding initiative that would best promote the arts in the Commonwealth. The Commission agreed that any new proposed funding initiative should have a statewide impact and support a broad base of art and cultural endeavors. For this reason, the Commission eliminated from further consideration those programs that either favored one type of art, such as the percent for art program, or were sponsored through the creation of special tax districts and local option taxes. The Commission noted that many localities already have the authority to impose admission taxes as a means to raise revenue to support the arts. For instance, Virginia cities and towns may impose an admissions tax without limitation and Arlington, Dinwiddie, Fairfax, Prince George, Roanoke and Culpeper are authorized by the General Assembly to impose such a tax up to 10 percent of the amount charged for admission to the event.

The Commission also opted not to pursue any proposals that would increase the Commonwealth's indebtedness through the issuance of bonds. In Virginia, the Debt Capacity Advisory Committee has recommended that the maximum ratio of debt service for tax-supported debt as a percentage of revenues should be not greater than five percent. At the 1996 Session of the General Assembly, concerns were raised that the Commonwealth was reaching this ceiling, prompting the General Assembly to create a special joint subcommittee of the House Appropriations and Senate Finance to examine the Commonwealth's bonded indebtedness. In light of this study, the Commission agreed that examining the feasibility of issuing bonds to support the arts would not be appropriate at this time.

B. FISCAL ANALYSES OF REVENUE-GENERATING PROGRAMS

At the request of the Commission, revenue and cost projections for the remaining revenue-generating programs were prepared with the assistance of the agencies who would administer these programs. (See Table 4 at page 14.) Ranges for the projections were compiled using historical data on similar programs administered by the affected agency. For example, the revenue projection range for an income tax checkoff for the arts was based on the track records of the most and least successful checkoffs in Virginia. The Commission also examined the ability of each program to generate significant revenue proceeds since an annual increase of several million dollars would be necessary to raise the budget of the Virginia Commission for the Arts to the one dollar per capita goal.

The Commission also thoroughly examined projected administrative costs for implementing each program. The Commission found that administrative costs to

implement the income tax checkoff varied significantly depending upon the available space on the tax return form for additional checkoffs. In its fiscal impact statement, the Department of Taxation estimated that it would incur administrative costs of \$52,000 for the first year and \$3,000 annually thereafter, if sufficient space exists for the checkoff on the tax return form. If insufficient space exists, the Department would have to create a separate form or schedule at a cost of \$177,040 for the first year and \$91,182 annually thereafter. For the 1997 income tax forms, the Department stated that there was one space available for an additional tax checkoff.

After evaluating the revenue-generating programs, the Commission decided to endorse the income tax checkoff for the arts as a voluntary means to raise revenue. While other revenue programs, such as those to increase the corporate filing fees or sales taxes on entertainment, showed the potential for higher revenue, the Commission did not want to burden individuals and corporations whose nexus to the arts had not been clearly established. The Commission also agreed that this new revenue source should be channeled into a trust fund for the benefit of the grant programs administered by the Virginia Commission for the Arts.

C. FISCAL ANALYSIS OF IMPLEMENTING A TAX CREDIT PROGRAM

In examining tax incentives to encourage voluntary support for the arts, the Commission requested the Virginia Department of Taxation to determine the fiscal impact of a proposal to create a tax credit for Virginia taxpayers who contribute to the arts, similar to a credit allowed by Idaho for charitable contributions to education. The Idaho statute allows a tax credit equal to 50 percent of the aggregate amount of educational charitable contributions. For individuals, the credit is limited to the lesser of 20 percent of the total tax liability or \$50. For corporations, the credit is limited to 10 percent of the total tax liability.

In preparing its analysis, the Department assumed that the number of persons and corporations who would take advantage of the Virginia credit would be the same as those currently taking a similar tax deduction. Based on these figures, the department concluded that the Commonwealth could expect a \$3.5 million loss in revenue each year and incur first year administrative costs totaling \$120,000. A further unknown loss in revenue could be expected if additional taxpayers began to take advantage of the credit. In Idaho, officials could not verify whether the tax credit for education had increased the pool of contributors. Considering all these factors, the Commission decided that this type of tax incentive did not offer any foreseeable advantages.

III. RECOMMENDATIONS

The Commission unanimously agreed to recommend the following legislation as a means to strengthen the state's long-term commitment to promoting the arts in the Commonwealth.

A. REAFFIRM ONE DOLLAR PER CAPITA GOAL

In assessing the state's contribution to the arts, the Commission determined that appropriating one dollar per capita for the Virginia Commission for the Arts is a realistic goal that will demonstrate the state's long-term commitment to the arts while stimulating matching contributions from the private sector. Based on this assessment, the Commission recommended introducing a resolution at the 1997 session that would reaffirm the General Assembly's goal to annually appropriate one dollar per capita for the support of the Virginia Commission for the Arts. [See House Joint Resolution No. 543 (Appendix B).]

B. CREATE A VIRGINIA ARTS FOUNDATION

Creating a secured future for the arts was the major objective of the Commission's second recommendation: to introduce legislation to establish a Virginia Arts Foundation. [See House Bill 2484 (Appendix C).] The Foundation would be administered by a board of trustees, consisting of the current members of the Virginia Commission for the Arts, who would manage a special, nonreverting fund to be known as the Virginia Arts Foundation Fund. Interest and income earned on the fund would be used to promote the arts in the Commonwealth by assisting the Commission in fulfilling its statutory responsibilities in awarding grants to artists, arts and other not-for-profit organizations, educational institutions, educators, and local governments. The principal in the fund would consist of discretionary direct appropriations, tax refunds designated on an income tax checkoff, revenue-sharing proceeds from a special license plate and private gifts and donations. To eliminate any appearance of direct competition for private funds between the foundation and nonprofit organizations, the foundation would be prohibited from actively soliciting private donations for the fund. Also, the foundation would be prohibited for the first three years from making expenditures from the annual interest and income earned on the fund in order to allow it to grow. During this time, the foundation would continue to explore and make recommendations concerning other possible dedicated revenue sources for the fund.

IV. 1997 LEGISLATIVE ACTIONS

At the 1997 Regular Session of the General Assembly, legislation recommended by the Commission received widespread bipartisan support. During committee deliberations, House Bill 2484 was amended by the Senate Committee on General Laws to include the arts checkoff on the 1997 tax returns, a year earlier than provided in the original bill. In this amended form House Bill 2484, along with House Joint Resolution No. 543, were passed by the General Assembly by unanimous vote. On April 2, 1997, the General Assembly accepted a Governor's amendment to House Bill 2484 to clarify

that the restriction on the Foundation from actively soliciting private donations did not apply to the Foundation's efforts to encourage the financial support of the license plate and checkoff programs.

The General Assembly also took a moderate step toward achieving the goal of one dollar per capita, reaffirmed in House Joint Resolution No. 543, by increasing the appropriation to the Virginia Commission for the Arts for FY 1998 by \$ 500,000. The General Assembly further amended the Appropriation Act to declare that "the objective of the Commonwealth is to fund the Virginia Commission for the Arts at an amount that equals one dollar for each resident of Virginia." [See Item 261 #1c of House Bill 1600 and Senate Bill 700 enrolled (Appendix D).] With this commitment on record, the Commission is optimistic that the General Assembly will proceed expeditiously in achieving this objective and elevating the arts to new prominence in the Commonwealth.

Respectfully submitted,

Del. Marian Van Landingham, Chair
Sen. Richard J. Holland, Vice Chair
Del. W. Tayloe Murphy, Jr.
Del. William Roscoe Reynolds
Del. Anne G. Rhodes
Sen. Joseph B. Benedetti
Sen. Benjamin J. Lambert III
Russell Allen
Donna F. Bergheim, Ph.D
Anthony Sgro

V. TABLES

Table 1
Current Funding for the Arts

Receivers of Financial Support	Financial Assistance to the Arts	Financial Assistance to Art Museums	Nongeneral Fund Support	Total
Commission for the Arts	\$2,668,552	N/A	\$377,500 (Federal Trust)	\$3,046,052
*Nonstate Agencies (Group I)	\$685,000	\$761,816	N/A	\$1,446,816
**Nonstate Agencies (Group II)	\$210,000	\$75,000	N/A	\$285,000
Virginia Museum of Fine Arts	N/A	\$6,820,473	\$3,928,066 (Special) \$100,000 (Federal Trust)	\$10,848,539
Special License Plates for the Arts	N/A	N/A	Projected at \$0 for this year	\$0
Total	\$3,563,552	\$7,657,289	\$4,405,566	\$15,626,407

* Group I nonstate entities receiving funding identified by the appropriation act as financial assistance for the arts (dance, music, literature, art, crafts, etc.). These entities include the Art Museum of Western Virginia, the Chrysler Museum, the Peninsula Fine Arts Center, the William King Regional Arts Center, the Fluvanna Arts Council, the Hopewell Preservation, Inc., the Piedmont Arts Association, the Rawls Museum of Arts, Theater IV, the Trail of the Lonesome Pine Outdoor Drama, and the Wolf Trap Foundation for the Performing Arts.

**Group II nonstate entities receiving funding not specifically identified by the appropriation act as financial assistance for the arts; however, these entities are eligible to apply to the Commission for the Arts for operating support. These entities include the Black History Museum and Cultural Center, the Danville Museum of Fine Arts and History, and Barter Theater and Appalachian Traditions, Inc.

Table 2

State and Federal Funding to State Arts Agencies, 1994

	NEA Grants	State Appropriations	Per Capita Spending	Per Capita Rank
Alabama	\$ 788,900	\$ 2,021,048	.48	41
Alaska	604,000	1,058,100	1.77	10
American Samoa	216,700	49,500	.99	22
Arizona	826,600	2,425,600	.62	36
Arkansas	632,600	1,023,073	.42	47
California	1,156,800	12,341,000	.40	49
Colorado	776,200	1,374,960	.44	46
Connecticut	644,300	2,161,703	.66	33
Delaware	589,900	1,285,900	1.84	9
District of Columbia	580,600	3,382,000	5.85	3
Florida	594,034	28,467,161	2.09	7
Georgia	709,200	3,242,767	.47	43
Guam	268,600	843,689	6.34	2
Hawaii	594,300	9,185,324	7.84	1
Idaho	702,500	724,500	.66	34
Illinois	697,000	6,657,200	.57	37
Indiana	882,000	2,746,706	.48	42
Iowa	669,300	1,414,503	.50	39
Kansas	476,700	1,229,021	.49	40
Kentucky	788,400	3,192,100	.84	25
Louisiana	588,000	0	.00	56
Maine	664,600	511,773	.41	48
Maryland	497,800	6,213,751	1.26	14
Massachusetts	713,300	6,309,470	1.05	16
Michigan	761,200	28,978,200	3.66	5
Minnesota	769,300	6,255,582	1.38	13
Mississippi	308,600	764,224	.27	53
Missouri	765,000	4,307,603	.82	26
Montana	704,600	864,348	1.03	17
Nebraska	874,700	1,151,704	.72	30
Nevada	576,600	479,147	.36	51
New Hampshire	664,100	510,085	.45	45
New Jersey	1,060,900	11,251,000	1.43	12
New Mexico	639,600	1,305,200	.81	27
New York	1,086,400	29,378,600	1.61	11
North Carolina	998,400	6,328,081	.91	23
North Dakota	629,100	297,609	.47	44
Northern Marianas	200,000	168,938	3.93	4
Ohio	1,080,900	10,440,686	.94	20
Oklahoma	705,900	3,100,565	.96	18
Oregon	705,600	1,032,602	.34	52
Pennsylvania	884,800	9,000,000	.75	28
Puerto Rico	595,400	9,124,503	2.66	6
Rhode Island	654,300	723,442	.72	29
South Carolina	847,650	3,466,086	.96	19
South Dakota	691,900	491,701	.69	32
Tennessee	740,000	4,387,400	.86	24
Texas	1,220,100	3,350,769	.19	55
Utah	658,200	2,062,600	1.11	15
Vermont	688,300	399,840	.69	31
Virgin Islands	226,000	185,646	1.92	8
Virginia	676,700	1,621,736	.25	54
Washington	797,200	1,993,927	.36	50
West Virginia	586,900	1,712,317	.94	21
Wisconsin	857,300	2,792,000	.55	38
Wyoming	581,300	296,281	.63	35
National Totals	\$39,641,464	\$246,230,860	.94	

Source: National Assembly of State Arts Agencies, as reported in NCSL's Creative Solutions for Funding the Arts.

Table 3

Creative Funding Mechanisms

	Endowment Funds	Bonds	License Plates	Lotteries	Income Tax Checkoff	Corporate Filing Fees	Tax District Authorization
AK		X					
AL					X		
AZ	X#			X		X	
CA			X				X
CO							X
CT	X*	X					
DE	X*	X					
FL			X##			X	
IL		X					X
IA	X+						
KS							X***
MA				X			
MO	X+++						X
MT	X						
NE	X						
NV		X					
NJ		X					
ND	X						
OH							X
OR				X			
RI					X**		
TN		X	X				
TX	X+++		X				X
UT	X						
VA			X				X###
VT	X++						
WA		X					
WY	X						
PR	X						

* Endowments are partially funded with bond proceeds.

** Tax checkoff money does not go to state arts council.

*** Bi-state tax district in Kansas City authorized but still needs voter approval.

+ Endowment authorized but has never received funding.

++ Endowment funded solely with private funds.

+++ Endowment designed to become the sole funding source for the arts.

Endowments are funded through an entertainment tax.

At the county level only.

Under §§ 15.1-18.2 and 15.1-18.3 service districts in counties, cities and towns may be established for the promotion of recreational and cultural activities.

Source: NCSL's report on Creative Solutions for Funding the Arts, with author's unpublished updates.

Table 4

Revenue Projections for Programs to Benefit the Arts

Source	Projected Revenue Range	To reach \$1 million
Special Arts License Plates (Enacted by the 1996 General Assembly)	\$0 to \$318,435* Range is based on the highest and lowest revenue received by other special license plate revenue-sharing recipients.	Sell 67,667 art license plates.
Income Tax Checkoff for the Arts	\$36,171.82 to \$275,324.34 Range is based on the highest and lowest revenue received by other tax checkoff recipients.	Collect 1 million dollars from income tax checkoff refunds. However, in taxable year '94 the amount contributed to all the income checkoff recipients was only \$786,559.27.
Raise Corporate Charter Filing Fees	\$23,035 to unlimited for a one dollar increase.	Increase charter fees by \$434.
Raise Corporate Annual Filing Fees	\$160,307 to unlimited for a one dollar increase.	Increase annual registration fees by \$6.23.
Redirect Corporate Annual Filing Fees Collected But Not Expended by the SCC which Revert to the General Fund	\$352,891 to \$2.7 million. Range is based on the SCC's unexpended funds for FY 94 and FY 95.	Collect \$1 million of the unexpended SCC funds that would otherwise revert to the general fund.
Direct Fees for Voluntary Filings of Statements of Partnerships to begin in 1997	\$0 to \$125,000. Highest figure is based on the filing fees collected from limited liability companies. The lowest figures reflect the fact the program is voluntary.	Register 20,000 general partnerships.
Statewide Admissions Tax on Movies	\$5.04 million to \$12.6 million Range is based on the various admission taxes currently charged by localities (4 percent to 10 percent).	Impose an .8 percent admissions tax.
Statewide Video Rental Tax	\$2.02 million per year based on 1 percent state excise tax.	Impose a .5 percent state excise tax.
Lottery Proceeds from an Instant Game Ticket	\$0 to ? This low end of this range reflects testimony from the Director of the State Lottery Department that the instant game market may be saturated	Collect \$1 million from annual sales of an instant ticket.
Tax Credit for Contributions to the Arts	? to \$3.5 million The uncertainty of the low end of this range reflects the loss revenue that can be expected each year from persons who currently contribute to the arts	Uncertain whether the tax credit would stimulate additional contributions to the arts.

VI. APPENDICES

962148198

HOUSE JOINT RESOLUTION NO. 174

Offered January 22, 1996

Establishing a commission to study creative solutions for funding for the arts in the Commonwealth.

Patrons—Van Landingham, Armstrong, Barlow, Bennett, Christian, Connally, Cooper, Crittenden, Cunningham, Davies, Diamonstein, Grayson, Jones, D.C., Keating, McEachin, Moran, Plum, Puller, Reynolds, Scott, Van Yahres and Watts

Referred to Committee on Rules

WHEREAS, the visual and performing arts enrich the lives of all Virginians, providing entertainment as well as opportunities for learning, creativity, and self-expression, and serve as catalysts for economic growth, as the presence of arts institutions and cultural activities may enhance the local "quality of life" component necessary to attract and retain a skilled, educated workforce; and

WHEREAS, although private contributions comprise the majority of all arts funding, museums and other cultural institutions are nevertheless dependent on federal, state, and local funding for their continued operation; and

WHEREAS, federal support for the arts, whether provided directly through government agencies and programs such as National Endowment for the Arts, the National Endowment for the Humanities, the Institute of Museum Services, and the Smithsonian Institution, or indirectly through tax deductions and other benefits, has been adversely affected by increasing demands for other services and programs; and

WHEREAS, continuing economic challenges have prompted many states to develop new strategies for arts funding, such as designating specific revenue sources for the arts funding, earmarking lottery money, creating special license plate programs and state income tax check-offs, and adopting special local taxes and percent-for-art legislation; and

WHEREAS, the visual and performing arts in Virginia must compete not only with state institutions for appropriations, but also with the pressing demands that education, social services, transportation, and other programs place on the Commonwealth's budget; and

WHEREAS, the recent national economic downturn has sorely tested arts funding throughout the Commonwealth, and many visual and performing arts organizations have been forced to eliminate positions, alter benefits packages, reduce employee wages, or modify their programming; and

WHEREAS, the Governor's Task Force on Promotion of the Arts (1992) described the role of the General Assembly in supporting museums and arts organizations as that of "catalyst, helping to augment and strengthen private and local support of the arts," and, consistent with this characterization, the Commonwealth supplies direct and indirect funding for the arts, recognizing that "the arts are healthier when open to diverse influences and not financially dependent on any single source of support"; and

WHEREAS, although a recent joint subcommittee has examined arts funding, its study was limited to state funding for nonstate museums, and did not directly address the performing arts or support for the Commonwealth's seven state agency museums; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a commission be established to study creative solutions for funding the arts in the Commonwealth. The commission shall consider current funding needs for the visual and performing arts in Virginia; federal, state, local, and private sources for arts funding; the role of the Virginia Commission for the Arts and local arts organizations in supporting and promoting the arts; arts funding initiatives in other states; and such other issues as it deems appropriate.

The commission shall consist of nine members as follows: three members of the House of Delegates and two citizen members, one of whom shall be a representative of the Virginia Commission for the Arts, to be appointed by the Speaker of the House, and three members of the Senate and one citizen member, to be appointed by the Senate Committee on Privileges and Elections.

The direct costs of this study shall not exceed \$4,200.

The Division of Legislative Services shall provide staff support for the study. The Virginia Commission for the Arts and other state agencies of the Commonwealth shall provide assistance to

1 the commission, upon request.

2 The commission shall complete its work in time to submit its findings and recommendations to the
3 Governor and the 1997 Session of the General Assembly as provided in the procedures of the
4 Division of Legislative Automated Systems for processing legislative documents.

5 Implementation of this resolution is subject to subsequent approval and certification by the Joint
6 Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of
7 the study.

Official Use By Clerks			
Passed By		Passed By The Senate	
The House of Delegates			
without amendment	<input type="checkbox"/>	without amendment	<input type="checkbox"/>
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Clerk of the House of Delegates		Clerk of the Senate	

971809476

HOUSE JOINT RESOLUTION NO. 543

Offered January 20, 1997

Reaffirming the General Assembly's goal to appropriate one dollar per capita for the support of the Virginia Commission for the Arts.

Patrons—Van Latingham, Armstrong, Behm, Christian, Clement, Connally, Cooper, Council, Cranwell, Crittenden, Croshaw, Cunningham, Darner, Davies, DeBoer, Deeds, Diamonstein, Dickinson, Hall, Heilig, Jackson, Johnson, Jones, J.C., Keating, Lovelace, McEachin, Melvin, Moore, Moran, Murphy, Plum, Puller, Rhodes, Robinson, Shuler, Stump, Thomas, Van Yahres, Watts and Woodrum; Senators: Barry, Benedetti, Holland, Howell, Lambert, Marye, Reasor, Reynolds, Saslaw, Trumbo, Waddell, Whipple, Williams and Woods

Referred to Committee on Appropriations

WHEREAS, the arts enrich the natural character, individual spirit, and quality of life of the citizens of the Commonwealth and have become an integral part of Virginia's education, history and culture; and

WHEREAS, nonprofit arts organizations represent an important asset in the state's economic development, creating more than 7,800 jobs, bringing \$170 million into the economy, and bolstering the image of the state's tourism and travel industries; and

WHEREAS, public investment in the arts sends a strong message to the private sector and creates leverage for arts organizations to obtain additional private support; and

WHEREAS, the Virginia Commission for the Arts, through its grant process, provides essential operating support for nonprofit arts organizations and educational activities that reached one million Virginia children last year; and

WHEREAS, in the mid-1980's, Virginia leaders in government, business, and the arts embraced a public funding goal of one dollar per capita to be allocated for support of the Commission; and

WHEREAS, by the 1989-1990 fiscal year, state and federal funding of the Commission had exceeded \$5.5 million and Virginia was within a few hundred thousand dollars of reaching the dollar-per-capita goal; and

WHEREAS, the recession of 1989 coupled with a change in the spending priorities of Virginia's new administration, resulted in substantial and disproportionate cuts to the Commission that plummeted Virginia's support to 30 cents a person; and

WHEREAS, even though some of the funding for the Commission has been restored over the past several years through modest increases proposed by the General Assembly, Virginia still ranks third from the bottom of all states in its support of the arts; and

WHEREAS, the national average among states is just shy of a dollar per capita, Virginia — even with last year's increases in arts funding — provides just 47 cents per person; and

WHEREAS, the Commission Studying Creative Solutions for Funding for the Arts in the Commonwealth pursuant to House Joint Resolution No. 174 (1996) determined that appropriating one dollar per capita for the Virginia Commission for the Arts is a realistic goal that will confirm the state's long-term commitment to supporting the arts while providing a funding incentive for private contributors; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the General Assembly reaffirm its goal to appropriate one dollar per capita for the support of the Virginia Commission for the Arts; and, be it

RESOLVED FURTHER, That the Clerk of the House of Delegates transmit a copy of this resolution to the president of the Virginians for the Arts with a request to disseminate this resolution to the group's membership so that they may be apprised of the sense of the General Assembly in this matter.

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971808476

HOUSE BILL NO. 2484

Offered January 20, 1997

A BILL to amend and reenact §§ 2.1-1.5 and 46.2-749.2:2 of the Code of Virginia and to amend the Code of Virginia by adding in Title 9 a chapter numbered 9.1:1, consisting of sections numbered 9-84.08 through 9-84.09:4, and by adding a section numbered 58.1-346.6, relating to the Virginia Arts Foundation.

Patrons—Van Lanningham, Albo, Armstrong, Behm, Bloxom, Bryant, Christian, Clement, Connally, Cooper, Councill, Crittenden, Croshaw, Crouch, Cunningham, Darner, Davies, DeBoer, Deeds, Diamonstein, Dickinson, Drake, Guest, Hall, Hargrove, Heilig, Jackson, Johnson, Jones, J.C., Keating, Kilgore, Lovelace, Marshall, May, McEachin, Melvin, Mims, Moore, Moran, Morgan, Murphy, Nixon, O'Brien, Plum, Puller, Purkey, Putney, Rhodes, Robinson, Ruff, Sherwood, Shuler, Stump, Thomas, Van Yahres, Watts, Weatherholtz and Wilkins; Senators: Barry, Holland, Howell, Lambert, Martin, Marye, Reasor, Reynolds, Saslaw, Trumbo, Waddell, Whipple, Williams and Woods

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.1-1.5 and 46.2-749.2:2 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Title 9 a chapter numbered 9.1:1, consisting of sections numbered 9-84.08 through 9-84.09:4, and by adding a section numbered 58.1-346.6 as follows:

§ 2.1-1.5. Entities not subject to standard nomenclature.

The following entities are not subject to the provisions of § 2.1-1.2 due to the unique characteristics or the enabling legislation of the entities:

Authorities

Assistive Technology Loan Fund Authority.

Medical College of Virginia Hospitals Authority.

Richmond Eye and Ear Hospital Authority.

Small Business Financing Authority.

State Education Assistance Authority.

Virginia Agriculture Development Authority.

Virginia College Building Authority.

Virginia Economic Development Partnership.

Virginia Education Loan Authority.

Virginia Housing Development Authority.

Virginia Information Providers Network Authority.

Virginia Innovative Technology Authority.

Virginia Port Authority.

Virginia Public Building Authority.

Virginia Public School Authority.

Virginia Resources Authority.

Virginia Student Assistance Authorities.

Boards

Board of Commissioners, Virginia Agriculture Development Authority.

Board of Commissioners, Virginia Port Authority.

Board of Directors, Assistive Technology Loan Fund Authority.

Board of Directors, Medical College of Virginia Hospitals Authority.

Board of Directors, Richmond Eye and Ear Hospital Authority.

Board of Directors, Small Business Financing Authority.

Board of Directors, Virginia Economic Development Partnership.

Board of Directors, Virginia Student Assistance Authorities.

Board of Directors, Virginia Innovative Technology Authority.

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HB2484

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- 1 Board of Directors, Virginia Resources Authority.
- 2 Board of Regents, Gunston Hall Plantation.
- 3 Board of Regents, James Monroe Memorial Law Office and Library.
- 4 Board of Trustees, Family and Children's Trust Fund.
- 5 Board of Trustees, Frontier Culture Museum of Virginia.
- 6 Board of Trustees, Jamestown-Yorktown Foundation.
- 7 Board of Trustees, Miller School of Albemarle.
- 8 Board of Trustees, Rural Virginia Development Foundation.
- 9 Board of Trustees, The Science Museum of Virginia.
- 10 Board of Trustees, Virginia Museum of Fine Arts.
- 11 Board of Trustees, Virginia Museum of Natural History.
- 12 Board of Trustees, Virginia Outdoor Foundation.
- 13 Board of the Virginia Higher Education Tuition Trust Fund.
- 14 Board of Visitors, Christopher Newport University.
- 15 Board of Visitors, The College of William and Mary in Virginia.
- 16 Board of Visitors, George Mason University.
- 17 Board of Visitors, Gunston Hall Plantation.
- 18 Board of Visitors, James Madison University.
- 19 Board of Visitors, Longwood College.
- 20 Board of Visitors, Mary Washington College.
- 21 Board of Visitors to Mount Vernon.
- 22 Board of Visitors, Norfolk State University.
- 23 Board of Visitors, Old Dominion University.
- 24 Board of Visitors, Radford University.
- 25 Board of Visitors, University of Virginia.
- 26 Board of Visitors, Virginia Commonwealth University.
- 27 Board of Visitors, Virginia Military Institute.
- 28 Board of Visitors, Virginia Polytechnic Institute and State University.
- 29 Board of Visitors, Virginia State University.
- 30 Governing Board, Virginia College Building Authority.
- 31 Governing Board, Virginia Public School Authority.
- 32 Library Board, The Library of Virginia.
- 33 Motor Vehicle Dealer Board.
- 34 State Board for Community Colleges, Virginia Community College System.
- 35 Virginia-Israel Advisory Board.
- 36 Center
- 37 A.L. Philpott Manufacturing Research Center.
- 38 Commissions
- 39 Alexandria Historical Restoration and Preservation Commission.
- 40 Charitable Gaming Commission.
- 41 Chesapeake Bay Bridge and Tunnel Commission.
- 42 Hampton Roads Sanitation District Commission.
- 43 Districts
- 44 Chesapeake Bay Bridge and Tunnel District.
- 45 Hampton Roads Sanitation District.
- 46 Educational Institutions
- 47 Christopher Newport University.
- 48 College of William and Mary in Virginia.
- 49 Frontier Culture Museum of Virginia.
- 50 George Mason University.
- 51 James Madison University.
- 52 Jamestown-Yorktown Foundation.
- 53 Longwood College.
- 54 Mary Washington College.

1 Miller School of Albemarle.
 2 Norfolk State University.
 3 Old Dominion University.
 4 Radford University.
 5 The Science Museum of Virginia.
 6 University of Virginia.
 7 Virginia Commonwealth University.
 8 Virginia Community College System.
 9 Virginia Military Institute.
 10 Virginia Museum of Fine Arts.
 11 Virginia Polytechnic Institute and State University.
 12 The Library of Virginia.
 13 Virginia State University.
 14 Foundations
 15 Chippokes Plantation Farm Foundation.
 16 Rural Virginia Development Foundation.
 17 Virginia Arts Foundation.
 18 Virginia Conservation and Recreation Foundation.
 19 Virginia Historic Preservation Foundation.
 20 Virginia Outdoor Foundation.
 21 Museum
 22 Virginia Museum of Natural History.
 23 Plantation
 24 Gunston Hall Plantation.
 25 System
 26 Virginia Retirement System.
 27 History

CHAPTER 9.1:1.
 VIRGINIA ARTS FOUNDATION.

§ 9-84.08. *Foundation created.*

There is hereby created the Virginia Arts Foundation, hereinafter referred to as the Foundation, a body politic and corporate to be organized and to have such powers and duties as hereinafter provided.

§ 9-84.09. *Administration of Foundation.*

A. The Foundation shall be governed by and administered by a board of trustees, consisting of the members of the Virginia Commission for the Arts.

B. The Director of the Commission shall serve as the chairman and the staff of the Commission shall serve as staff for the Foundation.

C. Any person designated by the board to handle the funds of the Foundation, shall give bond, with corporate surety, in such penalty as is fixed by the Governor, conditioned upon the faithful discharge of his duties. Any premium on the bond shall be paid from funds available to the Foundation.

D. Trustees of the Foundation, acting as members of the Virginia Commission for the Arts, shall be entitled to reimbursement for all actual and necessary expenses, as provided by § 9-84.02.

§ 9-84.09:1. *Virginia Arts Foundation Fund.*

A. There is hereby created the Virginia Arts Foundation Fund, a special nonreverting trust fund on the books of the Comptroller, to be administered by the Foundation.

B. The Fund shall include such funds as may be appropriated by the General Assembly from time to time; revenues transferred to the Fund from the special license plates for Virginians for the Arts program pursuant to § 46.2-749.2:2; voluntary contributions collected through the income tax checkoff for the arts pursuant to § 58.1-346.6; and designated gifts, contributions and bequests of money, securities, or other property of whatsoever character.

C. All money, securities, or other property designated for the Fund and any interest or income therefrom shall remain in the Fund and shall not revert to the general fund. The Fund's principal

1 shall not be subject to expenditure by the Foundation.

2 § 9-84.09:2. Powers of Foundation.

3 The Foundation is authorized to:

4 1. Make expenditures from the Fund's interest and income to assist the Virginia Commission for
5 the Arts in promoting the arts in the Commonwealth in accordance with § 9-84.03.

6 2. Accept, hold and administer gifts and bequests of money, securities, or other property,
7 absolutely or in trust, for the purposes for which the Foundation is created.

8 3. Enter into contracts and to execute all instruments necessary and appropriate to carry out the
9 Foundation's purposes.

10 4. Explore and make recommendations concerning other possible dedicated revenue sources for
11 the Fund.

12 5. Perform any lawful acts necessary or appropriate to carry out the purposes of the Foundation.

13 § 9-84.09: 3. Gifts and bequests.

14 Gifts and bequests of money, securities, or other property to the Fund, and the interest or income
15 therefrom, shall be deemed gifts to the Commonwealth, and the Fund shall be exempt from all state
16 and local taxes. Unless otherwise restricted by the terms of the gift or bequest, the Foundation is
17 authorized to sell, exchange, or otherwise dispose of such gifts and bequests; the proceeds from such
18 transactions shall be deposited to the credit of the Fund. The Foundation shall not actively solicit
19 private donations for the Fund.

20 § 9-84.09:4. Moratorium on use of Fund's interest and income earned.

21 Interest and income earned on money, securities or property deposited in the Fund shall remain in
22 the Fund and shall not be subject to expenditure by the Foundation. This section shall expire on June
23 30, 2000.

24 § 46.2-749.2:2. Special license plates for Virginians for the Arts; fees.

25 A. On receipt of an application and payment of the fee prescribed by this section, the
26 Commissioner shall issue special license plates bearing the following legend: VIRGINIANS FOR
27 THE ARTS.

28 B. The annual fee for plates issued pursuant to this section shall be twenty-five dollars in addition
29 to the prescribed fee for state license plates. For each such twenty-five-dollar fee collected in excess
30 of 1,000 registrations pursuant to this section, fifteen dollars shall be paid into the state treasury and
31 credited to the special nonreverting fund known as the ~~Virginians for the Arts Fund, established~~
32 ~~within the Department of Accounts, for use by the Virginia Commission for the Arts Virginia Arts~~
33 ~~Foundation Fund established within the Department of Accounts, for use by the Virginia Arts~~
34 ~~Foundation.~~

35 § 58.1-346.6. Voluntary contribution to promote the arts.

36 A. Any individual eligible to receive a tax refund pursuant to § 58.1-309 may designate at the time
37 of filing a return a specified dollar amount of such refund, not less than one dollar, to be used by the
38 Virginia Arts Foundation to assist the Virginia Commission for the Arts in its statutory responsibility
39 of promoting the arts in the Commonwealth.

40 B. All moneys collected pursuant to subsection A shall be deposited into the state treasury.

41 C. The Tax Commissioner shall determine annually the total amount designated on all returns and
42 shall report the same to the State Treasurer, who shall credit the amount to a special fund known as
43 the Virginia Arts Foundation Fund.

44 2. That the provisions of § 58.1-346.6 shall become effective for taxable years beginning on and
45 after January 1, 1998.

46 3. That the Department of Taxation's direct costs of implementing the provisions of § 58.1-346.6
47 in fiscal year 1998-1999 shall be deducted from amounts designated as contributions.

House Bill 1600 and Senate Bill 700 (1997)

Virginia Commission for the Arts (148)

Item 1-261.

Financial Assistance for Cultural and Artistic Affairs (14300)	2,671,257	2,684,757 3,184,757
Financial Assistance to the Arts (14302)	2,671,257	2,684,757 3,184,757
Fund Sources: General	2,342,007	2,342,007 2,842,007
Federal Trust	329,250	342,750

Authority: Title 9, Chapter 9.1, Code of Virginia.

A. In the allocation of grants to arts organizations, the Commission shall give preference to the performing arts.

B. It is the objective of the Commonwealth to fund the Virginia Commission for the Arts at an amount that equals one dollar for each resident of Virginia.

C. In the allocation of grants to arts organizations, the Commission shall not consider any other general fund amounts which may be appropriated to an arts organization elsewhere in this act, nor shall any funds appropriated elsewhere in this act supplant those grants which may be allocated from this appropriation.

