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Final Report of the

Regional Funding Task Force

Presented to the Metro Council
March 1994

METRO

Regional Funding Task Force

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I. EXECUTIVE SUMMARY

In April 1992, Metro formed a 21-member citizen task force to develop recommendations on long-term funding for regional arts and entertainment programs and facilities. The Funding Task Force on Regional Facilities and Programs represented a partnership of Metro, the City of Portland, the four counties and other local governments and groups that participated in ArtsPlan 2000+. The Task Force worked for over eighteen months meeting with representatives of business and industry, arts programs, cultural and scientific institutions, public information companies, and local governments. They researched numerous financing mechanisms used here and in other parts of the country. The results of their work are summarized in the recommendations below.

1. **Metro should recognize that the vitality of arts and culture are critical to the quality of life we enjoy in this region. Metro should also acknowledge that the low level of public and private financing for these programs threatens to degrade this quality of life and creates a serious problem of access to these programs for our children.** Metro is uniquely positioned to assume the long term responsibility for these programs because it has regional taxing authority and is charged with planning our future quality of life. The Metro Council should provide funding and support for efforts to ensure the future health of this region's arts and cultural programs.

2. **The best long term strategy to finance arts programs and facilities is to combine forces with other cultural and scientific organizations which have serious funding needs.** The program should be designed to achieve financial stability for our regional programs and to provide access for the region's children. It should also limit administration and bureaucracy, require private matching funds and assure that funds will go to all communities of the region. Such a program would cost approximately $12 million annually and would provide funding to programs such as the Zoo and other children's museum programs, history museums and programs, the Portland Center for the Performing Arts, a Regional Arts Council, and local arts programs.

3. **To finance the arts and cultural program, Metro should seek to levy the broadest tax feasible.** There is no easy answer to this task. Many taxes used in other communities to finance cultural programs are presently not options for this region. Among the broad based taxes, the only option not precluded is the income tax. The Task Force recommends that it be considered because the tax can be designed to exempt low income people as well as to cap the amount anyone would have to pay. Metro should develop and test one or more income tax proposals which meet these criteria. If these do not demonstrate acceptance among the voters, other narrower taxes would need to be considered.

4. **Metro should target a regional ballot measure for 1-2 years in the future, but no later than Fall 1995.** This allows sufficient time for civic and advocate groups to marshal support for such a measure. The Northwest Business Committee for the Arts has taken on the responsibility to begin a public information campaign. They have reorganized and increased their funding for that purpose. The Metropolitan Arts Commission has moved to regionalize itself and has developed strong relationships with local communities throughout the region.

The Arts Alliance has strengthened its efforts to provide support. Finally, a Friends of the PCPA organization has formed to help generate regional support. Time is needed for all of these groups, working in collaboration, to build public awareness and increase the number of community partners.

5. **Metro should support and endorse short term measures for arts programs and facilities which involve restructuring current resources, private fund-raising and cost reductions.** These measures are especially critical. Without short term funding the PCPA will face the possibility of closure within one year. Preservation of current funding levels will keep the region's arts organizations in operation. Cost cutting efforts and increases to private fund raising must be done if we are to expect the public to support additional taxes. Nevertheless, these are only stop gap measures and will only prolong the problem.

6. **Metro should help assure the implementation of the Task Force's recommendations by continuing to work with its regional partners: local governments, the Metropolitan Arts Commission, the Northwest Business Committee for the Arts and the growing coalition of arts and cultural groups, agencies and community groups.** Council involvement, dedication of staff time and modest funding of on-going planning and public information efforts are needed to keep the momentum going.

II. INTRODUCTION

1. **History**

In December 1991, Metro's Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts and Spectator Facilities, after a year and a half of study, submitted a final report to the Metro Council. Chaired by Cliff Carlsen, this committee was composed of 15 members with an additional 24 citizens from throughout the region serving on subcommittees.

The advisory committee found that if no new funds became available within three years to cover ongoing operational and capital costs of regional entertainment facilities, particularly the Portland Center for the Performing Arts (PCPA), these facilities could be forced to close and the region would lose its substantial investment in its complex of facilities.

As stated in the Public Policy Advisory Committee final report:

> **"A regional funding base is needed to support the public purposes of arts facilities and organizations. Metro should join with proponents of Arts Plan 2000+ in seeking such a fund base, but only after a specific financial assistance plan for arts organizations is developed. The plan must specify how public funds will be expended and how such expenditures will achieve public purposes."**

In February 1992, Arts Plan 2000+ issued its final report. The 40-member Arts Plan Steering Committee representing the business community, regional governments, artists, educators and the community spent more than a year collecting and analyzing information and data.

Both the Public Policy Advisory Committee and the Arts Plan 2000+ Steering Committee found that facilities and programs cannot be considered separately. Both recommended that long-term funding sources should be regional in scope and address arts and entertainment facilities as well as arts programs. The financial stability of the PCPA is directly tied to the financial stability of our arts organizations. Keeping the doors to PCPA open will do little if no arts organizations can afford to perform in the theaters.

2. **Charge to Funding Task Force for Regional Facilities and Programs**

Although the Public Policy Advisory Committee recommended consideration of two financing options, no regional consensus existed on the amount of funding needed nor was there regional consensus on funding sources to adequately address these needs. There was, however, regional agreement that Metro should continue to be the lead agency in developing a regional consensus.

In February 1992, Metro and the City of Portland agreed to work together and with other regional partners to develop adequate long-term funding for regional arts and entertainment facilities and programs. In April 1992, the Metro Council established a 21-member Funding Task Force for Regional Facilities and Programs with citizens from throughout the region. The charge to the task force was:

A. To make recommendations to the Metro Executive Officer and Council on financing facility and arts program needs;
B. To promote a regional consensus on financing through regional coalitions to support financing measures with other jurisdictions, advocate groups, and community and civic organizations;
C. To develop recommended intergovernmental agreements and funding packages needed to provide regional coordination and support for arts and entertainment facilities and programs; and
D. To provide public information on financing issues to the general public, media, other public bodies, advocate groups, and civic organizations.

3. Task Force Organization

The task force formed three subcommittees -- Funding Needs, Revenue Strategy, and Public Information. The first two subcommittees were formed with task force members only. The Public Information subcommittee was formed with community experts in public relations and public information.

The mission of the **Funding Needs Subcommittee** was to identify the total amount of funding needed and how much must be raised annually in new public funds by program category. The starting point for this subcommittee was to review the needs identified earlier by Metro's Public Policy Advisory Committee and Arts Plan 2000+. The subcommittee clarified the needs identified in these earlier studies, updated the figures, and included estimates for items which had not been covered earlier. This subcommittee was later given an additional assignment to explore funding needs for cultural and scientific facilities and programs beyond the arts-related focus of the original charge.

The **Revenue Strategy Subcommittee's** mission was to identify a revenue strategy for the needs identified by the Funding Needs Subcommittee. The Subcommittee reviewed many taxing mechanisms, and determined what characteristics were desired in a tax to make it fair. They also spent considerable time deliberating on an approach that would be most acceptable to voters. This included various program features which would make a program more acceptable to voters. They also explored a variety of contractual arrangements to include Clark County, Washington, into a regional funding strategy. The Subcommittee completed two reports. The first report, prepared before the State Legislature met to discuss tax restructuring, proposed two approaches and alternative financing mechanisms. The preferred approach was a broad-based arts and culture program; the second was an "arts only" program. These approaches and alternative financing mechanisms were then tested in a poll. A second report was completed to assess financing mechanisms after the November 1993 sales tax measure failed at the ballot. Both reports are included as appendices.

The mission of the **Public Information Subcommittee** was to identify the public information needs. It was to recommend the kind of effort needed to ensure the public understands the value of arts and culture, as well as the level of effort needed to pass a regional funding measure. The Subcommittee brought together a number of talented professionals to debate how to reach the public, what kinds of messages to use and the mechanisms to employ. At the conclusion of the Subcommittee's work, the tasks were transferred to the Business Committee for the Arts for implementation. Many of the Subcommittee members remain active in the BCA's efforts to spearhead a campaign.

4. **Other Activities of the Task Force and Related Groups**

Staff conducted research concerning methods of funding arts and culture in other parts of the country. A program of particular interest was the Denver region's Scientific and Cultural Facilities District. This is a six-county arts and culture funding program financed by a sales tax. It required a vote in the six counties of the Denver metropolitan area. To learn about it, the entire Task Force met with the Denver Exchange Group, affiliated with the Denver Chamber of Commerce. The Exchange was visiting Portland to learn about its regional programs. The Task Force chair and staff visited Denver to interview many participants involved in the formation of the Scientific and Cultural Facilities District. A detailed report was presented to the Task Force.

While the entire Denver model was not considered workable for this region, a number of lessons learned there were considered valuable. These include:

- Access to cultural programs is an issue of public concern.
- A broad-based program that includes the activities that are most popular with the public is more likely to get voter support.
- Voters favor limits on bureaucracy and funds for administration.
- There should be a guarantee that money will support needs in outlying areas as well as downtown.
- A campaign that is well financed and has no organized opposition is essential to passage. (The Denver community raised $750,000.)
- Campaign messages should focus on access, especially for children; and the important role arts and cultural programs play in economic development.
- Support for the program must come primarily from outside government.

Other related efforts were underway at the same time the Task Force was in operation. In response to Arts Plan 2000+ recommendations, the Metropolitan Arts Commission (MAC) formed a Regional Arts Council Transition Team to oversee MAC's transition into a regional arts council so that it can provide the services desired by constituents and jurisdictions outside of Multnomah County.

The Northwest Business Committee for the Arts (BCA), representing Multnomah, Washington, Clackamas counties and Clark County, Washington, worked closely with the Task Force throughout this process. BCA is working to increase business leadership as well as private funding from corporations, small businesses and individuals.

Staff of Metro, the Business Committee for the Arts, Metropolitan Arts Commission, Arts Alliance, and PCPA formed a staff coordinating committee. The role of this committee was to provide staff work for policy development including identifying issues, presenting options and drafting recommendations; provide technical expertise in arts programming, public finance, planning, and program development; and share information.

Originally, the Task Force was to conclude its work in June of 1993. Two situations required additional time. The State Legislature referred a tax measure to the November 1993 ballot.

This was a sales tax measure which had significant impact on revenue strategies under consideration by the Task Force. Passage of the measure would have precluded use of some of the strategies. The second situation involved the Task Force's effort to develop a coalition with other cultural organizations in the region to propose a broad-based arts and cultural program. Additional time was needed to explore this idea. Given this situation, the Task Force filed an Interim Report and the Metro Council authorized an extension of six months to complete the Task Force's work.

III. FINDINGS AND CONCLUSIONS

Problem Statement

The relatively low public and private financing of arts and cultural programs places the programs in jeopardy and has created a critical problem of access to these programs for the region's children. This is a primary issue of regional concern and represents a problem that must be resolved if the quality of life we have enjoyed is to be maintained.

The low level of public and private funding for the arts was well documented by the ArtsPlan 2000 Plus. The ArtsPlan report found that all sources of financial support for local arts lag behind the averages of other communities, except earned income (ticket sales, etc.). Figures released by the Portland Chamber of Commerce show that corporate contributions to non-profit organizations average only 1.1% of pre-tax earnings compared to a national average of 2%. Individual giving is also low in comparison to other communities. The ArtsPlan report points out that large, private gifts are generally lower than in communities of comparable size. The largest gifts here average $1,000 to $5,000 compared to $10,000 to $25,000 elsewhere. The local public's share of financial support to arts organizations as a percentage of organizational budgets has declined from over 4% in the late 1980s to about 2% by 1992. Throughout the country, public funds as a percentage of organizational budgets range from 10% to more than 20%.

Regional Significance

1. **The vitality of arts and culture are critical to the region's quality of life.** The region's residents, businesses and prospective new businesses all place a high value on the quality of life in this region. In addition to the physical beauty of the area, the cultural amenities are critical in drawing new businesses and jobs to the region. The arts industry provides a significant financial stimulus not only by creating jobs, but by developing the creative aspect of a problem-solving workforce. In 1991, the arts industry spent over $73 million in the three county area, creating 2742 jobs, $58 million in personal income and just under $4.4 million in annual state and local government revenues. If a common multiplier of 2.5 is applied to $73 million in direct arts spending, then the economic impact is over $183 million. When one adds cultural and scientific institutions such as the Zoo, OMSI, the Oregon Historical Society, the impact is probably twice that amount.

2. **Arts and cultural programs are valued and used by citizens from throughout the Metro region.** All major arts and cultural programs are patronized by citizens throughout the region. As an example, more than half of the Oregon Symphony subscribers come from outside Multnomah County. In fact, far more of the region's residents participate in the arts than attend sports events each year. In a random sample survey done for this report, over half of all respondents placed a high value on most of the specific arts and cultural programs when asked.

3. **Arts and cultural programs provide a unique, basic education to our children, involve them in collaborative problem-solving, build an awareness of other cultures and peoples, expose them to new ideas and create an opportunity for self-enhancement and achievement.** The region's arts and cultural programs have special programs for children and families--special performances, summer programs, classroom presentations and seminars, etc. Many of the region's schools, social service agencies and non-profits are now using arts and cultural programs in their efforts to reach at-risk children. But the availability of these programs is severely limited by low levels of public and private support.

4. **Metro is uniquely positioned to find a regional solution for the future health of arts and culture.** While it is recognized that the current political climate makes solution to any funding problem difficult; in the long run, it is Metro that has the tools to accomplish it. The new Metro charter gives it broad taxing authority needed to spread the cost of programs to all regional users so the amount paid by any one individual is very small. It is a fair means of supporting these regional programs. Metro has been given responsibility, in Section 6 of the new charter, for operation and development of "public cultural, trade, convention, exhibition, sports, entertainment, and spectator facilities." This gives Metro the authority to lead the effort to preserve and enhance our cultural assets. It can implement this responsibility by serving as a focal point to pull all the parties together needed to chart the future in a cooperative manner. Last, Metro has recognized Clark County's growing importance in regional issues such as land use planning, transportation, and community development. Metro is the natural conduit to facilitate Clark County's funding commitment to regional arts and cultural planning.

Funding Needs

1. **Annual funding needs for arts programs are $8.54 million.** This includes $2.31 million for the PCPA and $6.23 million for arts programs. (See Tables 1 and 2.)

Arts Facilities Needs

Beginning with the work of the earlier Metro Facilities Task Force study of the Portland Center for the Performing Arts (PCPA), the Funding Needs Subcommittee updated the figures and expanded the estimates to include items which had not been covered earlier, including:

- Reduced fees for PCPA tenants;
- Marketing and programming costs; and
- Unbudgeted capital improvements to the three PCPA facilities.

The PCPA's annual funding needs total $2.31 million (see Table 1). This includes full funding for all capital projects listed in the PCPA's ten-year capital plan as well as financing to retain reduced fees for PCPA non-profit tenants in accordance with PCPA's new rental structure.

TABLE 1

Programs	PPAC Report 12/91 Annual Needs	1993-94 Base Year Revised Annual Needs
Operating Needs:		
PCPA Operational Support	$672,000	$1,137,500
Capital Needs:		
PCPA Renewal & Replacement	$280,000	$206,000
PCPA Enhancements	$520,000	$356,000
TOTAL	$1,472,000	$1,699,500
Program Improvements:		
Reduced User Fees*	0	$225,000
Marketing*	0	$50,000
Education Coordination*	0	$18,000
Presentation/Programming*	0	$75,000
Additional Staff for Marketing, Fundraising, Education*	0	$100,000
PCPA Reimbursement/Overhead	0	$40,000
PCPA Ticket Service Charge	0	$100,000
Program Improvements Total	0	$608,000
GRAND TOTAL	**$1,472,000**	**$2,307,500**

* Denotes need identified by PPAC Study but not funded.

Arts Program Needs

The starting point for the Subcommittee's study was ArtsPlan 2000 Plus. After each individual proposed program was scrutinized, the ArtsPlan budget was modified to:

- Expand the dollar amount and share of regional funds invested directly in outlying communities;
- Provide additional funds that would raise the level of public support for the major arts organizations from about 5% of their budgets (in ArtsPlan) to 10% of budgets--in keeping with peer communities across the US;
- Fund a long-range facilities planning program to evaluate the feasibility of newly proposed arts facilities;
- Provide support to arts organizations operating their own facilities (e.g. Art Museum); and
- Fund a small fellowship program for individual artists, along the lines of similar programs operated by National Endowment for the Arts (NEA) and Oregon Arts Commission (OAC).

Arts program needs identified by the Subcommittee total $6.23 million annually (see Table 2).

TABLE 2

SUMMARY OF REGIONAL PUBLIC FUNDING NEEDS FOR ARTS PROGRAMS

Program	ArtsPlan 2000+ Needs Estimate	Subcommittee Recommendations*
Operating grants for large arts organizations	$1,500,000	$3,045,000
Community programs outside of Portland	$300,000	$1,055,000
Grants to small arts organizations	$300,000	$285,000
Multi-cultural outreach and grants	$200,000	$240,000
Arts in Education programs	$250,000	$250,000
Business management assistance	$500,000	$250,000
Audience outreach/marketing	$300,000	$250,000
Facilities planning support**	$0	$260,000
Grants to non-PCPA facilities**	$0	$150,000
Individual Artists Programs**	$0	$165,000
Regional Arts Council overhead	$700,000	$280,000
TOTALS	**$4,050,000**	**$6,230,000**

* Funding Needs Subcommittee recommendations includes allocation of staff to program areas.
** Needs identified in ArtsPlan, but not costed.

2. **An additional $6 million per year is needed to ensure children's access to the region's most significant cultural and scientific facilities.** In the early stages of its work, the Funding Needs Subcommittee found that the financial issues faced by the region's arts organizations have a striking parallel to the region's key cultural and scientific institutions. The Zoo, Oregon Museum of Science and Industry (OMSI), Children's Museum, Oregon Historical Society--like our major arts institutions--face serious imminent or long-range funding difficulties.

   While their counterparts in other regions are largely or wholly supported by taxes, our most important cultural institutions struggle to "make ends meet", depending on ticket sales and other earned income. This creates an ever-spiraling cycle of rising ticket prices which ultimately closes the doors to the region's citizens who cannot afford to pay the higher prices. School-age children--who are the primary beneficiaries of the educational programs offered by these institutions--are the groups affected most directly.

   In response, the Funding Needs Subcommittee completed an initial inventory of immediate and long-term cultural and scientific organizations throughout the region. Later, the Subcommittee conferred with representatives of the major institutions to better define their funding needs.

   Ultimately, a funding proposal was developed to ensure that the region's children would continue to enjoy access to the most important cultural institutions. Consistent with the Task Force's arts funding proposal, this plan does not guarantee funding for any organization. Rather, eligibility criteria are proposed to channel funds to those key institutions which make special efforts to assure access to children and families. This funding proposal can be found in Appendix I.

Revenue Strategy

1. **<u>There is significantly greater public support for a broad based cultural program that meets needs in both arts and cultural organizations.</u>** The Task Force commissioned a public opinion survey to test two different approaches to funding arts programs, as well as public policy goals and program features that voters might find attractive. The poll was a random sample survey of 430 registered voters in the region conducted in March 1993 by The Nelson Report. Respondents were given a description of these two approaches:

   A. "A regional <u>arts</u> program which would help fund local facilities and programs such as:
   - The Portland Arts Museum;
   - Artists in the School Program;
   - Oregon Symphony;
   - Oregon Shakespeare Festival/Portland;
   - Oregon Ballet Theatre; and
   - Arts programs in local communities."

   B. "A broader regional <u>cultural</u> program which would help fund arts facilities and programs just listed plus:
   - Metro Washington Park Zoo;
   - OMSI;
   - Libraries;
   - Children's Museum; and
   - Oregon Historical Society."

   When asked which approach they favored, 69% of respondents chose the broader cultural program and 11% chose the "arts only" program. (Another 14% chose neither and 6% were not sure.)

2. **<u>Program goals of education for children, access for all citizens and economic development garner the greatest support from citizens.</u>** In the poll, respondents were asked to say how important were each of six program goals for either an arts or cultural program. The results are displayed below:

	Important (%)	Unimportant (%)	Not Sure (%)
Cultural education opportunities for children	90	8	2
Economic development	84	13	3
Affordable access to culture for all citizens	80	17	3
Stabilize finances of cultural organizations	74	16	10
Promote creativity and artistic excellence	74	19	7
Cultural diversity	71	19	10

   From this data, it is clear that there is broad support for all goals, but the greatest support is for cultural education opportunities for children.

3. **Various features could be added to the program to increase public support.** A series of features were tested in the poll to determine their impact on support. The first factor tested was cost. When asked whether they supported creation of a cultural program at a cost of $17 million, support dropped from the earlier 69% to 56%. Next, the poll asked a series of questions to determine what features would increase or decrease public support. Factors which brought support back up over 70% were knowledge that the program would:

Emphasize educational attractions for children	(77%)
Increase the availability of cultural attractions to children and families	(75%)
Add over $100 million to their local economy and provide more than 1,000 jobs	(75%)
Not spend program funds on any other government program	(75%)
Guarantee an amount for large programs such as the Zoo, Performing Arts Center, OMSI and libraries	(74%)
Strictly limit administrative costs	(72%)

4. **The fairest tax for an arts and cultural program is one that is broad based.** A broad based tax has the advantage of levying a small amount per person to raise enough revenue to finance the whole program. Because virtually all citizens are potential beneficiaries of the program, a tax which impacts all or most citizens is fairer.

   Table 3 portrays the cost per person of a one percent increase in three different taxes: income, sales, payroll. All cost about $10 per person per year and raise $11-$12 million. The cost of administration is quite high for a sales tax because there currently is no sales tax mechanism in place. Cost of administration for the other two taxes would be minimized by sharing with other entities that currently collect the tax.

TABLE 3

REVENUE GENERATION OF BROAD BASED TAXES

Type	Per .1% Tax	Cost per Person*	Est. Administration Cost
Income-Personal Income-Corporate	$10,911,335 $1,100,000 $12,011,335	$10.05 N/A N/A	Share cost with State
Sales	$10,900,000	$10.03	$.5 to $1 million (no State collection mechanism)
Payroll	$11,500,000	$10.59	Share cost with TriMet

* Metro area contains 90% of the regional population, equaling 1,086,225.

"Niche taxes" which impact a particular industry neither raise enough money nor allow all the beneficiaries to participate in support. Table 4 shows the generating ability of three different "niche taxes". Use of the hotel/motel or admissions tax would require significant increases to raise enough money to fund programs contemplated by the Task Force. The Restaurant Tax raises considerable revenue, but has a high administration cost.

TABLE 4

REVENUE GENERATION OF SELECTED "NICHE" TAXES

Type	Per .1% Tax	Est. Administration Cost
Hotel/Motel	$1,588,813	$10,000-$20,000
Restaurant (food & beverage)	$8,300,000	$500,000-$800,000
Admissions*	$800,000	$350,000-$500,000

* Admissions Tax includes ticketed events, movies and video rentals.

5. **Passage of any new tax will be challenging.** The poll asked a series of questions about specific tax measures that might be used to finance an arts program alone or a combined arts and culture program. The arts program alone would cost $8.5 million and the combined program was characterized as costing $17 million annually[1]. These are the proposals and the results:

Question: "Do you favor or oppose this funding proposal?"	Favor (%)	Oppose (%)	Not Sure (%)
Arts Only			
1¼¢ *tax on restaurant* meals. Would add 12¢ to a $10.00 meal.	49	44	7
7% *admissions tax* plus 5% *hotel/motel tax* increase. Would add 43¢ to a $6 movie ticket and $2.54 to a to a motel bill.	38	54	8
Small *income* tax on taxable incomes over $40,000. Would cost $48 additional for a family with $40,000 taxable income.	37	54	9
Small *sales tax* would add 1¢ to a $10.00 purchase.	35	60	5
6% *admissions tax* plus small *tax on* taxable *income* over $60,000. Would add 36¢ to a $6 movie ticket and cost $89 a year for a family with $60,000 taxable income.	32	60	8

[1] This early estimate of $17 million was later reduced to $14.6 million when a specific proposal was developed.

Question: "Do you favor or oppose this funding proposal?"	Favor (%)	Oppose (%)	Not Sure (%)
<u>Cultural Program</u>			
Small *sales tax*. Would add 3¢ to a $10 purchase.	33	63	4
Small *payroll tax*. Would add $867 for each $500,000 payroll.	32	59	9
Small *income tax* on incomes over $20,000. Would add $54 to a household with $30,000 taxable income.	27	69	4

This information suggests the difficulty of passing any tax measure. None of the proposals gained majority support, and only one--a restaurant tax--gained a plurality.

Governance

<u>A regional arts and culture program should be governed by a regional cultural council that is broadly representative of the region and that minimizes bureaucracy and maximizes efficiency.</u> The issue of how a regional arts and culture program should be governed was initially addressed outside the Task Force. The Metropolitan Arts Commission, as the group responsible for implementation of ArtsPlan 2000+, appointed a committee to examine the ArtsPlan recommendation that MAC become a regional body. The committee, called the Regional Arts Plan Transition Team, presented its recommendations in a report to the Task Force. (See Appendix F.) The recommendations were reviewed and the following language approved by the Task Force on January 21, 1993:

1. A regional arts council should be created for broad cultural purposes and to serve as the distribution agency for a dedicated tax to be proposed within approximately two years. The "RAC" would serve Clackamas, Multnomah and Washington Counties with proposed service to Clark County Washington as well.
2. The Council should be restructured from the existing Metropolitan Arts Commission (currently a joint Portland and Multnomah County agency) as a non-profit organization with a board appointed in cooperation with all participating jurisdictions. An intergovernmental Commission is a second option.
3. The non-profit Council would contract with Metro, as the government identified as the appropriate tax collector, and be accountable to Metro and other governments as agreed.
4. The involved jurisdictions would approve the recommendations and enter into preliminary agreements around the purposes and responsibilities of the Regional Arts Council.
5. The Regional Arts Council board of directors would be comprised of members representative of all geographic areas of the regional as well as the appropriate interests.

Public Support

1. **<u>There needs to be a greater public understanding of the vital role arts and culture play in vitality of our community, for economic development and for the education of our children.</u>** Arts and culture are vital to the prosperity of our region. Today, this may not be broadly recognized by the public. Without that recognition, passage of a tax measure to support the arts is unlikely. Art has a very personal meaning to everyone's life whether it is a

favorite painting, a child's first piano recital or a concert in the park. However, because it is so much a part of each person's life, the specific value often goes unnoticed. Moreover, the vital roles arts and culture play in bringing new businesses, in education, in fostering harmony among our diverse peoples is poorly recognized.

2. **Support for regional funding of arts and cultural programs must be obtained from local citizens groups, advocate groups and the public at large.** It was the strong feeling of the Public Information Subcommittee and the Task Force that the leadership to gain support for arts and culture must come from outside government. In that regard, they worked closely with the Business Committee for the Arts to assume responsibility for a public information campaign. Recently, the BCA launched a reorganization designed to implement that responsibility.

3. **It is likely that any ballot measure can pass only with a well financed campaign to support it.** The success of the Denver Cultural and Scientific District suggests that a well-organized and financed campaign would be necessary to pass a regional funding measure.

IV. RECOMMENDATIONS

1. **Declaration of Regional Significance.** Metro should officially recognize the vital importance of arts and culture to the region's quality of life and declare this to be an issue of regional significance. The citizens' needs for arts and culture should be integrated into Metro's Future Vision and integrated into its future growth planning efforts. Funding should be provided for such integration.

2. **Short-term Strategy for Arts Programs.** The current level of funding should be preserved and dedicated to a regional arts program. At the present time, the Metropolitan Arts Commission receives about $1.35 million per year in general fund revenues from the City of Portland, Multnomah County, Clackamas County and Washington, with the bulk of funds coming from the City of Portland. This level of funding should be preserved and dedicated to provide a platform upon which to add the dedicated regional funding source recommended by the Task Force. Other jurisdictions, including Clark County, should be asked to contribute funding. The MAC, acting in its capacity as a regional arts council, should take the leadership role in this effort, but Metro should specifically support and endorse this strategy.

   Metro should also support and endorse the Northwest Business Committee for the Arts' efforts to raise the level of private and business funding. At the present time, that agency is working to upgrade small, mid-size and large business donations as well as to increase private giving. This is not only critical as a short-term funding strategy, but is necessary to help pass regional funding measure.

3. **Short Term Strategy for PCPA.** As a short term strategy, Metro should endorse and support the efforts of MERC's Business Planning process to finance the PCPA. The following strategies are under consideration to avoid closing the Center. These short term strategies are not sufficient to meet all needs identified by the Funding Needs Subcommittee, but will keep the facility open for the short term.

   Operational
   - **Cost cutting, efficiencies, and revenue raising.** These strategies are currently being explored via the MERC Business Plan. All functions of the PCPA will be explored to see if there are ways to cut costs or realize efficiencies. Various revenue raising ideas will also be explored.

   - **Restructure current MERC resources.** A three percent hotel/motel tax presently supports the Oregon Convention Center. Due to the fact that the Convention Center has exceeded projections for business, its needs for subsidy are not as great as expected. It is conceivable that a portion of the hotel/motel revenues could be used to support the PCPA.

   Capital
   - **Private fund raising.** Capital needs might be financed, in part, by a private capital campaign that provides naming opportunities in conjunction with the PCPA's new

naming policy. This could take care of enhancements such as finishing the rehearsal hall or reconstruction of the seats in the Schnitzer Concert Hall.

- **General Obligation bond.** It is unlikely that a private capital campaign will take care of all capital needs. This is particularly true given the need to meet requirements of a new seismic code, something not considered by the Funding Needs Subcommittee since it was not in effect at the time. Meeting this code could cost several million dollars although the exact cost will not be known until a study is conducted. Depending on the cost, consideration should be a given to a small regional general obligation bond measure that could combine several years' worth of deferred capital plus any seismic upgrades.

4. **Long-term Strategy for Arts Facilities (PCPA), Arts and Cultural Programs.** Metro should establish a regional arts and cultural program as specified in the draft ordinance attached to this report. The program should provide funding for arts programs, for cultural/scientific organizations and for programs which will implement the public service mission of the PCPA. Short term strategies will only provide minimal support for arts programs and only a base operational level for the PCPA. The base level would not cover reduced user fees, marketing, education, presentation/programming, and other fee reductions. (See Table 5, Summary of Recommendations.)

   In establishing the regional arts and culture program, the following features are considered critical:

   Purpose--The purpose should be to ensure access to arts and cultural programs for all of the region's children and families.
   Goals--The program goals should be as specified in the findings, and performance measures should be developed to assess progress toward those goals.
   Program Components--There should be two basic program components: a regional arts program and a cultural/scientific program.
   Funding Level--The funding level should be between $10-14 million depending on how much of the needed funds can be obtained from short-term strategies.
   Private Fund Matching Requirement--There should be a match requirement designed to leverage additional private funding.
   Fund Distribution--The final fund distribution will depend somewhat on how much permanent funding can be obtained from short-term strategies. Without the short-term strategies, a $14.5 million program would be needed to provide $8.5 million for the arts and $6 million for the cultural/scientific program. If the short-term strategies can finance $2 million or more of the arts needs the program funding level would need to be $12 million, with about half going to each program.
   Governance--The overall program should be administered via contract to a regional arts and cultural council that is a private non-profit entity. The organization should meet strict standards as specified in the draft ordinance and be required to meet annual performance goals.
   Administration--There should be a limit placed on the amount available for tax collection and contract administration. This amount is dependent on the particular tax used for financing. A limit should also be placed on grants administration in the contract with the arts and cultural council.

Tax Implementation--Metro should use its regional taxing authority to levy a broad based tax to finance the program.

TABLE 5

SUMMARY OF RECOMMENDATIONS

	Annual Funding Need		Recommended Revenue Source	$ Needed from New Regional Tax
PCPA	Operating	$1,137,500	Cost-cutting, efficiencies, revenue raising; restructure current 3% hotel/motel tax. Regional broad-based tax.	$0 - 1,137,500 *
	Capital	$562,000	Private capital campaign for enhancements; GO Bond for major repairs and deferred capital. Regional broad-based tax.	$0 - 562,000 *
	Program Improvements	$608,000	Regional broad-based tax.	$608,000
Total		$2,307,500		$608,000 - 2,307,500
Arts Programs		$1,300,000	Dedicate current resources (current hotel/motel tax or other resources). Regional broad-based tax.	$0 - 1,300,000 *
		$4,930,000	Regional broad-based tax.	$4,930,000
Total		$6,230,000		$4,930,000 - 6,230,000
Cultural Programs		$6,000,000	Regional broad-based tax.	$6,000,000
Total		**$14,537,500**		**$11,538,000 - 14,537,500**

* Total amount needed depends on success of short-term strategy; if short-term strategy does not generate sufficient funding, more money will be needed from the regional tax.

5. **<u>Metro should levy the broadest-based tax feasible.</u>**
The Task Force recommends that the regional arts and cultural program be funded by a regional income tax surcharge.

As indicated in the conclusion, the Task Force felt that a broad-based tax is the fairest method of financing this program. Due to the current tax structure and the political climate, the options for a broad-based tax are limited. Broad-based tax options reviewed by the Task Force include property tax, sales tax, payroll tax and personal and corporate income tax.

Measure 5 limits the usefulness of a property tax serial levy. Once local governments reach the cap imposed by Measure 5, all government levies must fit within the 10% limit. Thus, a new levy ends up taking monies from other governments.

A sales tax measure to support this program alone would have inordinately high collection costs. If a state sales tax were passed and a system for collecting the tax established, such a broad-based tax might have been the Task Force's choice with Metro simply levying a small add-on to an existing tax. This is a common funding method elsewhere.

Payroll taxes were not supported by businesses.

The personal income tax was not opposed by the business community, and as a result the Task Force examined this option carefully.

The personal income tax is progressive, flexible, and a powerful revenue generator. Low-income and disadvantaged citizens can be exempt, and the amount collected can be capped so no one pays an unfair share. The tax collection costs are minimal because the State Department of Revenue could collect it along with the state income tax.

Two examples of how an income tax surcharge might be levied are included in Table 6. The first example takes everyone on a graduated basis. The lowest tax payers are assessed $5 per year and the highest $65 per year. The second example exempts all taxpayers with an adjusted gross income level of $30,000 or less. It caps the payment at $100. In this scenario, only 37% of all taxpayers pay a surcharge.

TABLE 6

METRO FUNDING PROGRAM

Income Tax Surcharge Examples

		THREE COUNTIES				
Adjusted Gross Income Level	Average Taxable Balance	Number of Returns	Average Tax Due	Metro Surcharge Rate	Collections on Metro Tax Surcharge*	Cumulative Collections Metro Tax Surcharge
$0-10,000	$2,629	135,181	$95	$5	$608,315	$608,315
$10,000-20,000	$10,099	114,346	$570	$15	$1,543,671	$2,151,986
$20,000-30,000	$17,416	82,182	$1,158	$25	$1,849,095	$4,001,081
$30,000-40,000	$25,044	61,588	$1,766	$35	$1,940,022	$5,941,103
$40,000-60,000	$36,098	75,461	$2,690	$45	$3,056,171	$8,997,273
$60,000-100,000	$57,009	40,791	$4,538	$55	$2,019,155	$11,016,428
Over $100,000	$164,943	15,643	$13,961	$65	$915,116	$11,931,543
Totals		525,192			$11,931,543	

* Assumes 90% of income tax returns in three county area are located in Metro. Data based on 1990 State tax returns.

		THREE COUNTIES				
Adjusted Gross Income Level	Average Taxable Balance	Number of Returns	Average Tax Due	Metro Surcharge Rate	Collections on Metro Tax Surcharge*	Cumulative Collections Metro Tax Surcharge
$0-10,000	$2,629	135,181	$95	$0	$0	$0
$10,000-20,000	$10,099	114,346	$570	$0	$0	$0
$20,000-30,000	$17,416	82,182	$1,158	$0	$0	$0
$30,000-40,000	$25,044	61,588	$1,766	$50	$2,771,460	$2,771,460
$40,000-60,000	$36,098	75,461	$2,690	$70	$4,754,043	$7,525,503
$60,000-100,000	$57,009	40,791	$4,538	$90	$3,304,071	$10,829,574
Over $100,000	$164,943	15,643	$13,961	$100	$1,407,870	$12,237,444
Totals		525,192			$12,237,444	

* Assumes 90% of income tax returns in three county area are located in Metro. Data based on 1990 State tax returns.

The political feasibility of the personal income tax is its major disadvantage. In polling, it received the least support of all taxes (27%); however, we did not test the impact of exemption for low-income people, and a cap at the upper end. A strong campaign would still be needed to sell both the program and the fairness of the personal income tax. Additional polling is needed before Metro makes a final decision.

The Task Force carefully considered another option, recognizing the difficulty of passing an income tax. A food and beverage, or restaurant tax, was reviewed. It is a tax frequently used in other communities to finance arts and cultural programs. The tax was attractive since a majority of the population eat out at least once a month, and a 2% tax (20¢ on a $10 meal) would generate sufficient revenue to fund the arts and culture program.

Discussions with the restaurant industry made it clear this option faced vigorous opposition. Arguments presented in opposition to the restaurant tax were 1) an industry directed tax did not meet the Task Force's requirement to find a broad-based tax option, 2) a restaurant tax was regressive since it is not based upon ability to pay, and 3) the lack of a collection system would place an undo administrative burden on the industry.

The Task Force decided that the restaurant tax was not an appropriate tax to recommend at this time.

6. **Public Support.** Metro should acknowledge that public support for arts and culture must be increased if a regional funding measure is to be passed. It is recommended that Metro acknowledge that two separate campaigns are needed to accomplish this.

   One is a public information effort that seeks to gain a better public understanding of the value of the arts to the region's economy and quality of life. The Northwest Business Committee for the Arts has taken the leadership in developing this campaign. Metro should endorse this effort, participate cooperatively with the BCA and provide financial support where possible.

The second campaign is a political one in support of a ballot measure. This campaign must be developed and financed by advocate and business groups. Metro should require evidence that the requisite financial, political and public support can be marshaled by such groups prior to agreeing to place a specific funding measure on the ballot.

7. **<u>Next Steps--Implementation of these Recommendations.</u>**

A. Request that the Business Committee for the Arts act as the lead agency to oversee continued discussions of any taxing strategies among arts, culture, business, private supporters and governments. Metro should:
   - Appoint a Metro Councilor as liaison to the BCA effort
   - Provide funding to research specific strategies and do additional financial analyses and polling, as necessary.
   - Designate Metro staff to support the research and to participate in continued discussions.
   - Request progress reports every six months from the BCA on 1) growth in business, civic, and advocate group support; 2) growth in business contributions; 3) growth in contributions by private individuals; and 4) taxing strategies.

B. Target the election to occur no later than Fall 1995. This period of time assumes that 1-2 years is needed for the BCA to conduct a public relations campaign and 6 months to raise money for and conduct a ballot measure campaign. Metro should acknowledge that this time period may change depending on the results of polling and of efforts by the BCA and other groups to marshal support.

C. Acknowledge the Metropolitan Arts Commission as the lead agency to implement ArtsPlan 2000 Plus including the specific short term strategies for arts programs recommended in this report. Metro should:

   - Appoint a liaison Councilor.
   - Contribute an amount annually as bridge funding to meet growing needs for locally based planning, community development, program opportunities in underserved areas of Washington, Clackamas and East Multnomah Counties. These funds will bring Metro into the coalition of governments supporting regional arts development under a three to one matching grant from the National Endowment for the Arts, and enables MAC to strengthen the continued cultural planning needs in the balance of the 26 cities of the region.
   - Request that MAC make reports every six months to Metro concerning the short term strategies; continued efforts to become a regional, non-profit cultural council; incorporation of cultural programs into grant program planning; community assessments and inventories of cultural resources; progress of cooperative and collaborative programs among local arts agencies and presenters; growth in funding; and, progress toward access, increased education and stability of arts and cultural organizations.
   - Begin negotiations with Clark County to contract for services outlined in ArtsPlan 2000+ to be provided by MAC.

D. Metro should reaffirm that short term strategies for the PCPA are its own responsibility, but such strategies should fit into the overall long range future for arts and culture.

E. Metro should allocate funds to work with MAC to integrate arts and culture into Metro's long range planning efforts as it has for the Greenspaces program. This should include its work on 2040, the Future Vision Commission, the Regional Framework Plan, Light Rail Planning and its work with MPAC. The Metro Planning Department should be given responsibility for this task and staff provided to support the effort. Metro should request that MAC assist in identifying matching funds to support this integration.

F. Metro should allocate funds in support of the BCA's public information campaign for the arts. These funds should be consistent with public purposes, but should be used much like the Greenspaces Program funds are to provide the public with an appreciation of our arts and culture resources as well as knowledge about how to take advantage of opportunities for public involvement.

V. APPENDICES

M E T R O P O L I T A N A R T S C O M M I S S I O N

MEMORANDUM

November 24, 1992

To: Metro Arts Funding Task Force
David Knowles, Chair

From: Funding Needs Subcommittee
Clark Worth, Chair

Subject: Funding Needs Subcommittee:
Report & Recommendations

Summary

The Funding Needs Subcommittee has completed its work and reports to the Task Force annual (1993-94) regional arts fundings needs as follows:

Arts Programs	$ 6.23 million
Arts Facilities*	$ 2.31 million
TOTAL	$ 8.54 million

We find significant unmet funding needs across the region for arts facilities and programs. These arts fundings needs parallel, but surpass the needs which were defined earlier by Arts Plan 2000 Plus and the Metro Facilities Task Force.

We believe the region's arts funding needs, as recommended by the Subcommittee, have been carefully considered, and enjoy broad-based community support. Successful implementation of the region's vision for the arts relies upon full funding of our Subcommittee's recommended priorities.

This is not an overly ambitions "wish list," in our view. Even if the Task Force ultimately succeeds, and these needs are fully funded, public arts funding for the Portland Metropolitan area will remain modest. At best our region will rise only to the level of low average among peer communities. And the package is still very affordable -- just about the ticket price of one movie per resident annually.

The attachments detail the arts funding needs identified and recommended by the subcommittee.

* PCPA only

Funding Needs Subcommittee

A list of Funding Needs Subcommittee members is attached, along with the resource persons who attended regularly and participated in our fact-finding. On behalf of the Subcommittee, I want to express thanks in particular to: Pam Erickson, Sherry Oeser and Jane Poppel of Metro; Bill Bulick and Donna Milrany of Metropolitan Arts Commission; Robert Freedman of Portland Center for Performing Arts; and Tom Wolf. We could not have completed our work without the help they provided from meeting to meeting.

Our Subcommittee began meeting in June, and we finished our work five months later, on November 19. The starting point for our research was to review the needs identified earlier by Arts Plan 2000 Plus and the Metro Facilities Task Force. We first clarified the needs pinpointed in these earlier studies, then updated and expanded upon them. At each stage, we sought to focus on the most critical needs.

In the end, the Subcommittee agreed on the statement of arts funding needs which follows.

Arts Facilities Needs

Beginning with the work of the earlier Metro Facilities Task Force study of the Portland Center for the Performing Arts (PCPA) the Subcommittee updated the figures and expanded the estimates to include items which had not been covered earlier, including:

- Reduced rent and user fees for PCPA tenants.
- Marketing and programming costs.
- Reduced ticket surcharge.

The PCPA's annual funding needs a total of $ 2.31 million (See Table 1). This includes fully funding all capital projects listed in the PCPA's ten-year capital plan (See Table 2).

Beyond the PCPA, the Subcommittee explored the capital needs for other arts facilities not currently operated by Metro and MERC. Portland Art Museum's needs total $ 6.64 million (See Table 3). A number of other potential long-term regional arts facilities needs have also been identified -- but detailed plans and cost estimates are not available at this time.

Arts Program Needs

Again, the starting point for the Subcommittee's study was Arts Plan 2000 Plus. After each individual proposed program was scrutinized, the AP2+ budget was modified to:

- Expand the dollar amount and share of regional funds invested directly in outlying communities.
- Provide additional funds that would raise the level of public support for the major arts organizations from about 5% of their budgets (in Arts Plan) to 10%

of budgets -- in keeping with peer communities across the U.S.

- Fund a long-range facilities planning program to evaluate the feasibility of newly proposed arts facilities.
- Provide support to arts organizations operating their own facilities (e.g., Art Museum).
- Fund a small fellowship program for individual artists, along the lines of similar programs operated by National Endowment for the Arts (NEA) and Oregon Arts Commission (OAC).

Arts program needs identified by the Subcommittee total $ 6.23 million annually (See Table 4).

Other Regional Cultural and Scientific Funding Needs

Our Subcommittee received an added assignment late in our fact-finding process. In the light of the Task Force's interest in developing a possible regional "quality of life" funding measure, we were asked to explore funding needs for cultural and scientific facilities and programs beyond the arts-related focus of our charge.

In response, we have developed a list of these other potential needs to be considered by the Task Force. The list includes new programs/facilities, expansions of existing programs/facilities, and continuation of programs where current funding is threatened.

A total of $ 40.3 million in annual ongoing needs and $ 403.5 million in one-time needs has been identified (See Table 5).

I will underscore that our Subcommittee is not prepared to recommend that any of these specific funding needs be included in a regional funding proposal. In fact, it seems probable to us that any funding measure will not be able to accommodate all of these needs.

While we're not recommending a specific list of funding needs to be met, we have prepared a set of criteria which might help the Task Force set priorities (Enclosed).

What's Missing?

While our report and recommendations covers the bulk of regional arts funding needs (plus some others), we believe that our report does not fully address two areas of needs. First, we were unable to compile complete information on the Art Museum's long-term capital needs. There may be immediate and/or long-term capital needs beyond the figures shown in our report. Also, we do not yet have a complete picture of Clark County's arts program and facilities needs.

Further research is needed to better define these needs for the Task Force.

CW/mah

PCPA Annual Funding Needs Notes

PCPA Operational Support

This amount represents the estimated deficit for the 1993-94 fiscal year.

Reduced Rent to Non-Profit Arts Organizations

During the past year, PCPA and MERC management adopted a new three-tier rental rate policy for organizations using the facility. Separate rates are in place for major tenants, other non-profit arts organizations, and commercial groups.

Capital Improvements

Renewal and replacements are defined as basic maintenance. Enhancements include program upgrades and major capital needs. The amounts listed here represent an annualized need based on a nine-year project list which is attached.

Reduced User Fee

While the change in rent structure addressed much of the concern about the high cost of using the PCPA, the overall funding package desired by arts organizations was $750,000, achieved by reducing both user fees and rent. This reduction to the user fee recognizes the need to further reduce the costs of the use of the PCPA to non-profit organizations, and represents approximately a 30% reduction in user fees.

Marketing

Both the Arts Plan 2000+ and Metro's Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts and Spectator Facilities recognized the need for additional marketing efforts of the PCPA, both to enhance the image of the facility on a region-wide basis and to support the programs of tenant organizations.

Education Coordination and Programming

Again, both studies cited above recognized the growing need for arts education programs. This funding would enhance activities already in place (such as the summer educational workshops begun this past summer) and assist marketing and coordinating educational programs offered by resident/tenant companies. Such coordination can offer marketing efficiencies and a more effective delivery of program services.

Presentation/Programming

This amount is a net annual loss that might be experienced by the PCPA taking a more active role as a "presenter" of events, similar to the Hult Center in Eugene and many other performing arts centers. The idea is to carefully choose events that would complement and enhance the activities of resident/tenant companies. Particular attention would be paid to the kind of events that are currently bypassing Portland such as some jazz, family shows and Broadway shows.

Additional Support Staff

Staff positions that could be added include a Development Director, part-time Educational Coordinator, additional assistance in the Booking and Scheduling area, a full time Stage Hand for the New Theatre Building, and additional clerical support.

PCPA Overhead Reimbursement

Currently the PCPA charges a 25% overhead charge to users of all paid staff that are billed to the user. This amount would reduce the overhead charge to 20%, more accurately reflecting the direct costs of labor.

PCPA Ticket Service Charge

Currently, it is the practice to charge customers a service charge for purchasing tickets at PCPA box offices. This proposal eliminates the service charge for tickets for an event at any PCPA theatre. Service charges would still be charged to customers when purchasing tickets at other outlets or over the phone and for tickets sold for other venues such as Memorial Coliseum, Civic Stadium, and the Tacoma Dome.

PORTLAND CENTER FOR THE PERFORMING ARTS
Capital Projects Summary 1992-2001

ITEM#	DESCRIPTION	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	TOTAL
	REPAIRS/REPLACEMENTS										
1.	Dressing Room Renovation, CA	5,000	5,000	10,000		15,000					35,000
2.	Hallway Carpeting, CA		12,000	13,000	60,000	30,000					115,000
3.	Control Booth, CA										
4.	Stage Dimmers, CA	50,000	100,000	50,000							200,000
5.	Luminaries, CA					25,000				30,000	55,000
6.	Video Monitoring System, CA	43,000					10,000				53,000
7.	Exterior Painting, CA	24,000	24,000								48,000
8.	Reupholster seating, CA	40,000	60,000	80,000				50,000			230,000
9.	Elect., Mech., Plumbing, CA	15,000	10,000	15,000	15,000	10,000	20,000	20,000	20,000	20,000	145,000
10.	Top Coat Roof, CA		25,000							20,000	45,000
11.	Energy Retrofit, CA	10,000		10,000		10,000					30,000
12.	General Remodel, CA	10,000				20,000			50,000		80,000
13.	Sound System Upgrade, CA				50,000				25,000		75,000
14.	Reel to Reel Tape Machine, CA				5,000					5,000	10,000
15.	Lighting Board CA										
16.	Asbestos Abatement CA						50,000				50,000
17.	Carpet Cleaner				5,000					5,000	10,000
18.	Stage Drapes, CA				20,000					25,000	45,000
19.	Revamp Front House Light Sys, CA										
20.	Front House Furniture, CA							20,000			20,000
21.	Restroom Remodel, CA				20,000					10,000	30,000
22.	Front House Drapes, CA					25,000					25,000
23.	Hallway Carpeting, ASCH			25,000		30,000					55,000
24.	Elect., Mech., Plumbing, ASCH	10,000	10,000		15,000	15,000	10,000	10,000	15,000	15,000	100,000
25.	Top Coat Roof, ASCH				20,000					20,000	40,000
26.	Energy Retrofit, ASCH										
27.	Flooring Replacement, ASCH							15,000			15,000

PORTLAND CENTER FOR THE PERFORMING ARTS
Capital Projects Summary 1992-2001

ITEM#	DESCRIPTION	FY 92-93	FY 93-94	FY 94-95	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	TOTAL
	Renewals and replacements										
28.	General Remodel, ASCH	20,000					25,000				45,000
29.	General remodel, NTB				25,000		50,000	15,000			90,000
30.	Energy Retrofit, NTB			20,000				20,000			40,000
31.	Elec., Mech., Plumbing, NTB	15,000	15,000		10,000	10,000	15,000	15,000	15,000	15,000	110,000
32.	Integrated Computer System, NTB				15,000				20,000		35,000
33.	Top Coat Roof, NTB	10,000			5,000					5,000	20,000
	TOTAL REPAIRS/REPLACEMENTS	252,000	261,000	223,000	265,000	190,000	180,000	165,000	145,000	170,000	1,851,000
34.	Reroof, CA				200,000						200,000
35.	Replace Lobby Carpet, CA		50,000								50,000
36.	Graphics & Signage, CA			100,000							100,000
37.	Accoustical Remodel, ASCH		100,000								100,000
38.	Redesign Stage, NTB		100,000								100,000
39.	Complete Rehersal Hall, NTB			1,000,000							1,000,000
40.	Stage Material, ALL		50,000			50,000				50,000	150,000
	TOTAL IMPROVEMENTS/ENHANCEMENTS		200,000	1,100,000	200,000	50,000				50,000	1,600,000
											1,7
	GRAND TOTALS	252,000	461,000	1,323,000	465,000	240,000	180,000	165,000	145,000	220,000	~~3,451,000~~

Redesign Seating, ASCH 1,500,000

1,500,000

3,551,000
Combined Total = ~~3,451,000~~
1,500,000

TABLE 2

OTHER FACILITIES IN THE PLANNING OR CONCEPTUAL STAGE

ArtsPlan acknowledged the aspirations of communities around the region to build and/or renovate facilities, from the Portland Art Museum to the Mount Hood Cultural Center. Below is a list of those facilities:

(Capital and annual operating expenses were not available for most projects on this list.)

Arts Component in future Union Station/River District Project
Portland Art Museum upgrade ($1.5 million)
Portland Art Museum Masonic Temple purchase/renovation ($5.1 million)
Portland Art Museum Expansion
Beaverton Arts and Community Center
Beaverton Outdoor Amphitheater
Mount Hood Cultural Center
Albina Community Arts Center
Artists' Initiative Contemporary Project Space
Classical Chinese Garden and Museum
Willamette River Band Shell/Outdoor Theatre
Artists live, work and exhibition space (loft renovation) could occur in many parts of the region
Hillsboro Arts Center/Expansion of Washington County Fairplex
Fox Theatre purchase and renovation
Tualatin Commons Cultural Center
Tears of Joy Puppet Theatre/Vancouver, Washington
Shared space for smaller theaters and other non-profits
Yamhill Market renovation for use as mutli-cultural artisans marketplace

Sources: Wolf/ArtsPlan Reports, Community Meetings

TABLE 3

PORTLAND ART MUSEUM CAPITAL NEEDS

Repair and Replacement		$320,000
Roof repair to Museum	$150,000	
Auditorium furniture and equipment	100,000	
Landscaping	25,000	
Exterior repairs	45,000	
	$320,000	
Enhancements		$6,322,000
Climate control system	$1,100,000	
Ventilation system	122,000	
Masonic Temple/parking lot purchase and upgrade	5,100,000	
	$6,322,000	
		$6,642,000

EXPLANATION OF LINE ITEMS

Operating grants for large organizations--MAC's current level of support for the 15-20 organizations with budgets over $100,000 is 2% of operating budgets. ArtsPlan recommended 5%; the Subcommittee recommends 10%.

Community programs outside of Portland--This category is for community programs in Washington and Clackamas counties as follows: Annual Operating Support for Local Arts Councils: $330,000; Community Assessment/Priority Planning $40,000; Special Local Community Initiatives $100,000; Community Project Grants $60,000; Urban/Suburban Touring Collaborations, $300,000; and Arts Education in Local Communities $125,000; and staff support.

Grants to small arts organizations--Funding for small organizations, multi-cultural groups, artists, neighborhood groups and for publicly accessible events and one-time projects.

Multi-cultural outreach--grants to commission works of multi-cultural artists, support for audience development, publication of professional development information.

Arts in education--Grants to local arts councils and other groups for curriculum development, teacher training, field trips; artists in residence, and awards for excellence.

Business management assistance--Provision of training, support for shared office space and other office services, salary assistance for small and emerging organizations.

Audience outreach and marketing--grants for free and low cost events, marketing and audience development collaboration grants.

Facilities planning support--Funding for development of new or enhanced facilities: $20,000 for technical assistance for initial planning; $80,000 for feasibility studies; $100,000 matching grants for capital/operating support; and, $60,000 for staff and overhead.

Grants to non-PCPA facilities--rent relief to arts organizations that operate in non-PCPA facilities.

Individual artists programs--a fellowship program, $100,000; funds for special projects, $50,000; support for an artists organization, $5000, and a marketing/product development program, $10,000.

Regional Arts Council overhead--cost to Council for administration of all programs.

TABLE 5
OTHER REGIONAL/SCIENTIFIC CULTURAL FUNDING NEEDS CHART

PROGRAM	ANNUAL OPERATING NEEDS	ONE-TIME CAPITAL NEEDS
CURRENT PROGRAMS - PUBLICLY OWNED AND OPERATED		
Zoo*	$3,000,000	$38,000,000
Libraries		
*Clackamas County***	$5,010,000	$10,000,000
*Multnomah County** ***	$20,400,000	$30,000,000
*Washington County***	$6,850,000	$0
Oregon Public Broadcasting	$2,400,000	$0
Civic Stadium	$379,830	$0
Memorial Coliseum	$0	$2,000,000
Oregon Convention Center	$0	$60,000,000
TOTAL:	$38,039,830	$140,000,000
CURRENT PROGRAMS - PUBLICLY OWNED/PRIVATELY OPERATED		
Children's Museum*	$500,000	$7,300,000
TOTAL:	$500,000	$7,300,000
CURRENT PROGRAMS - PRIVATELY OWNED AND OPERATED		
OMSI	TBD	$5,000,000
Oregon Historical Society*	$700,000	$0
TOTAL:	$700,000	$5,000,000
NEW PROGRAMS - PUBLICLY OWNED AND OPERATED		
Greenspaces	$750,000	$200,000,000
End of the Oregon Trail	$350,000	$38,500,000
TOTAL:	$1,100,000	$238,500,000
NEW PROGRAMS - PRIVATELY OWNED AND OPERATED		
Native American Cultural Center	TBD	$4,191,000
Wash. Co. Hist. Society Territorial Farm	$0	$8,500,000
Lewis & Clark 2005 Project	TBD	TBD
TOTAL:	$0	$12,691,000
GRAND TOTAL:	**$40,339,830**	**$403,491,000**

* Faces critical funding problem within five years; possible closures, substantial curtailment of programs.

**These are total operating budgets. Each is funded by a serial levy and other local funds. Total cost of the three serial levies is $16.1 million (see Explanations).

TDB = To be Determined. OMSI estimate expected in 1-2 weeks, others are unknown.

REV. 11/23/92

EXPLANATIONS

CULTURAL/SCIENTIC PROGRAMS:

Metro Washington Park Zoo--The Zoo was granted a tax base by the voters in 1990, but due to Measure 5 is unable to use the entire tax base. As a result, they are drawing down a fund balance. For 1992-93, the beginning fund balance was $4.7 million and the ending balance was expected to be $4.1 million. Since the tax base is regional, it may be further constrained as Clackamas and Washington counties reach the cap. The fund balance is expected to last about three to five years depending on how other revenue sources fair. Therefore, it would appear that the Zoo may be short as much as $1 million per year. The property tax revenue constitutes 27.5% of revenue with a budget of $17 million. As part of a package, the Zoo Director suggests that their Animal Management function be funded as it is always difficult to raise funds for it. That cost would be $3 million per year.

The Zoo has some unfunded capital projects associated with the new light rail station. The Zoo and the other attractions at that location (OMSI and the World Forestry Center) will be assessed $2 million as their contribution which will likely come from current Zoo operating funds. Other costs associated with the light rail involve reconstructing the parking lot, reorienting the Zoo entrance to align with the new station, and landscaping costs. The Zoo is developing a new masterplan. This plan calls for a 25-year, 5-phase approach for further development of the Zoo. The first phase would include the entrance realignment and a new Oregon Exhibit with total construction costs estimated at $36 million. Costs for the parking lot reconstruction are estimated at $2 million, for total capital needs of $38 million. A possible source of funds to pay for a portion of these costs are parking fees that would be assessed to visitors.

Source: Metro 1992-93 Budget, Metro Financial Planning Manager, Chris Scherer; interview with Sherry Sheng, Zoo Director, and Kay Rich, Assistant Director.

Libraries

	Serial Levy		Other Funds	Total Operating Budget
Clackamas	$ 3,230,000		$ 1,780,000	$ 5,010,000
Multnomah	8,200,000	*	7,800,000	16,000,000
Washington	4,700,000		2,150,000	6,850,000
	$16,130,000		$11,730,000	$27,860,000

* Without Measure 5 cap, levy would have generated $10.3 million.

Clackamas County--Clackamas County has a cooperative library system with 10 city libraries and 3 county branches in the unincorporated areas. Operations are financed by a county-wide Library Serial Levy and local funds. For the most recent fiscal year (91-92), the total budget was $5,010,000. Of this amount, $1,780,000 came from city tax revenues and the remainder ($3,230,000) was raised by a serial levy. The current 3 year rate-based (.29/1,000) levy expires June 30, 1994. If the levy is not renewed at that time, some city libraries would close and most others would be in a funding crisis.

In the current fiscal year, the estimated revenue raised by the library serial levy will be $3,698,987. Distribution is estimated as follows: network services - $808,568; to cities - $1,855,526; to County Library branches - $1,034,893. County Library operations are in leased facilities with a need to locate to a full service library in the Sunnyside area at an estimated cost of between $5 to $10 million (pending actual site location and design requirements). City libraries are owned and developed by city governments with varying levels of capital need for remodeling or replacement.

Source: Joanna Rood, Administrator, Library Information Network of Clackamas County.

<u>Multnomah County</u>--The library's 1991-92 budget was $16 million which represents curtailed operations. Full operation would cost $20 million. Funding sources are the county general fund ($5 million), a three year serial levy ($8.2 million) and other funds. Without Measure 5 the levy would have generated $10.3 million. The levy runs out in 1993. As a replacement tax the county has levied a utility tax, which was recently referred and will go to the voters in March 1993. If the tax is defeated, a critical shortfall will exist. Capital funds in the amount of $29.6 million are needed to renovate and repair the Central Library and replace the Midland Branch. The utility tax is intended to fund that as well.

The downtown library is used by citizens from the entire region and from other counties as well. A regional system exists for checking out books whereby other counties are charged for check-outs. Below are the estimated charges to Clackamas and Washington counties for FY 92-93:

Washington County--$42,865 Clackamas County--$70,528

It is possible that these figures may double as the charging agreement is currently under review by a committee and may undergo changes. The cost of reference and other services used by people outside Multnomah County is currently being born by the county. Restrictions may be implemented.

Source: Presentation by Ginny Cooper and the Library Board to the Regional Funding Task Force 6/16/92.

<u>Washington County</u>--Washington County has a cooperative library system that is financed by local and county funds. For the most recent fiscal year the total budget was $6.85 million. Of the total, $4.7 million came from a 3 year serial levy and the remainder from local funds (primarily city tax revenues with a small amount raised privately). This March the county will go for a new serial levy. Currently, their levy is 45 cents per thousand. Due to the large increase in assessed valuation in Washington County they are able to lower their request to 40 cents per thousand. If the levy does not pass, there will be a critical need. There are no current unfunded capital needs.

Source: Peggy Forcier, Administrator, Washington County Cooperative Library System.

Oregon Public Broadcasting--Oregon Public Broadcasting is Oregon's public television and radio network. Its mission is to improve the quality of life for all Oregonians by providing radio, television and other telecommunications services that inform and educate. State funding has decreased substantially during the past decade. In the early 1980s, the state provided about 65% of OPB's funding. For the 1993-94 fiscal year, state funding is estimated to be about 20% of OPB's budget. Because of Measure 5 cuts, a proposal to make OPB a private non-profit is now under consideration. The $2.4 million identified here is about 20% of OPB's budget.

Source: Oregon Blue Book, 1991-92; Kim Duncan, Oregon Public Broadcasting.

Civic Stadium--Capital is included in operating cost. A higher estimate for capital was used to include an annual average of all needs for the next nine years. Included is anticipated turf replacement at a cost of $1 million.

Memorial Coliseum--The $2 million is an estimate for improvements needed to meet the new Seismic Code. Other improvements are part of the Trail Blazer deal.

Oregon Convention Center--Expansion for the Oregon Convention Center would cost an estimated $60 million.

Children's Museum--The Children's Museum was formerly owned and operated by the City of Portland Parks Bureau. Presently, the building is owned and maintained by the city, but the program is operated by a private non-profit. For the year 1990-91, the City provided $398,195 (general fund and rent allowance) out of a total operating budget of $773,454. The Museum has a critical capital problem in that they will need to meet ADA standards by July 1, 1994. An assessment of costs is currently underway, but is likely to be expensive if it is even possible. The building is old (1905) with narrow halls. Even if it can be renovated, there is the additional need to meet seismic codes that may not be possible nor economically feasible. Plans for a new building that would have cost $7.3 million over four years were abandoned due to inability to raise sufficient private funds. The city's general fund support may be at risk depending on the city's future budget position. Attendance at the Museum has grown to 133,500 visitors which is twice the attendance 10 years ago.

Source: Children's Museum Annual Report, 1990-91, and interview with Director Bob Bridgeford.

OMSI--OMSI has already exceeded their target for their most recent capital campaign. They will begin a new one for $5 million to finish some of the aspects of the new site. Ticket prices have been set at $6.50 for adults and $4.00 for children. There are additional charges for the Omnimax and Planetarium shows. Operating costs are to be funded by meeting targets for attendance. Although it is difficult to project based on a few weeks since opening, they are not yet meeting targets. A deficit seems likely at this point. Parking is insufficient and people are staying longer which exacerbates the parking problem. They are presently working on trying to finance two or three days a year where admission is one-half price. The cost per each half-price day is $7,000-10,000. They have extensive education programs for children, some of which may be affected by Measure 5. A total of 80,000 school children visit via field trips. The schools must pay a group fee for this activity. It is likely that this funding will be reduced or eliminated in a lot of schools. In addition, the state Department of Education provides some funding for programs. Whether this will continue is unknown.

Source: Marilyn Eichenger, Director; Dottie Wilson, OMSI Development Director.

Oregon Historical Society--The Society maintains the state's historical collections and research center. This center provides the research on historical authenticity that supports museums, tourist attractions and commemorative events. While this is a statewide function, an estimated 85% of the service is in the Metro region. The research function, which represents 25% of their operation, is financed by the state. This function has suffered from cuts due to Measure 5. The Society lost $236,000 in state general fund dollars in the 1991-93 biennium (or $118,000 per year). For the next biennium, the Governor's budget will most likely eliminate all of their funding. This amounts to about $700,000 per year, or 25% of their total budget.

Source: Interviews with Chet Orloff, Society Director, and Myron Roberts, Finance Director.

Greenspaces--The Metropolitan Greenspaces program is a program to preserve wildlife habitat and open spaces for the Region. The $200 million general obligation bond measure on the November ballot did not pass. It will likely be placed on a future ballot. At present, no funds are available for maintenance of the land once purchased. A recent study of the cost of maintenance for two options--"land banking" and "basic maintenance"--suggested that the cost for land banking will reach $282,000 by the year 2000 and basic maintenance will be at $759,000; the cost will continue to rise as land is acquired. Various possibilities are being explored as a source of funds.

Source: Metro Financial Planning Manager, Chris Scherer, and Financial Study conducted by Public Financial Management, Inc.

End of the Oregon Trail--The total capital cost for this project is currently estimated at $46.5 million. Of that amount, Metro intends to place a general obligation bond measure on a future regional ballot to finance construction of the project. Federal, state and private funds will make up the difference. Operational support needed is currently estimated at $350,000. While no source has been dedicated, the mostly likely source is revenue from the County's recently restructured hotel/motel tax.

Source: End of the Oregon Trail Masterplan, Letter of Request from Clackamas County regarding regional funding of the project.

Native American Cultural Center--The American Indian Association of Portland Cultural Center is a proposed facility of 18,100 square feet to be built at Delta Park on land owned by the City of Portland. It will include a community center for gatherings and events, and a learning center with an arts program room, gallery and rentable studios.

Source: Stastny & Burke: Architecture.

Washington County Historical Society Northwest Crossroads Village and Farm-- This is a major part of the Historical Society's long range plan. Over a period of ten years, they plan to recreate the village of Glencoe (near North Plains) and a small farm. It will be a living history exhibit circa 1890-1920. The focus will be on the history of agriculture. Financing will come through an $8.5 million private fundraising campaign. Of that total, $3 million will be for an endowment which will be the source of operating support. The $8.5 million does not include land acquisition, as it is anticipated that this can be acquired through donations.

Source: Joan Smith, Executive Director.

Lewis and Clark 2005 Project--This is a project that is only in the conceptual stage at this point. The idea is to celebrate the 200th anniversary of the Lewis and Clark Expedition by inviting the best intellectual and artistic talent in the world to Portland for a brief period of time. For that time, Portland would be the intellectual and artistic center of the world. It would be a gathering place for lectures, concerts, exhibits of art, science history; opportunities would exist to show off Oregon's accomplishments and natural beauty.

Source: Interview with Chet Orloff, Oregon Historical Society.

12/1/92

To: Regional Funding Task Force
David Knowles, Chair

From: Revenue Strategy Subcommittee
Jerry Drummond, Chair

Date: January 29, 1993

Subject: Revenue Strategy Subcommittee Recommendations

The Revenue Strategy Subcommittee has two basic recommendations:

1. A response to the original charge of identifying a financing mechanism for arts programs and facilities. This consists of funding options for a core arts program at the dollar level recommended by the Funding Needs Subcommittee.

2. An alternative approach that the Subcommittee presents as its preferred option. This is an expanded cultural/scientific program proposal. The proposal includes a draft program ordinance, a recommended package of organizations and institutions to be funded and a series of financing options.

The development of a preferred option was influenced by a recognition that other cultural and scientific programs in the region have needs that are equal to those in the arts. It just makes sense to propose a comprehensive, coordinated means of addressing those needs.

SUMMARY OF RECOMMENDATIONS:

1. Recommendations for Funding a Core Arts Program only ($8.54 million) — The sub-committee forwards two options for consideration: a 6% Admissions Tax plus 0.15% income tax on taxable income over $60,000 (plus corporate tax) and a 0.12% income tax on taxable income over $40,000 (plus corporate tax). The latter is our preferred option.

2. Proposal for a Broad-Based Cultural and Scientific Program — The sub-committee developed a draft program design that has access to cultural programs and education for the region's children and families as its central purpose. It also aims to limit administration and bureaucracy, guarantee funds for local programs and specify program funding through percentage allocations.

3. Program Package Options — From an inventory of the region's cultural and scientific programs, the sub-committee proposes three package options, all of which are considered viable. The preferred option includes funds for the arts, the zoo, libraries, the Children's Museum, OMSI, Oregon Historical Society, and End of the Oregon Trail.

4. Finance Options for a Cultural/Scientific Program — The sub-committee presents three possible taxes to fund a cultural package: sales, income, payroll. The sub-committee recommends an income tax which excludes income under $20,000 (taxable income) and includes a corporate income tax.

I would like to thank all of the committee members for their time, their helpful comments and the energy they devoted to this task. I believe the approach we are recommending is both workable and one that will ultimately benefit our region for generations to come.

RECOMMENDATIONS FOR FUNDING A CORE ARTS PROGRAM

Using the Funding Needs Subcommittee recommendations for funding the arts programs and facilities, the following tax options would raise approximately the amount of money needed which is $8.54 million per year.

1. Restaurant Tax — a 1.25% tax generates $10.4 million, sufficient to pay for programs as well as cost to administer tax. This tax is a common source of funding for the arts. It is justified because the arts generate spending in restaurants by bringing in touring companies and visitors to event locations. It would add $.12 to a $10.00 meal. (See Table 1).

2. Admissions Tax plus Hotel/Motel Tax Increase — 7.09% tax on paid events and movies generates $2.1 million plus a 5% increase in Hotel/Motel tax generates $7.6 million for a total of $9.8 million. (The Admissions Tax would replace the current user fee at the PCPA and Stadium. It would exclude the Coliseum and new arena because a comparable tax will be in place at those facilities). Both of these taxes are commonly used to support the arts. The tax would add $.43 to the price of a $6.00 movie ticket. The hotel/motel tax would increase to 14% in Multnomah County, 12% in Washington and 11% in Clackamas versus a national average of 10%. (National average on sales tax plus lodging tax = 10%). (See Table 2).

3. Admissions Tax plus Income Tax — A 6.03% admissions tax on movies and other paid events generates $1.8 million. A 0.15% income tax on <u>taxable income over $60,000</u> plus a corporate income tax generates $8.1 million for a total of $9.9 million. Under this scenario, the price of a $6.00 movie ticket is $6.36 and the tax on $60,000 taxable income is $89.41. The combination taxes users of entertainment programs and those in higher income brackets (only 11% of all those filing returns are taxed). (See Table 3).

4. Income Tax — a 0.12% tax on <u>taxable income</u> over $40,000, plus corporate income tax generates $9.6 million. This option taxes those in higher income brackets who are more likely to be the users of arts facilities and programs. The additional tax per return on an income of $40,000 would be $48. (See Table 4).

5. Sales Tax — a 0.15% tax exempting food and drugs nets $10.7 million. It would add 1¢ to a $10 purchase. Cost of administration is estimated at $1.1 million. (See Table 5).

<u>Discussion</u>

Use of the sales tax is not large enough to justify the high cost of implementation. An income tax may be salable if the benefits are clear to those who are to be taxed. By taxing those over $40,000 taxable income, you tax only the top 25%; therefore, it leaves the majority tax-free. All corporations would be taxed under this scenario.

<u>Recommendation</u>

It is the committee's assessment that options 1 and 5 are not feasible due to the high cost of implementation and collection. If the state should implement a sales tax, that assessment would change and the sales tax might become the preferred option. Given the current situation, the subcommittee recommends options 2, 3 and 4 for consideration with #4 being the preferred option.

CORE PROGRAM FUNDING
Table 1.

Funding From Restaurant Tax

Source of Tax Revenues	Restaurant Receipts
Estimated 1991 Revenue:	$1,323,263,000.00
Metro Adjustment Factor (% of Revenue produced in Metro):	90%
Est. Revenue Produced in Metro:	$1,190,936,700.00
Est. Non-Alcohol Revenue:	70%
Est. Metro Taxable Revenue:	$833,655,690.00
Target Collections:	$8,540,000.00
Est. Cost of Administration (1):	$811,724.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$10,390,805.00
Tax Rate Necessary for Target:	1.25%
Added Cost to a $10.00 Meal:	$0.12

(1) Assumes $500,000 base administration cost and point of sale retains 3% of tax levied.

CORE PROGRAM FUNDING
Table 2.

Admissions Tax / Hotel Motel Tax Combination

Source of Tax Revenues	**Admissions Charges to Events**
Estimated 1991 Revenue:	$30,000,000.00
Metro Adjustment Factor (% of Revenue produced in Metro):	100%
Est. Revenue Produced in Metro:	$30,000,000.00
Target Collections:	$1,650,000.00
Est. Cost of Administration (1):	$263,793.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$2,126,437.00
Tax Rate Necessary for Target:	7.09%
Tax on a $6.00 Movie Ticket:	$0.43

Source of Tax Revenues	**Charges for Hotel/Motel Occupancy**
Estimated 1991 Revenue:	$158,881,250.00
Metro Adjustment Factor:	95%
Est. Revenue Produced in Metro:	$150,937,188.00
Target Collections:	$6,890,000.00
Est. Cost of Administration (2):	$0
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$7,655,556.00
Added Tax Rate Necessary for Target:	5.07%
Tax on a $50.00 Room Bill:	$2.54

Total Target Collections:	**$8,540,000.00**
Gross Levy Necessary:	**$9,781,992.00**

(1) Assumes $200,000 base administration cost and point of sale retains 3% of tax levied
(2) Since there is a collection system in place, there would be no additional cost to collect a larger percentage. However, it is likely that Metro would share in current collection costs.

CORE PROGRAM FUNDING
Table 3.

Admissions Tax / Personal ($60,000 and Over) and Corporate Income Tax

Source of Tax Revenues	**Admissions Charges to Events**
Estimated 1991 Revenue (1):	$30,000,000.00
Metro Adjustment Factor (% of Revenue produced in Metro):	100%
Est. Revenue Produced in Metro:	$30,000,000.00
Target Collections:	$1,375,000.00
Est. Cost of Administration (2):	$254,310.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$1,810,345.00
Tax Rate Necessary for Target:	6.03%
Tax on a $6.00 Movie Ticket:	$0.36

Source of Tax Revenues	**Personal and Corporate Income**
Estimated 1990 Revenue (3):	$6,019,017,212.00
Metro Adjustment Factor (% of revenue produced in Metro):	90%
Est. Revenue Produced in Metro:	$5,417,115,491.00
Target Collections:	$7,165,000.00
Est. Cost of Administration:	$100,000.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$8,072,222.00
Added Tax Rate Necessary for Target:	0.15%
Tax on $60,000 Taxable Income:	$89.41

Total Target Collections:	**$8,540,000.00**
Gross Levy Necessary:	**$9,882,567.00**

(1) Excludes PCPA, Stadium, Coliseum and new arena because they all have or will have a user fee comparable to a 6% tax.
(2) Assumes $200,000 base administration cost and point of sale retains 3% of tax levied.
(3) Reflects an estimated $1.1 billion in corporate taxable income and $4.919 billion in personal taxable income. Tax imposed only on taxable income over $60,000.

CORE PROGRAM FUNDING
Table 4.

Funding From Personal ($40,000 and Over) and Corporate Income Tax

Source of Tax Revenues	**Personal and Corporate Income**
Estimated 1990 Revenue (1):	$8,739,280,096.00
Metro Adjustment Factor (% of revenue produced in Metro):	90%
Est. Revenue Produced in Metro:	$7,865,352,086.00
Target Collections:	$8,540,000.00
Est. Cost of Administration:	$100,000.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$9,600,000.00
Tax Rate Necessary for Target:	0.12%
Tax on a $40,000 Taxable Income:	$48.00

(2) Reflects an estimated $1.1 billion in corporate taxable income and $7.639 billion in personal taxable income. Tax imposed only on taxable income over $40,000.

CORE PROGRAM FUNDING
Table 5.

Funding from Retail Sales Tax
(Food and Drug Purchases Exempted)

Source of Tax Revenues	**Retail Sales**
Estimated 1991 Revenue:	$8,160,344,000.00
Metro Adjustment Factor (% of revenue produced in Metro):	90%
Est. Revenue Produced in Metro:	$7,344,309,600.00
Target Collections:	$8,540,000.00
Est. Cost of Administration:	$1,070,345.00
Est. Collection Rate (% of levy collected):	90%
Gross Levy Necessary:	$10,678,161.00
Tax Rate Necessary for Target:	0.15%
Tax on $10.00 Taxable Purchases:	$0.01

(1) Assumes $750,000 base administration cost and point of sale retains 3% of tax levied.

PROPOSAL FOR A BROAD-BASED CULTURAL AND SCIENTIFIC PROGRAM

The attached program represents the committee's preferred solution to the problem of long-range funding for the arts. The solution takes a broader view to encompass a wider variety of cultural and scientific programs. It takes as its public purpose, access and education for the region's citizens and children. The attached proposal is a draft. It is recognized that many of the details will change and that there are sections left incomplete to permit negotiation on the governance issue with the appropriate government entities. However, it is recommended that the following principles currently embodied in the program proposal be retained:

- Central program purpose — access to cultural programs and education for the region's children and families
- Limit on use of funds for administration
- Minimize bureaucracy, decision-making layers, complex funding mechanisms
- Specify which programs will get how much through the use of percentage allocations and formulae
- Provide a mechanism by which other counties or jurisdictions outside Metro's boundaries can join or enjoy some of the benefits via contract
- Provide a mechanism to permit reaffirmation/reauthorization of the program and to adjust to changing needs
- Provide a guaranteed portion of funds for local programs
- Utilize Metro's regional jurisdiction and taxing power
- Use a broad-based tax

It should be emphasized that none of the programs mentioned in this proposal have formally agreed to join the program. Informal discussions have taken place with all of them, but no decisions have yet been made. Once the Task Force finalizes its recommendations, formal steps can then be taken to form a coalition of organizations.

DRAFT ORDINANCE FOR A BROAD-BASED CULTURAL/SCIENTIFIC PROGRAM

Section 1. Title
Entitle the program the Columbia-Willamette Cultural Investment Program to broadly reflect the metropolitan region around the Columbia and Willamette rivers and to reflect its purpose as a public investment mechanism for cultural programs.

Section 2. Purpose
The purpose is to ensure that all citizens of the region have access to cultural programs and that the region's children have opportunities for cultural education.

The funds are designed to further the following public policy goals:

A. Enhance the economic development of the region through cultural job creation, visitor attractions, and cultural programs which attract new businesses.

B. Ensure that all citizens have access to regional cultural programs.

C. Ensure that all children have cultural education opportunities.

D. Stabilize and strengthen the region's cultural organizations.

E. Promote cultural diversity in programming, education, audience, leadership and participation.

F. Promote an environment for innovation, creativity and artistic excellence.

Section 3. Declaration of Need
A statement such as the following should be included:

The Metro Council finds that our cultural assets — including artistic, scientific, and historical programs and facilities — are vital to our region's economic, educational, and recreational well-being. Preservation and enhancement of these assets are critical to continued economic development because they create jobs, bring in visitors and help attract new businesses. The programs inspire our children, give them knowledge and teach them discipline. The Metro Council declares that all citizens should have access to our cultural programs and benefit from the lessons of our heritage.

Section 4. Definitions (to be refined as the program package is finalized and organizations make decisions whether or not to join the program)

Eligible programs are as follows:

A. Arts programs — visual, performing and literary arts; arts education and technical assistance, marketing to visitors and regional audience

B. The Metro Washington Park Zoo

C. The Oregon Museum of Science and Industry

D. Historical programs — programs for historical research and education, museums, expositions, interpretive centers

E. The Children's Museum

F. Multi-purpose cultural facilities and programs

G. Library programs

As the drafting of this proposal progresses a number of definitions will need to be added to clarify intent.

Section 5. Geographic Area
Create a regional cultural investment program to serve the citizens of the region of the Metropolitan Service District and any such jurisdictions that elect to join the program pursuant to Section 12.

Section 6. Creation of Cultural Investment Program
Create a program to include three categories of funding:

A. Funding for specifically named entitlement programs and facilities that will receive a specific percentage of the funds on an annual basis. These are large, regional programs. Examples are the Zoo, OMSI, and libraries.

B. Investment in a program for cultural operating grants, education and technical assistance. (Operating grants would be provided for regional cultural organizations based on a formula.)

C. Investment in community and emerging cultural organizations. These would be small programs defined by a formula.

Develop incentives in all three categories to leverage other funds and facilitate public/private partnerships.

Section 7. Creation of a Regional Body to Oversee and Implement the Program (to be determined)

A. Appointment.

B. Membership.

C. Representation.

D. Terms of office.

E. Initial Terms of Office.

F. Chairperson.

G. Vacancies.

H. Removal.

I. Elected Officials.

J. Election of Officers, Rules of Organization.

Section 8. Powers and Duties of Regional Oversight Entity (to be determined)

Section 9. Define Administrative Duties
The administrative responsibilities should include:

A. See that the funds go to the entities intended in the most efficient means possible.

B. Provide information to each major entity funded concerning the public purposes for the funds and restrictions on their usage.

C. Account for funds expended and provide a brief annual report with a list of programs funded.

D. Develop a simple, efficient way to determine that the funds were used properly. For example, each entity receiving funds could be required to ask their auditor to make a written determination about the proper use of the funds in the annual audit.

E. Determine whether the public purposes of the program were achieved.

F. Develop a reauthorization package when reauthorization is required.

Section 10. Tax Imposed, Collection of Tax, Use and Administration

A. A broad-based tax should be collected and the costs paid from the proceeds.

B. The proceeds of the tax should be used for the sole purposes of the Columbia-Willamette Cultural Investment Program in accordance with the policies adopted by the electors of the region.

C. Upon voter approval of the levy and collection of the tax, the revenues should be distributed annually as follows:

i. ___ percent to large regional facilities and programs that are specifically named. The percent and purpose based should be specified and described in this section.

ii. ___ percent for regional cultural programs.

iii. ___ percent for local programs.

iv. ___ percent for administrative expenses.

Section 11. Allocation of Funds to Local Jurisdictions (to be determined)

Section 12. Other Jurisdictions Electing to Join the Program
Any other political jurisdiction in Oregon or Washington may elect to join the Program and obtain a fair share of benefits provided they do the following:

A. Pass appropriate legislation authorizing them to join.
B. Allocate an amount comparable to the per capita amount levied in the District.
C. Authorize allocation of those funds in the same manner as in this program.
D. Provide one year's notice of termination.
E. Agree that membership terminates upon failure to provide the required funding.

The program may devise a schedule for contracting with jurisdictions desiring specific limited benefits of the program.

Section 13. Sunset
In order for the program to continue operation past June 30, 2004, Metro will be required to draft reauthorization legislation and submit it to the voters. A reauthorization election may be scheduled as much as two years in advance, but no later than one year in advance of the sunset date. Should there be a failure at the ballot, another opportunity would be available for a modified reauthorization proposal to be submitted.

(Alternative Section 13.) Reauthorization

Every five years, the Executive Officer of Metro shall conduct a review of the program and propose a reauthorization to the Metro Council. At that time the Council may modify any funding formula to adapt to changing needs. Any change to one or more of the funding formulae that is greater than 10% will require submission to the region's voters for reauthorization.

DEVELOPMENT OF CULTURAL PROGRAM PACKAGE OPTIONS

The Funding Needs Subcommittee developed an inventory of cultural programs in the region including estimates of capital and operating needs. They also considered and adopted criteria for funding. Our subcommittee used the criteria to develop several cultural program package options. Below is a description of the steps used in developing these options. (Inventory and Criteria are attached in "Background Information" section).

Step 1 — Central Program Purpose

Several criteria address the central purpose of our proposed cultural program, which is "to ensure that all citizens of the region have access to cultural programs and that the region's children have opportunities for cultural education." These criteria are: cultural/scientific programs v. recreational and other programs; cultural educational opportunities, access, cultural diversity, etc.

Alternative A — Eliminate Civic Stadium, Memorial Coliseum and the Oregon Convention Center. The primary purpose of these facilities is entertainment, convention and exposition, not cultural, scientific or educational.

Alternative B — Eliminate Greenspaces. Although the Greenspaces program has an educational aspect, its major focus at this point is environmental preservation of open space for wildlife habitat and other environmental reasons. While the program has a definite scientific aspect, again its primary focus is preservation. The program does not specifically promote tourism, cultural diversity, access to the underserved although it may do all of these things eventually or indirectly.

Step 2 — Addresses Current Needs

Several criteria relate to a strong focus on current needs that are well-defined and have broad public appeal.

Alternative A — Eliminate new programs. Given the critical funding problems with current programs and facilities and the vast array of other public funding needs created by Measure 5, it is hard to sell funding for new programs.

Alternative B — Eliminate all one-time capital needs. Use of the property tax to finance General Obligation bonds remains a very viable tool for capital projects because such bonds are not subject to the limitation of Measure 5. Private capital campaigns are planned or underway for some of the private projects and also represent a viable means of private financing for non-profit facilities. It is operational funding that presents the greatest difficulty for financing and, at this point, the greatest need.

Step 3 — Regionalized Funding

Because the program is designed to be regional, several criteria speak to the regional nature of the program, the regional appeal, and the appropriateness of regional funding.

Alternative A — Eliminate Oregon Public Broadcasting. This is a statewide broadcasting program with stations and services all over the state. It really is not a regional program nor does it lend itself to separation of a regional component. It may be worthwhile to fashion the eligibility criteria so that OPB can receive a partial operating grant or special project grants. OPB will become a private non-profit if the governor's recommendation goes through and will experience a shortfall in state funds. OPB's mission focuses on access and education and is, therefore, very close to the purpose of this program.

Alternative B — Eliminate Oregon Historical Society. This is an organization that serves the entire state and could be eliminated for that reason. The case is weaker, however, than for elimination of OPB. There are no satellite facilities in other parts of the state — its exhibition facility and services are in Portland. The Governor's budget eliminates state funding for OHS.

Alternative C — Eliminate all but the regional aspect of the library system. While regionalized funding for the entire system may be desirable, substantial analysis and planning would be needed prior to preparing a request for regional funding. Each county provides a different level of service, there are differing amounts of local matching funds and capital needs are different. However, it may be possible to regionalize in stages. Multnomah County is considering elimination of the services it provides to other counties because they are not adequately compensated. This would mean that reference services and the ability to check out books would only be available to residents of Multnomah County. It should be possible to identify a cost of providing funds for regional services for which Multnomah County could be reimbursed.

Step 4 — Package Options

	A - $16,040,000	B - $16,890,000	C - $47,650,000
Zoo	2,000,000	2,000,000	2,000,000
Libraries	2,000,000	2,000,000	32,260,000
Children's Museum	500,000	500,000	500,000
OMSI	3,000,000	3 ,000,000	3,000,000
OHS	0	500,000	500,000
EOT	0	350,000	350,000
OPB	0	0	500,000
ARTS	8,540,000	8,540,000	8,540,000

RECOMMENDATION

The sub-committee presents all three packages as viable options but considers Option B to be the preferred option at this point in time. The difference between Options A and B is that Option B adds $850,000 for the Oregon Historical Society and the End of the Oregon Trail. For a relatively small additional amount these important regional programs can be maintained. Option C provides full regional funding for libraries. While a regional library system with regional funding was considered important by the sub-committee, additional time is needed to analyze the systems, finances and needs in the three counties as well as to examine the various alternative regional library models. Therefore, full regional funding for libraries should be a consideration for the future.

FINANCE OPTIONS FOR CULTURAL PACKAGE A — $16.9 MILLION

Table 6 presents financing options for each package using three broad-based taxes: sales, income and payroll. The property tax serial levy was not considered an option because of limitation of Ballot Measure 5.

1. Sales Tax — a 0.28% sales tax generates $20.8 million. Collection costs are $1.4 million. Food and drug sales are exempt. The measure taxes visitors as well as residents with the tax burden on high spenders. It would add $.03 to a $10 purchase.

2. Income Tax — An income tax of 0.18% plus corporate tax generates $19.4 million. People with taxable incomes of $20,000 and under are exempt. The tax on $30,000 taxable income is $55.33.

3. Payroll Tax — A 0.18% payroll tax generates $19.6 million. The tax on $500,000 payroll is $892.30.

Discussion — Setting aside political and historical realities, the sales tax is easiest to sell because the impact is in very small increments. Those who spend more on consumer goods pay more, tourists get taxed whereas they don't at present, and it can be sold on the basis that everyone pays a little bit for a large benefit to the community at large. The high cost of implementation and the fact that we have no sales tax current represent stumbling blocks. If a sales tax is to be recommended it might be advisable to include the full cost of replacing the library serial levies to justify the implementation costs. The income tax also has salable features and can be made more salable if it exempts the poor. It is more difficult to sell on the basis of cost per person because it is paid by return (often representing a household or married couple). There is a perception that Oregon's income tax is too high already which may negate the ability to raise it even by a very small amount.

Recommendation — The subcommittee finds that options 1 and 3 are not feasible at this time. Once again, if there were a statewide sales tax, option 1 might be the preferred option. The subcommittee felt that the Payroll Tax would not garner the support of the business community. The income tax is our preferred option. It has the advantage of generating sufficient revenue by increasing a small amount of the tax for those who are most likely to afford it.

Table 6.

PACKAGE OPTIONS PRODUCING $16,890,000 ANNUALLY			
Source of Tax Revenues:	Personal and Corporate Income (1	Retail Sales	Payrolls
Estimated Taxable Revenue:	$11,708,423,405	$8,160,344,000	$11,560,880,829
Metro Adjustment Factor:	90%	90%	95%
Est. Revenue Produced in Metro:	$10,537,581,065	$7,344,309,600	$10,982,836,788
Target Collections:	$16,890,000	$16,890,000	$16,890,000
Est. Cost of Adminstration:	$100,000	$1,358,276	$250,000
Estimated Collection Rate:	90%	90%	90%
Gross Levy Necessary:	$18,877,778	$20,275,862	$19,044,444
Tax Rate Necessary for Target:	0.18%	0.28%	0.17%
Tax on $30,000 Taxable Income:	$53.74	N/A	N/A
Tax on a $10.00 Taxable Purchase:	N/A	$0.03	N/A
Tax on $500,000 of Payroll:	N/A	N/A	$867.01

PACKAGE OPTIONS PRODUCING $16,040,000 ANNUALLY			
Source of Tax Revenues:	Personal and Corporate Income (1	Retail Sales	Payrolls
Estimated Taxable Revenue:	$11,708,423,405	$8,160,344,000	$11,560,880,829
Metro Adjustment Factor:	90%	90%	95%
Est. Revenue Produced in Metro:	$10,537,581,065	$7,344,309,600	$10,982,836,788
Target Collections:	$16,040,000	$16,040,000	$16,040,000
Est. Cost of Adminstration:	$100,000	$1,328,966	$250,000
Estimated Collection Rate:	90%	90%	90%
Gross Levy Necessary:	$17,933,333	$19,298,851	$18,100,000
Tax Rate Necessary for Target:	0.17%	0.26%	0.16%
Tax on $30,000 Taxable Income:	$51.06	N/A	N/A
Tax on a $10.00 Taxable Purchase:	N/A	$0.03	N/A
Tax on $500,000 of Payroll:	N/A	N/A	$824.01

PACKAGE OPTIONS PRODUCING $47,650,000 ANNUALLY			
Source of Tax Revenues:	Personal and Corporate Income (1	Retail Sales	Payrolls
Estimated Taxable Revenue:	$11,708,423,405	$8,160,344,000	$11,560,880,829
Metro Adjustment Factor:	90%	90%	95%
Est. Revenue Produced in Metro:	$10,537,581,065	$7,344,309,600	$10,982,836,788
Target Collections:	$47,650,000	$47,650,000	$47,650,000
Est. Cost of Adminstration:	$100,000	$2,418,966	$250,000
Estimated Collection Rate:	90%	90%	90%
Gross Levy Necessary:	$53,055,556	$55,632,184	$53,222,222
Tax Rate Necessary for Target:	0.50%	0.76%	0.48%
Tax on $30,000 Taxable Income:	$151.05	N/A	N/A
Tax on a $10.00 Taxable Purchase:	N/A	$0.08	N/A
Tax on $500,000 of Payroll:	N/A	N/A	$2,422.97

(1) Reflects an estimated $1.1 billion in corporate taxable income and $10.608 billion in personal taxable income. Tax imposed o taxable income over $20,000.

REVENUE STRATEGIES SUBCOMMITTEE REPORT
December 20, 1993

PCPA

1. Update on the MERC Business Plan
The aim of this Plan is to achieve financial stability for each of the MERC facilities including the PCPA. So far, there have been two public meetings for PCPA and a base budget is currently being prepared. Recommendations will go to the Commission at a work session on November 30. At this time the exact recommendations which will result from the Plan are not known, but some of the options under consideration are discussed below. As the Subcommittee will recall, the financial situation for the PCPA is particularly critical as the fund balance for that facility will be depleted in fiscal year 95-96.

2. Short-term Strategies for PCPA
As a point of reference, the Funding Needs Subcommittee table for PCPA is attached. The needs are divided into two categories: Operating Needs and Program Improvements. A short-term strategy could be developed to finance the operational support, reduced rent, and at least some of the capital needs. This would require $1.3 million. These might be funded with the following strategies:

Operational

- **Cost-cutting, efficiencies, and revenue raising.** These strategies are currently being explored via the MERC Business Plan. All functions of the PCPA will be explored to see if there are ways to cut costs or realize efficiencies. Various revenue raising ideas will also be explored. Examples are re-negotiating contracts to gain greater percentages of concession and merchandising revenues.

- **Restructure current MERC resources.** A three percent hotel/motel tax presently supports the Oregon Convention Center. Due to the fact that the Convention Center has exceeded projections for business, a sizable fund balance has accrued. It is conceivable that a portion of the hotel/motel revenues could be used to support the PCPA.

Capital

- **Private fund raising.** Capital needs might be financed, in part, by a private capital campaign that provides naming opportunities in conjunction with the PCPA's new naming policy. This could take care of large, visible expenditures such as finishing the rehearsal hall or reconstruction of the seats in the Schnitzer Concert Hall.

* **General Obligation bond.** It is unlikely that a private capital campaign will take care of all capital needs. This is particularly true given the need to meet requirements of a new seismic code, something not considered by the Funding Needs Subcommittee since it was not in effect at the time. Meeting this code may cost as much as $2 million although the exact cost will not be known until a study is conducted. Depending on the cost, consideration should be a given to a small regional general obligation bond measure that could combine several years worth of deferred capital plus any seismic upgrades. A question regarding this strategy was included in a regional poll in 1991. While the response was not particularly positive, the pollster's analysis suggested that the response was an anomaly and should change once the furor about the property tax dies down. Once again, these strategies are being considered within the MERC Business Plan process.

Recommendation
It is recommended that the Task Force endorse and support MERC's work in considering these methods of financing PCPA for the short-term.

3. Long-term strategies for PCPA

It is possible that the short-term strategies will not cover all of the operating and capital needs. If that is the case, these will need to be included in the larger package of arts and cultural programs. It is unlikely that any of the short-term strategies would provide enough funding for the Program Improvements. Therefore, these items also need to be included as part of the larger package.

Recommendation
After the MERC Business Plan is complete, the funding needs for PCPA should be reassessed. Any needs not covered by the Plan should be included as part of the larger arts and culture program, provided they are endorsed by MERC.

ARTS PROGRAMS

1. Short-term

The Funding Needs Subcommittee identified $6.2 million in needs for Arts Programs as indicated in the attached table. Short-term strategies might be:

* Preserve current programs and funding levels. This could be accomplished by dedicating current resources. At the present time, MAC receives about $1.3 million in general fund revenues from the City of Portland and Multnomah County. These jurisdictions should be asked to dedicate a like sum of money to MAC's program. This could be accomplished by dedicating 1% of the hotel/motel tax currently collected by the city of Portland. The money should be used to preserve current programs. Other jurisdictions, including Metro, should be asked to dedicate resources as well.

- Increase private fund raising. ArtsPlan revealed that private funding for the arts is low compared to other like-sized communities. At the present time, the Northwest Business Committee for the Arts is working to upgrade small, mid-size and large business donations as well as increase private giving. This is not only critical as a short-term funding strategy, but is necessary to help pass a regional funding measure.

- A small regional tax for high priority programs. There are some kinds of excise taxes that relate to arts and entertainment, but don't raise sufficient revenue to be a long-term solution. One of these taxes could be used as part of the solution, part of a package or a short-term solution. For example, a new 6% Entertainment Tax would raise about $1.3 million, a 1% region-wide increase to the hotel/motel tax would raise about $1.6 million, and a 5% region-wide increase to the auto rental tax would generate $3.1 million. A short-term tax could be a temporary measure with a sunset conditioned on passage of a larger regional tax.

Recommendation

The Task Force should recommend that current funding be preserved and dedicated to a regional arts program. The Task Force should also support and endorse the Northwest BCA's efforts to raise the level of private and business funding. Metro should continue to support the use of a broad-based tax to support arts and cultural programs. The use of "niche taxes" should be considered only as a last resort, as a broad-based tax is believed to be a more appropriate source of revenue for these needs.

2. Long-term

The short-term strategies mentioned above--if all were successfully implemented--would reduce the total amount needed from $8.5 million to between $2 to 4 million. If only the recommended strategies were implemented, the amount needed would be $5.5 million. The latest version of the Cultural Funding Program totals $6 million. This means that the amount needed from a long-term funding strategy would be approximately $8-12 million. This is the amount that needs to be funded from a broad-based tax.

Earlier, this subcommittee considered four broad-based taxes with these results:

- **Property Tax**--While a serial levy would be technically feasible, the cap placed by Measure 5 would reduce the amount that could be gained plus it would reduce the amount all other governments received from the tax.

- **Income Tax**--While many felt this to be a good solution, it is notoriously unpopular. There is a widespread belief that the Income Tax is unfair. The wealthy think they get hit too hard and the poor think the wealthy don't pay it because of all the loopholes. The timing also may be problematic as the state may institute an income tax surcharge now that the sales tax measure has failed.

- **Sales Tax**--The subcommittee felt that this would be the best tax for the program, except for the cost of developing a collection system. Without a state system to collect the tax, it is cost prohibitive. There has been some talk about a regional sales tax to support schools. If this comes to fruition, an add-on might be feasible.

- **Payroll Tax**--This tax is one that Tri-Met uses to support transit. It is not one which would receive business support.

Given the problems with these four basic taxes, what other options exist?

- Combinations of smaller taxes into a package. You could package a regional hotel/motel tax increase, a rental car tax increase and an admissions tax and reach $10 million if you raised them high enough. (A 3% hotel/motel tax increase, a 5% car rental tax increase and a 6% entertainment tax raises $9.2 million.)

- 2% Restaurant Tax. This tax raises anywhere from $13 to $15 million depending on the assumptions. At 2% it would add $.20 to a $10.00 meal. The tax is actually very broad based. A survey of adults in the Portland region indicated that 93% dined out in the past 30 days. Most spend around $10 or less when they dine out. (See attached study, "Dining Out in Portland.") This tax would not be easy to pass. Last spring, a restaurant tax was on the ballot in Ashland and Eugene. It passed in Ashland and failed in Eugene. It was vigorously opposed by the industry in both communities. A major argument used in Eugene was that it was a tax on a basic life need, i.e. food.

- Negotiate with state officials to preserve the local option. This would pave the way for a small sales tax to finance the program. It would be a very long-term strategy since the Legislature doesn't convene until 1995 unless a special session is called. It would then need to wait until a statewide tax is passed and a collection system established. Then, a regional measure would need to go to the ballot.

- Join forces with Metro's efforts to find long-term financing for planning, governance and Greenspaces. Metro may go to the ballot for a large funding measure to finance these activities at some point in the future.

Recommendation
The Subcommittee wishes to forward two alternatives for consideration by the Metro Council. These are as follows:

1. **A small income tax.** A tax of .1% on personal income would generate $10,911,335. It would cost $10.05 per person or $23.08 per tax return per year (generally, a household of more than one person). Adding a .1% tax on corporations would increase the total yield to $12,011,335. The calculations include an exemption for taxable incomes under $20,000. Metro should also consider a cap at the high end.

2. **<u>A small restaurant tax.</u>** A 2% tax generates between $13 and $16 million per year depending on the assumption about how much of restaurant spending is alcoholic beverages which cannot be taxed. While this is not a broad-based tax in the sense that it hits a single industry for taxation, it applies broadly to those who dine out. The Subcommittee understands that the position of the restaurant industry would be to oppose the tax and to wage a vigorous campaign in opposition.[1]

If any tax is to be passed there must be substantial support from constituent groups and the business community. It is recommended that arts, culture and business groups begin discussion of these strategies. If support is not there, then the last resort alternative (niche taxes) would have to be considered.

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[1] It was also noted that Task Force member Harold Pollin, who is a member of the restaurant industry, would support the industry position and, therefore, does not join in support of this recommendation.

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

To: Regional Funding Task Force
David Knowles, Chair

From: Pam Baker, Public Information Subcommittee Chair Pam Baker/

Date: December 23, 1992

Subject: Recommendations for a Public Information Campaign

The Public Information Subcommittee has prepared the attached recommendation for a public information campaign. As indicated in our report, we suggest that those committee members who are willing continue to serve on a steering committee for the campaign. I am particularly pleased with the amount of expertise and dedication of members on this subcommittee. Their work has been invaluable and I hope to retain their help and enthusiasm as we move forward with this project.

CAMPAIGN TO ENHANCE THE ARTS

Purpose

Because art is essential to our region's prosperity, the purpose of the campaign is to gain the public's understanding of the role art plays in achieving that prosperity and to gain the region's financial commitment to support the arts.

Goals

Our discussions focused on the need to counter the notion that art is a pursuit of the elite. We all strongly agreed that art plays a role in everyone's life. It may be a favorite painting on the living room wall, a child's first piano recital, a concert in the local park or square dancing with friends. Art has a unique ability to teach, to instill discipline, to inspire and to soothe. It is the soul of our community. Without art we are sterile and lifeless. There is a segment of the population for whom art is not a high priority. Yet, even those must recognize that a flourishing arts community is essential to attracting new businesses--especially those with family-wage jobs. Likewise, the arts are key to attracting large conventions and other visitor opportunities that bring dollars to our community .

Because we felt that the public has not realized the key role that art plays in their life, we believe that the initial appeal in a campaign should be emotional. It should focus on the simple things in a person's daily life that are influenced by art. From that point, we should then move to the more standard educational messages about the economy, teaching, etc.

With this in mind, the goals should be:

1. Conduct a public information campaign that is designed to:

    Expand the public's definition of the arts

    Publicize the important role the arts play in the education of children and adults

    Publicize how the arts enrich the whole region not just downtown Portland

    Publicize the important role the arts play in maintaining a strong economy

    Gain recognition of the need for access to the arts for all citizens and children

    Gain an understanding of the importance of diversity in participation in all aspects of the arts.

2. Obtain recognition of the need for additional funding for the arts from business, civic and arts advocate organizations. This should ultimately result in a large coalition of groups that will support a public funding measure.

3. Conduct a campaign that will gain public financial support for the arts at a level appropriate for a community of our size and sufficient to stabilize our art programs.

<u>Methods</u>

1. Start-up Public Information Campaign--Goal 1

* Develop key messages, unifying slogan and logo
* Prepare ad slicks and other materials
* Focus on arts audiences and existing vehicles--newsletters, programs and playbills.

2. Expanded Public Information Campaign--Goals 1 and 2

*Enlarge focus to include civic groups and the general public
*Tailor approach to expanded audiences
*Refine key messages, slogan and logo
*Develop PSAs
*Develop Speaker's Bureau, speech materials

3. Political Campaign--Goals 1, 2, and 3

*Develop selling points for revenue ballot measure
*Develop ad campaign, speech material, fact sheets, etc.
*Revise Speaker's Bureau, speech materials

<u>Sponsoring Agencies</u>

The Business Committee for the Arts has taken on the task of private leadership and advocacy for the arts. In that regard, sponsorship of the public information campaign by the BCA would be a most appropriate role. Partnership with the business community is crucial to the ultimate success of any public funding measure; therefore, the BCA's leadership in both the public information campaign and the political campaign is key.

Several conversations have taken place with leaders and staff of the BCA. It is our understanding that they are willing to assume responsibility for a public information campaign including raising funds and obtaining pro bono resources. It has also been suggested that members of our subcommittee serve as a steering committee for the BCA's campaign. The committee also should include representatives from the appropriate governments currently involved in the process.

For a political campaign, a coalition of organizations will be needed to form a campaign organization. We would expect the BCA to play a major role in this phase as well. The ultimate configuration of the campaign committee will depend on which organizations and programs are included in the funding package.

Budget

A major focus is needed in the area of resources. Without a budget that provides sufficient resources for staff dedicated to a campaign as well as professional expertise in advertising and media, a campaign will not even get off the ground. Our committee has in its members an enormous reservoir of talent, yet none has the time to produce the tools needed. That takes a great deal of hard, concentrated work.

For the initial campaign, we estimate that at least a .5 FTE be devoted to the effort in addition to a contract with a professional to develop logos, themes, media tools, etc. There should also be sufficient resources to do paid advertising rather than rely only on PSAs and other free or low cost resources. Attached is a list of tasks that need to be performed by a staff person and a list of available tools. We estimate that a budget of at least $50,000-$100,000 be targeted for a 6 month campaign. Substantial pro bono assistance would be expected along with the ability to use free or low cost vehicles.

For the political campaign, a great deal more would need to be done particularly with the mass media since the target is now all voters. It would be our advise that the Denver experience be viewed as a model. That campaign cost $750,000 in 1989 which in today's dollars would be more like $900,000.

Use of Survey Research

On several occasions the Subcommittee discussed the importance of survey and market research. This is particularly crucial for the political campaign in order to determine the public's level of understanding of the arts, the need for additional public funds, what such funds are for, the consequences of failure to secure additional moneys, the value people place on the arts, what aspects of the arts they find most important and the best selling points for a public funding program.

A successful campaign must be uniquely tailored to this community and focus on the specific benefits to be obtained.

PUBLIC INFORMATION CAMPAIGN

STAFF TASK LIST

1. Develop computerized mailing list of:

   Regional and community media contacts (Metro has one)

   Arts organizations (BCA has one)

   Business and civic organizations (check with Ann Mason of Light Rail Project)

2. Manage contract with ad agency to produce campaign tools

   Set up Steering Committee

   Set up meetings and send out notices, agendas, materials

   Work with agency to produce products within deadlines

3. Handle mechanics of press releases or press conferences

4. Complete mailings of press releases, newsletter stories, etc. as scheduled

5. Develop and manage speakers bureau

   Work with ad agency to develop speaker's materials

   Obtain list of speakers and ensure they are prepared

   Develop list of organizations for speech opportunities in priority order

   Manage process of requesting speech time, making all necessary arrangements and issuing press releases for speaking engagements

EXISTING VEHICLES FOR START-UP CAMPAIGN

1. Local and community newspapers

    Send press release relating to December 9 event

    Send follow-up draft story on importance of the arts

2. Government agency newsletters that are sent to employees and involved citizens

    Send follow-up story on importance of the arts

    Send brief fact statements (ArtBites) for small spaces

3. Arts organizations newsletters and programs

    Send follow-up story on importance of the arts

    Send ArtBites

4. Civic organizations

    Send story and ArtBites and request to speak at one of their programs

    Develop speaker schedule

METRO

2000 S.W. First Avenue
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Memorandum

DATE: 8/5/92

TO: Regional Facilities Committee

FROM: Pamela S. Erickson, Project Manager

SUBJECT: Report on Visit to Denver's Cultural and Scientific District

Introduction

The traditional approach to funding of cultural institutions such as museums, zoos and performing arts organizations has been a combination of local support plus state and federal grants. This approach has been inadequate in recent years for a variety of reasons. Federal and state sources have been on the decline and cities are frequently strapped financially. The flight of citizens to the suburbs has created a loss of tax revenue but an increased usage of and demand for cultural opportunities. Therefore, some communities have looked for a dedicated source of funds to finance cultural institutions. As a dedicated source there are two general options--a "niche tax" most commonly the hotel/motel tax or a broad based tax such as the sales, income or property tax. The niche tax approach usually does not require a vote but it rarely generates much revenue. A broad based tax is generally levied over a multi-county urban region. This generates a significant stream of revenue for a very small assessment for each citizen or business.

Examples of communities that have enacted broad-based dedicated taxes are Denver, Dayton, and St. Louis. Several other communities are studying similar approaches including Kansas City which recently passed authorizing legislation in both states which form the urban area.

Recently David Knowles and I met with key officials in Denver to learn about their program. We met with their political consultant and campaign manager, District Administrator, Performing Arts Center Director, key legislative sponsor and the Council of Governments Director.

Problem Addressed

Denver has a large array of cultural facilities that are used by residents of the six-county metropolitan region and by tourists. These are: large institutions (zoo, natural history museum, art museum and botanic garden), mid-sized organizations (mostly performing arts), and smaller community organizations. All of these organizations experienced funding problems, but the critical problem involved the elimination of state funding for the four large institutions. State funding constituted 40% of all revenues for these four.

Public Policy Objectives

The leadership came from the boards of directors of the large institutions which are non-profits. Originally their objectives were financial stability to be achieved through a regional tax base that was fair and provided some funds to local communities. As the proposal developed over a period of three to four years, other objectives were embraced. These were:

- Frugality--A limit was put on administrative costs.
- Comprehensive--The program was developed to meet all cultural needs, not just some.
- Economic Development--The program was to help boost tourism as Denver moves from a mining to a service economy. Denver has featured large, highly visible exhibits such as Ramses II to draw tourists.
- Diversity--There was a desire to promote diversity in programming and audience for the cultural institutions
- Education--Cultural opportunities for children was considered extremely important. Denver has a large Children's Museum that is very well attended.
- Accessibility--There was a desire to keep admissions prices low so all citizens could attend. For example, the program allowed restoration for Saturday to be a "free day" at the Natural History Museum.

Description of District

A tax increase of one-tenth of one percent was levied to generate approximately $17 million. This money is distributed as follows:

Tier I (65%): The four large institutions by a percentage specified in the Act.
Tier II (25%): Granted to institutions and organizations with operating budgets over $700,000 by formula specified in the Act.
Tier III (10%): Distributed to each of the six counties based on their contribution to the sales tax revenues and granted to local institutions by local boards.

(See attached description for more detail.)

Campaign and Selling Points

The initial proposal lost at the legislative level. It consisted of funds earmarked for the four large institutions and local communities. It was killed by two factors: the performing arts organizations were left out and the four institutions were bickering over who got how much. The second attempt was successful; it included the performing arts organizations and the four organizations were required to reach an agreement on how much each would get. Apparently, there was strong consideration to including the library but it was left out.

Suburban support from both politicians and arts organizations was obtained by providing 10% of the revenue. While it is a small percentage, District officials said it was far more than local organizations were getting from government sources and much more than they were ever likely to get.

Selling points focused on a small amount of money for a large benefit. Emphasis was placed on the fact that it would cost the average citizen 2 cents per day or $.57 per monththe price of a cup of coffee. Campaign slogans included, "The smallest change can make the biggest difference." "A ticket to the future for pennies a month." and "Put in your 2 cents for the Cultural Facilities District. " Symbols took advantage of the most popular institutions--the zoo and the natural history museum (polar bear and dinosaur). Concerted efforts were made to appeal to seniors and supporters of children's programs.

Campaign funds were raised almost entirely by the boards of the four institutions. About $700,000 was raised. There was very little publicity about the proposal until all parties were in agreement and all the needed endorsement were obtained. The campaign itself was brief. It began on Labor Day and ran until the November election. Public support as evidenced by polls was very high from the outset. A poll run in May and again in September before the election each showed 64% in favor. The measure passed by a 3 to 1 margin.

Experience to Date

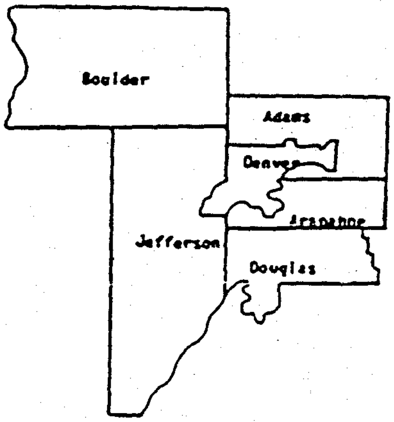
Sentiment in Denver about the District is very positive. Not only has the District brought financial stability but the measure has raised more money than expected. The arts organizations which banded together for the campaign are doing much more collaborative work including some joint marketing. Institutions do a lot of integration of art forms. For example, the Botanic Garden had an exhibit of stained glass art and the state capital had a large exhibit of quilts hanging at the various levels of the three rotundas. There is some concern that the funds allotted for administration are inadequate. The measure severely limited administrative funds. Currently, the District employs 2.5 FTE to operate the program. Tier III programs are operated almost entirely by volunteers. The largest expense comes from operating the Tier II and Tier III grant programs which represent only 35% of the funds. The process of application, review, and distribution is very labor intensive. Therefore, any similar program should seek to provide adequate administrative funds, avoid using a grant process, or minimize the granting process.

Scientific and Cultural Facilities District

On November 8, 1988 voters in Denver, Colorado overwhelmingly approved a one-tenth of one percent sales tax increase to support scientific and cultural facilities in the six-county metropolitan area. Proceeds of the tax will produce an estimated $13 million per year for Denver's cultural community.

Region

The population of the Denver metropolitan region is 2 million. In the six metro counties including Adams, Arapahoe, Boulder, Denver, Douglas and Jefferson over 500 arts and science organizations have been identified.

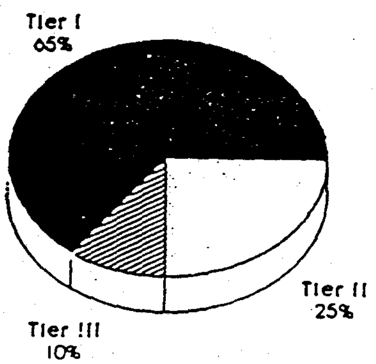


Need

Reduced support for these institutions necessitated the formation of a scientific and cultural district. In 1982, the state legislature ended direct financial support, which forced the major institutions to charge admission. Over the past 10 years, city support was reduced by 40 percent for the zoo, natural history museum, art museum and botanic gardens. Though public funding was being generated primarily by the city of Denver, surveys revealed that most of the visitors to these institutions were residents of the suburbs and the state. The SCFD is providing a more extensive and equitable basis of public support.

Metro residents also recognized how important these institutions are for economic development. A single exhibit like Ramses II attracted close to 900,000 visitors to the natural history museum and contributed $50 million to the local economy. Clearly, tourism is Colorado's most important industry.

Recipients



Beneficiaries of the district tax are divided into three tiers. Tier I includes the four regional cultural institutions--the zoo, natural history museum, art museum and botanic gardens. These institutions will receive 65 percent of the funds or approximately $8.3 million. Tier II includes mainly performing arts organizations with annual operating incomes of $700,000 or more. Qualifying institutions in the second tier category will receive 25 percent of the tax revenues or approximately $3.2 million. The remaining 10 percent or $1.3 million will be allocated to smaller theatres, orchestras and art centers located within the six-county metropolitan area.

Distribution

ax revenues will be distributed bi-annually to qualifying cultural institutions. Of the total amount,) percent of the funds in each tier is fixed, and 10 percent is discretionary. Criteria for distributing uiscretionary funding will be based on regional impact, accessibility, quality and need.

Tier I

Percentage/Amount	Institution	Share	Amount
65% or $8.3M	Natural History Museum	33%	$2.5M
	Zoo	26	2.0
	Art Museum	26	2.0
	Botanic Gardens	15	1.1

Tier II

Percentage/Amount	Institution	Share*	Amount
25% or $3.2M	Performing arts and other institutions budgets and with annual operating incomes over $700,000.	Based on budgets and paid attendance	$2.9M

* *The legislation requires that equal weight be applied to annual operating income and annual paid attendance in determining distribution formula.*

Tier III

Percentage/Amount	Metro County	Share*	Amount
10% or $1.3M	Adams	14%	$164,500
	Arapahoe	22	258,500
	Boulder	9	105,800
	Denver	36	423,000
	Douglas	1	11,800
	Jefferson	18	211,400

* *Share is based on sales tax collected. A volunteer cultural council will be appointed in each county to receive requests and distribute funds appropriated by the District Board.*

Board

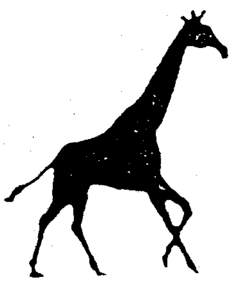
A nine-member board of directors, with one representative from each of the six metropolitan counties and three appointed by the governor, will review financial and attendance data from the institutions, distribute funds according to formulas and allocate 10 percent discretionary funds. Each board member serves a three-year term. Monthly board meetings are open to the public.

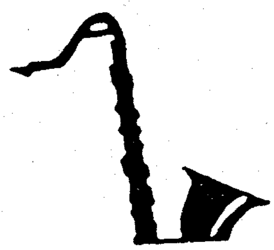
Administration

Administrative expenses for the district are limited to 3/4 of 1 percent of total revenues collected or approximately $100,000 per year.

Accountability

Accountability will be maintained through mandatory review requirements, defined administrative procedures and public meetings.





Developing a bi-state cultural district for your region will require consideration of the total level of tax revenue that should be proposed and funding percentages for specific categories. Also, discussion is needed of the amount of funds to be provided cultural entities (existing and planned) and formulas/or methods for distribution to specific organizations or categories of organizations.

Denver's percent of revenue:

One factor to review is the percentage of the budgets that Denver cultural institutions receive from the Scientific and Cultural Facilities District. In Denver's cultural district, the range of financial support for the established cultural entities is indicated in Chart #1 below:

Chart #1

Denver's Scientific and Cultural Facilities District Contributions to Tier I and Tier II Organizations

	Total Dollars and Percentage of Income			
	1991 Attendance (000)	1991 Income[1] (Mil.)	1991 SCFD Revenue (Mil.)	SCFD as % of Income
Tier I				
Museum of Natural History	1,500	13.5	3,200	24
Denver Art Museum	289	9.7	2,600	27
Zoo	1,200	5.6	2,600	46
Botanic Gardens	207	4.1	1,500	36
Tier I Total	3,196	32.9	9,900	30
Tier II				
Arvada Center	164	2.7	578	22
Central City Opera	29	1.7	220	13
Children's Museum	274	1.8	713	40
Colorado Music Festival	19	.7	107	15
Colorado Ballet	55	1.2	225	19
Colorado Symphony	160	3.2	619	19
Performing Arts (DCPA)	249	6.7	1,135	17
Historic Paramount	37	1.0	170	17
Opera Colorado	27	1.5	195	14
Tier II total	1,014[2]	20.5[3]	3,961	19
Tiers I and II	4,210	53.4	13,861	26

1 Income refers to operating income excluding funds for capital projects.
2 Tier II organizations only received SCFD funds for paid attendance. They also reported 227,000 as unpaid attendance.
3 Tier II organizations must exclude some income for the purpose of calculating the SCFD formula. Tier II budgets are reduced by several legally defined categories such as family foundation income. If operating income minus capital projects are calculated, Tier II revenue would increase to $28 million.

Ciruli Associates, 1992

...oll shows ...acking for ...state tax

zoo, museum would receive funding.

By EDWARD M. EVELD
Staff Writer

Nearly half the voters in the metropolitan area would support a bistate sales tax for cultural facilities, according to poll results released Thursday.

The results surprised some local officials. They had feared voters would resent the idea of tax dollars traveling outside their cities and counties — and across the state line — to help pay for the zoo, museums and area arts facilities.

The survey also found support for metrowide financing for the Truman Sports Complex.

"The people are a little ahead of the politicians," said Floyd Ciruli, a consultant who conducted the survey for the Mid-America Regional Council.

"The public, at least from the survey, feels there is merit in financially solving problems on a regional basis," he said.

MARC officials are at work on a plan for a district that could secure financing for cultural amenities from both sides of the state line.

When asked whether they would favor a one-tenth of a cent to a quarter-cent sales tax to ...1 area cultural facilities, 48

See POLL, A-14, Col. 1

Poll shows support for tax

Continued from A-1

percent of those polled said they would, 35 percent said they would not and 17 percent said they did not know.

"I find it very encouraging," said Dan Cofran, Kansas City councilman and co-chairman of a MARC task force on regional amenities. "The cynic in each of us would have expected much more of a parochial result. It's clearly a base to build on."

Asked whether Jackson County, Kansas City or all area counties ought to help finance stadiums at the Truman Sports Complex, 55 percent said all counties in the region should help. The question, however, did not specifically mention a new tax.

Nevertheless, the result pleased Jackson County Executive Marsha Murphy, who has been struggling with stadium financing.

"There's a real sense of fairness that people are expressing," Murphy said. "People have begun to decide we can break down the artificial barriers."

MARC, which includes representatives from eight counties, commissioned the poll as part of a wider study of a bistate tax plan. Marlene Nagel, MARC's community development director, said the agency also was surveying 275 cultural organizations.

A proposal from MARC about the structure of a bistate cultural district is expected by September, but a plan will not be in shape for voter consideration until 1993 or 1994, Cofran said.

Both the Kansas and Missouri legislatures have passed bills allowing for the creation of such a district.

The Missouri measure allows area counties to set up a district with taxing power, along with authority to borrow money for projects. The Kansas law is much more restrictive and prohibits bond issues. Those differences must be worked out.

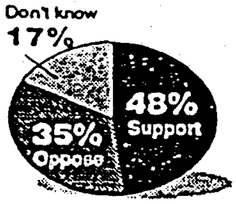
Many of the area's major cultural attractions, such as the Nelson Gallery and Starlight Theatre, are in Kansas City. City residents could be expected to favor financial help from outside the city.

But the poll showed support for bistate tax from Johnson County residents as well. Fifty percent of those polled in Johnson County favored such a sales tax. The same percentage of Jackson County residents supported the idea. In Wyandotte County, support was lower at 42 percent.

Support for cultural district

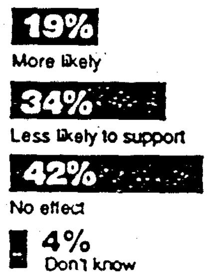
Mid-America Regional Council officials are planning a cultural district to secure financing from throughout the area. They surveyed 503 voters to find out whether area residents would embrace the idea.

Would you favor a sales tax increase for cultural facilities?



If the tax was used to help with maintenance and improvements for the Truman Sports Complex...

...Would voters be more likely to support the tax increase?



Who should be responsible for the upkeep of the Sports Complex?

Percentage of those responding

Metro-area counties	55 %
Jackson County	8
Both Jackson County/KC	7
User fee	7
Kansas City, Missouri	6
Don't know	6
Owners/teams	5
Other	4
Players	3

The Star

On the stadium issue, a debate has raged in recent months over tax support for maintenance at the sports complex. Jackson Countians carry the biggest load when it comes to stadium expenses, and some officials have argued that the tax burden should be spread.

In the survey, 61 percent of those polled from Jackson County said all area counties ought to help pay. The idea also was popular in Wyandotte County, with the support of 64 percent. But in Johnson County, 42 percent of those polled said all area counties should aid the stadiums.

Voters seemed hesitant to include stadium aid in a bistate cultural tax.

Forty-two percent of those polled said that lumping the sports complex with cultural facilities would have no effect on their support for a bistate tax. But 34 percent said they would be less likely to support the cultural district tax if the stadiums were included.

Nineteen percent said they would be more likely to support it, and 4 percent did not know.

"This sends up a flag of caution," Ciruli said.

The result does not rule out adding the stadiums to the cultural district, he said. But it shows that the sports complex would not necessarily make the bistate cultural tax more appealing to voters, as some officials thought.

Overland Park Mayor Ed Eilert said the poll gave a good indication of the interest in a bistate tax, but he cautioned that telephone polls and actual voting are not the same thing.

"I think it's easy to respond in a positive way when it's a concept," Eilert said.

Eilert recommended that the cultural district encompass tourism and recreation, including maintenance money for the sports complex.

He suggested that one-third of the money raised from a new tax stay in the city where it was collected, one-third stay in the county where it was collected and one-third go to the regional fund.

Such a plan would encourage counties such as Wyandotte, Clay and Platte to participate, he said.

The telephone poll, conducted from May 18 to May 31, surveyed 503 voters in Cass, Clay, Jackson, Johnson, Leavenworth, Platte, Ray and Wyandotte counties. The poll has a 4.4 percent margin of error.

Other findings from the survey:

- Asked how things were going in the Kansas City area, 52 percent said things were going in the right direction, 35 percent said they were "pretty seriously off on the wrong track" and 13 percent were not sure.
- Asked about the biggest problem facing the area, 38 percent cited crime, drugs, violence and gangs. Twenty-two percent mentioned unemployment and the recession, and 9 percent said education reform and financing.
- Of the poll respondents who visited cultural attractions in the last year, the big draws included the Nelson Gallery, the Kansas City Museum, Starlight Theatre and the Truman Library.
- Eighty-seven percent strongly agreed or somewhat agreed with this statement: "While supporting cultural organizations is important, there are more important needs like education and health care."
- Seventy-four percent strongly agreed or somewhat agreed with this statement: "Because more than one-half of the visitors are students who go to the zoo and museums and Downtown performing arts programs come from outside Kansas City, the suburbs should help pay for the facilities and programs."

We're playing cultural catch-up

DIANE STAFFORD

A recent family trip to St. Louis drove home a lesson in tourist appeal. Here's what we paid to get into that city's top visitor attractions: Nothing.

There are no entry fees to the St. Louis Zoo with its new educational building, to the city's new Science Center, the botanical garden, the art or natural history museums in Forest Park.

Now try the same kind of long weekend in Kansas City. Good luck. Some of the attractions don't even exist.

But for those that do, adults would pay $3 at the zoo, $4 at the art museum, $3.50 for traveling science museum exhibits at the Town Pavilion and $2 at the natural history museum.

Hmmm. Which city sounds like the best deal for visitors?

If cost comparison doesn't tip the scale, factor in other St. Louis amenities, such as its revitalized riverfront and rejuvenated Union Station.

In Kansas City, our attempt at riverfront rehabilitation is clawing annually at the city budget to creep forward. Our train station stays a silent hulk, sucking in legal fees instead of visitors. And expansion plans for our natural history museum are a political football, tossed around by factions arguing about location.

In contrast, residents of St. Louis and adjacent St. Louis County pay a property tax to the Metropolitan Zoological Park and Museum District. The tax, in effect since 1972, brought in $30 million last year for the five big cultural attractions. As a result, they open for free.

In another metropolitan funding example, voters in the six-county Denver area in 1989 authorized a tenth-cent sales tax. It raised $17 million last year, aiding up to 250 attractions and performing arts groups in metro Denver.

Kansas City is way behind in funding the cultural amenities race. But there is a way to catch up: A bi-state, metropolitan funding plan for our cultural attractions.

The idea is getting embarrassingly old. Kansas City Consensus proposed it in 1985. But the state line bugaboo intervened.

St. Louis didn't deal with the state line; neighboring communities in Illinois weren't rich enough to be coveted for its taxing district. Denver didn't have to worry; it's in the middle of Colorado.

But to create a cultural taxing district for the Kansas City area, both the Missouri General Assembly and the Kansas Legislature had to pass enabling legislation. It passed in 1987 in Missouri, and, after a previous failure, in 1991 in Kansas.

The Mid-America Regional Council now is directing a fact-finding effort to learn about existing financial support and needs of our area's cultural attractions. Researchers have polled residents by phone to find out their cultural priorities.

When the full study is done this fall, it could be time to put a cultural taxing district on ballots in the metropolitan area.

It's a daunting prospect. Area voters will not approve a regional taxing plan unless it's spelled out in detail. And they won't like it unless they think they'll get fair benefit from it. Just remember Johnson County opposition to supporting the Jackson County sports complex.

But a cultural taxing district won't pay for playgrounds for high-priced pro athletes. It will help cut down on the number of separate financing appeals by different organizations. And it will support a range of artistic, scientific and cultural institutions that deserve metropolitanwide funding.

It might also help Kansas City give St. Louis a run for the tourist dollar.

SCFD funding, as a percentage of the Tier I of institutions' budgets, ranges from 24 percent for the Museum of Natural History to 46 percent for the Denver Zoo. For all Tier I institutions combined, cultural district funding averages 30 percent. In Tier II, the Central City Opera receives 13 percent of its budget from the cultural district and the Children's Museum receives 40 percent. District funding averages 19 percent for Tier II institutions combined.

The Denver metro area's largest 13 cultural organizations (Tier I and II) have total attendance of 4.4 million visitors and patrons, combined budgets of $61 million and receive on the average 26 percent of their income from SCFD.

The four Tier I institutions represent approximately one-half (54%) of the total budgets of the 13 organizations and nearly three-quarters (73%) of the total attendance of the cultural organizations listed.

Revenue and attendance of Kansas City cultural facilities:

The combined budget of the 27 largest Kansas City institutions is $39,433,000 with a combined attendance of 2,608,000 (see Chart #2).

Chart #2

Kansas City Regional Cultural Facilities
Budget and Attendance (top 27)

Cultural Facility	Current Annual Budget	1991 Total Attendance
Nelson-Atkins Museum of Art	$9.4M	365,000
Kansas City Zoological Gardens	4.5M	450,000
Kansas City Symphony	4.3M	129,000
Missouri Repertory Theater	3.8M	92,000
Starlight Theater	2.8M	208,000
Lyric Opera	2.3M	50,000
State Ballet of Missouri	2.2M	75,000
Kansas City Museum (History & Science Museum)	1.8M	164,000
Harry S. Truman Library & Museum	1.6M	140,000
Kansas City Chapter of Young Audiences, Inc.	1.2M	350,000
Folly Theater	994,000	150,000
Kansas City Friends of Alvin Ailey	600,000	9,000
William Jewell Series	493,000	21,000
Johnson County Community College Cultural Education Center	480,000	39,000
Friends of Chamber Music	450,000	12,000
The Coterie, Inc.	435,000	50,000
Theater for Young America, Inc.	419,000	61,000
Unicorn Theater	272,000	14,000
Theater in the Park	243,000	65,000
National Agricultural Center Hall of Fame	225,000	45,000
Jackson County Historical Society	184,000	17,000
Bruce Watkins Cultural Heritage Center	171,000	17,000
Kaw Valley Arts & Humanities	162,000	15,000
The Children's Museum of Kansas City	115,000	27,000
City in Motion Dance Theater, Inc.	110,000	2,000
Granada Theater	90,000	33,000
Kansas City Artists Coalition	90,000	8,000
	$39,433,000	2,608,000

Ciruli Associates, 1992

Pre-campaign publicity for the arts

Objectives

1. Broaden the definition of "art" to include local concerts and festivals, education for children, musicals, waterfront concerts.

2. Gain acceptance for the idea that "Art is for Everyone!"

3. Gain recognition of benefits of the arts--economic, educational, quality of life

Strategies

1. "Arts Open House" program to de-mystify the arts--backstage tours, public events in concert hall lobbies, etc.

2. "Did you know..." series of program inserts that informs people about economic impact, educational opportunities for children, programs for seniors, etc.

3. Quarterly newletter that lists arts programs that are free or at a nominal cost. Can be the vehicle to publicize "Arts Open House."

Themes

1. "Art and Soul"--art is the soul of the community

2. "Open House"--further public ownership of arts programs and facilities

Recommendations for a Regional Arts Council for the Portland metropolitan region

The following recommendations were made by the ***Regional Arts Council Transition Team*** *and were received and approved by the Metro Funding Task Force 1/21/93 and by the Metropolitan Arts Commission on 4/14/93.*

1. That a Regional Arts Council be created and adopted by all parties as the agency to distribute the arts program funds described in the Metro Task Force's Funding Needs Subcommittee in accordance with the goals and intents described in Arts Plan and that Committee's further review. This includes funds, programs and services directed to counties and communities outside Portland.

Benefits of having one Regional Arts Council:

a) A strong policy making Regional Arts Council can serve as an expert and fair arbiter of diverse interests (urban/rural; large/ small; institution/individual artist; euro-centric/diverse) <u>and</u> respond to changing needs over the years.

b) Over the last 20 years virtually all line item arts funding mechanisms at the local, state and federal level have been eliminated in favor of dispersing public funds through agencies which <u>combine policy making, accountability, advocacy and facilitation of public/private partnerships.</u>

c) This independent policy making body is essential to assure access, excellence, a focus on education and cultural diversity and to provide unified leadership throughout the region. Combining policy making with resource allocation is essential to assure that these will remain priorities.

d) Such a Council has the expertise and flexibility to incorporate broader cultural goals and steward funds for groups such as OMSI and Historical Societies <u>if called upon</u> and could increase its board representation to do so.

e) If regional funding is channeled through the Regional Arts Council, significant grants from the National Endowment for the Arts (already in process) and national foundations can be leveraged.

f) The programs of the Regional Arts Council are designed to nurture cooperation and professionalism among the various urban, suburban arts groups and to link such services as marketing and technical assistance with granting to assure the best value and impact on arts providers and audiences. The RAC would set minimum standards and criteria for the various arts producers and providers designated to receive or seeking funds from the regional tax. This will assure continued development toward artistic excellence & program quality.

g) Controversies and new challenges will surely arise. The region needs an experienced, articulate and unified arts advocate.

h) The RAC model builds on Arts Plan and two years of ground work that went into building trust and relationships that are just beginning to bear fruit.

i) One Regional Arts Council allows counties to participate efficiently, through appointments to the Council rather than duplicate RAC's functions through new county based bureaucracies for re-grants and other services to local arts councils and arts providers in their jurisdictions.

2. That the current Metropolitan Arts Commission be restructured as a private non-profit Regional Arts Council with a board appointed in cooperation with participating jurisdictions, including the Metropolitan Service District. *

Benefits of a Non-Profit

a) More conducive to private fund raising

b) Has the degree of autonomy needed to satisfy all participants

c) More saleable to voters as a public - private partnership that <u>reduces existing government rather than creating new bureacracies</u>.
Also, administrative costs will actually be decreased as a percent of budget from the existing MAC administrative costs.

d) Non-profits can respond more quickly and often more cost effectively than governments. There is also more flexibility for advocacy work at the state and federal level.

e) There are numerous organizations -- Pioneer Courthouse Square, POVA, the Private Industry Council and dozens of major metropolitan arts councils that can serve as successful models.

3. That the Regional Arts Council contract with the Metropolitan Service District for the expenditures of revenues collected for the purposes intended and account to Metro through regular reports and contract review to be agreed between the RAC and METRO.

Accountability Benefits of Contract and Board Appointments:

a) gives a degree of accountability to elected officials and the public via county/city/Metro appointments to the board.

b) gives Metro accountability through annual budgetary process and regular contract review periods to be negotiated and agreed upon among the various stakeholders during the current process.

c) One Regional Arts Council can be far more responsible and accountable for public funds than individual grant recipients and county or city agencies (a much more attractive alternative to Metro and Counties, etc. who would otherwise have to devise processes for receiving and reviewing grants and services to hundreds of arts organizations and community arts projects annually!)

4. That the jurisdictions involved enter into a preliminary Agreement of Intent to utilize the Regional Arts Council for these purposes and to give direction to the RAC and Metro for the appropriate allocation of resources among the communities, local arts councils, arts providers, arts educators and other key components of the Arts Industry.

* The Transition Team would alternatively support the Regional Arts Council as a Commission/agency that would exist through Ordinance of Metro with a supplemental intergovernmental agreement or statement of intent.

THE
NELSON
REPORT

PUBLIC AFFAIRS COUNSEL • P.O. BOX 12945 • SALEM, OREGON 97309 • (503) 363-7084

EXECUTIVE SUMMARY
SURVEY RESEARCH REPORT
METROPOLITAN SERVICE DISTRICT
MARCH 8, 1993

This survey research report provides very valuable information regarding the acceptability of a regional arts vs. a regional cultural program, the goals for such a program, and potential financing mechanism for the program. This report should help Metro in its planning for the Tri-County area's cultural future.

Below, The Nelson Report has highlighted key results of the survey research report. The actual report is more than 200 pages in length with multiple tables designed to assist Metro in understanding and analyzing respondents' views. The questionnaire was presented to 430 respondents February 19 - February 24. The margin of error is 4.75%.

SERIOUS PROBLEMS FACING TRI-COUNTY METROPOLITAN AREA

Issues relating to schools/school funding and crime continued to lead the list of the most serious problems facing the Tri-County metropolitan area, followed by growth issues and the economy.

Below, the reader will find two columns that are part of the final report as well. Since this question and other open-ended questions call for multiple responses, the results

Problem	Percent of Respondents	Percent of Responses
Traffic	14	6
Transportation	14	6
Growth	8	3
Roads	6	3
SUBTOTAL	**42**	**18**
Unemployment	14	6
Economy	8	3
SUBTOTAL	**22**	**9**

METRO PERFORMANCE RATING

When asked to rate the performance and operation of Metro, respondents gave a 39% positive rating (excellent - 5%, pretty good - 34%) compared to a 42% negative rating (only fair - 31%, poor - 11%). Nineteen percent were undecided.

Compared to the poll conducted in November 1991, this represents a nine percent shift from positive to negative in Metro's job rating, which at that time was 48% positive, 33% negative and 19% undecided.

Key demographics on the negative side were males (48%), individuals 45 years and older (43-46%), Republicans (46%), and residents of Clackamas and Multnomah counties (both at 44%).

are displayed in terms of the number of respondents who mentioned a particular issue (adds up to more than 100%) and the percentage of responses to the total of all responses (adds up to 100%).

The top groupings are as follows:

Problem	**Percent of Respondents**	**Percent of Responses**
School Funding	15	6
Taxes	13	5
Schools	11	4
Ballot Measure 5	8	3
Property Taxes	7	3
Government Spending	6	3
Quality of Education	6	2
SUBTOTAL	**66**	**26**
Crime	41	17
Gangs	9	4
Drugs	7	3
Lack Police Enforcement	5	2
SUBTOTAL	**62**	**26**

When asked why they rated Metro as "only fair," respondents answered not doing much (10%), room for improvement (9%), unsure of Metro's purpose (8%) and getting too much power (6%). Respondents giving Metro a "poor" rating cited poor spending (14%), doing a poor job (14%), trying to increase power structure (12%) and they need more definition (10%).

The frequency of the "too much" or "increasing" power responses in this survey was the most obvious difference from the reasons cited by negative respondents in the 1991 poll and may partially explain the decline in Metro's positive performance rating, particularly when combined with general anti-government sentiment.

Key demographics of the positive rating were females (40%), 18-29 year olds (42%), 30-44 year olds (45%), Independents (57%) and Multnomah County residents (44%).

When asked why they rated Metro "excellent", respondents cited mass transit (20%), prompt (12%) and light rail (12%). Those rating Metro "pretty good" stated satisfied (30%), room for improvement (9%), hearsay (9%) and good recycle (6%).

Clearly, there remains some confusion about who's responsible for which regional services and what precisely Metro's duties are.

INDIVIDUAL CULTURAL PROGRAMS

Respondents were next asked what type of attractions come immediately to mind when someone mentions a cultural attraction. Four out of the top five items on the list were arts-oriented, as the following table shows.

Problem	Percent of Respondents	Percent of Responses
The Arts	15	10
Theater	13	9
Symphony	12	8
Museums	11	7
Varied Ethnic -Cultural Arts	9	6
Opera	8	5
OMSI	7	5
Concerts	6	4
Zoo	6	4
Arlene Schnitzer Hall	5	4

The Nelson Report then asked respondents to place a value on individual cultural programs and attractions. Here, the list was topped not by arts-oriented facilities, but by educational/scientific programs that come under the broader definition of cultural services, as provided by the questionnaire.

The following statements and question were read to respondents:

"There are many definitions of cultural programs or attractions. In general, cultural attractions refer to zoos, scientific, historical and art museums, art programs, libraries, visual and performing arts programs such as exhibits, plays and concerts.

"Some people place a high value to the community on these programs and facilities. Some people do not. Now I am going to read to you a list of individual cultural programs available in the Tri-County area. On a scale of one to four with "1" representing NO VALUE and "4" representing HIGH VALUE, please tell me how you would rate the value of the program to the community."

Below are the value ratings in descending order from the highest value. The three and four ratings have been collapsed into a high value and the one and two ratings into a low value.

Program	High Value (3+4)	Low Value (1+2)	Not Sure
Washington Park Zoo	92	7	1
OMSI	90	8	2
County Libraries	90	9	1
Oregon Historical Society	72	25	3
Oregon Symphony	68	28	4
Children's Museum	66	22	12
PDX Center for Performing Arts	65	29	6
Concerts in local communities	64	28	8
Portland Art Museum	60	32	8
Arlene Schnitzer Concert Hall	59	34	7
Oregon Shàkespeare Festival/Portland	56	36	8
Artists in the School Program	55	29	16
End of the Trail Project/Oregon City	53	29	18
Oregon Ballet Theater	49	41	10
Portland Opera	47	43	10
Young Audiences	46	25	29
Artquake	38	52	10

In reviewing key demographics, support for **both** cultural and arts-oriented individual programs/facilities are strongest among females, 18-29 year olds, 30-44 year olds and Multnomah County residents. There was additional high value placed on cultural programs/facilities by 45-59 year olds and Clackamas County residents. There was additional high value placed on arts programs only by Democrats and Independents.

"Problem children" demographics were males, 60+ year olds, Republicans and Washington County residents.

PROPOSALS TO FUND REGIONAL ARTS AND CULTURAL INVESTMENT PROGRAMS

The individual value rankings were clearly reflected in the response to the next question, which asked respondents to decide between funding a regional arts program alone or a program combining both regional arts and broader cultural services. The exact wording was as follows:

> **"Community leaders are currently reviewing two proposals to fund regional arts and/or cultural programs.**
>
> **The first is a regional arts program which would help fund local facilities and programs such as:**
>
> - **The Portland Arts Museum,**
> - **Artists in the School Program,**
> - **Oregon Symphony,**
> - **Oregon Shakespeare Festival/Portland,**
> - **Oregon Ballet Theater, and**
> - **art programs in local communities**

The second proposal is a broader regional cultural investment program which would help fund the arts facilities and programs just listed plus:

- **Metro Washington Park Zoo,**
- **OMSI,**
- **libraries,**
- **Children's Museum, and**
- **Oregon Historical Society**

There will be limited public funds to support either one.

If you had to choose, would you fund the regional arts program ALONE or BOTH a combination regional arts and cultural program?"

A large majority, 69% chose to fund a combination program while 11% chose arts alone. Another 14% chose neither, and six percent were not sure.

Key demographics supporting the combination program were females (72%), individuals age 18-59 (74-77%), Democrats (72%), people with children (73%), those with incomes $20,000-$30,000 (70%) and over $40,000 (78-85%), and residents of Washington (73%) and Clackamas (78%) counties.

When asked why they chose "both", respondents cited more diverse (31%), all are equally important (24%) and Zoo/OMSI (9%).

Not all supporters of the combination program, however, were willing to pay for it. When the 69% who support the combination arts/cultural program were asked how much in additional taxes they would be willing to spend each year to pay for the program, 17% said none, and 42% said they were not sure (combined = 40% of all respondents). Twenty percent were willing to pay under $30 per year, eight percent were willing to pay $30-$59, and 13% were willing to pay more than $60 per year (combined = 28% of all respondents).

Key demographics for the 41% of respondents who were willing to pay something were males, individuals age 18-59, Democrats, people with children, incomes $7500-$15,000, $20,000-$30,000, and over $50,000, and, finally, residents of Washington and Clackamas counties.

REGIONAL ARTS/CULTURAL PROGRAM GOALS

Respondents were read a list of six goals for a regional arts or cultural investment program and asked to rate the importance of each one. The responses to this series are ranked below in descending order of importance. The "very important" and "somewhat important" categories have been collapsed into an "important" rating, and the "somewhat unimportant" and "very unimportant" have been collapsed into an unimportant category.

	Important	**Unimportant**	**Not Sure**
Cultural education opportunities for children	90	8	2
Economic development	84	13	3
Affordable access to culture for all citizens	80	17	3
Stabilize finances of cultural organizations	74	16	10
Promote creativity and artistic excellence	74	19	7
Cultural diversity	71	19	10

While concern for children and the economy were considered most important by respondents, they clearly considered all six goals worthy.

Key demographics that gave a high importance rating to cultural education opportunities for children were females (93%), 18-29 year olds (96%), 30-44 year olds (93%), Democrats and Independents (both at 92%), and Clackamas (92%) and Multnomah (91%) County residents.

CREATION OF CULTURAL INVESTMENT PROGRAM

Respondents were then asked whether they would favor or oppose creation of a $17 million Cultural Investment Program for the Tri-County region, forgetting for the moment the type of tax that would be needed to fund the program. This was then followed by a probe question to determine why they favored or opposed. Following are the key highlights of this series.

1. Fifty-six percent favored creation of the Cultural Investment Program, while 31% were opposed and 13% were unsure.

2. Key demographics favoring the program were males (57%), 18-29 year olds (77%), 30-44 year olds (65%), Independents (71%), people with children (63%), income levels below $7,500 (58%), $40,000-$50,000 (63%), $50,001-$60,000 (69%), and over $60,000 (71%), and finally, residents of Clackamas (58%) and Multnomah (59%) counties.

3. Key demographics opposing were 60+ year olds (43%), Republicans (35%), people without children (32%), income levels $7,501-$15,000 (40%) and $15,001-$20,000 (37%), and Washington County residents (34%).

4. The main reasons cited by those favoring creation of the program were "for cultural understanding" (19%), improves community (18%), for kids (8%), and needed (8%).

5. The main reasons cited for opposing the program were taxes (30%), other priorities to deal with (23%), can't afford (12%).

"PUSH RESULTS"; CULTURAL INVESTMENT PROGRAM

A series of questions was then asked to gauge the "push" impact of certain pieces of information. This methodology was used to ascertain which arguments produced the greatest net movement by respondents on the original "who's ahead" question regarding creation of the Cultural Investment Program. Below, the results, including the net gains or losses, are ranked in descending positive order.

The reader needs to keep in mind the "if you knew..." phraseology. Certain arguments may push people "if they knew," but the nature of the argument may make it impossible to convince someone that "it is a fact." In addition, the resources required to do the convincing may be too great when compared to other arguments.

Question	**Favor**	**Oppose**	**Not Sure**	**Net Gain/Loss**
Creation of Cultural Program	**56**	**31**	**13**	
If you knew the proposed Cultural Investment Program would emphasize educational attractions for children, would you FAVOR or OPPOSE the program?	77	16	7	+21

Question	Favor	Oppose	Not Sure	Net Gain/Loss
If you knew the proposed Cultural Investment Program would increase availability of cultural attractions to children and families, would you FAVOR or OPPOSE the program	75	18	7	+19
If you knew that local cultural programs add over $100 million to their local economy and provide more than 1,000 jobs, would you FAVOR or OPPOSE the program?	75	18	7	+19
If you knew funds for the Cultural Investment Program could not be spent on any other government programs, would you FAVOR or OPPOSE the program?	75	19	6	+19

Question	Favor	Oppose	Not Sure	Net Gain/Loss
If you knew the proposed Cultural Investment Program would guarantee a set amount of money each year for large regional facilities and programs such as the Zoo, Performing Arts Center, OMSI and libraries,would you FAVOR or OPPOSE the program?	74	20	6	+18
If you knew legislation authorizing the Cultural Investment Program would have a strict limit on the amount of the tax dollars available for administrative costs, would you FAVOR or OPPOSE the program?	72	21	7	+16
If the cost was $20 per year, would you FAVOR or OPPOSE the program?	69	25	6	+13

Question	Favor	Oppose	Not Sure	Net Gain/Loss
If you knew the Cultural Investment Program and its funding would only be in effect on a trial basis for five years with another vote of the people required before it could continue, would you FAVOR or OPPOSE the program?	67	23	10	+11
If you knew the Cultural Investment Program would guarantee a percentage of funds to local arts and cultural programs outside downtown Portland, would you FAVOR or OPPOSE the program?	64	26	10	+8
If you knew the Cultural Investment Program would provide a regional approach to arts and cultural programs and facilities as opposed to trying to solve the problems city by city or county by county, would you FAVOR or OPPOSE the program?	63	24	13	+7

Question	Favor	Oppose	Not Sure	Net Gain/Loss
If you knew the cost of funding the Cultural Investment Program through dedicated taxes would cost the average METRO area household about $35 a year, would you FAVOR or OPPOSE the program?	59	35	6	+3
If you knew Ballot Measure 5 has and will continue to reduce public funding for regional arts and cultural programs and facilities, would you FAVOR or OPPOSE the program?	58	27	15	+2
If you knew that the City of Portland would contribute approximately $1 million to the Cultural Investment Program, would you FAVOR or OPPOSE the program?	55	28	17	-1

Clearly, the issues that moved respondents the most in the "push" series closely correlate to the issues that positively influenced respondents in earlier series: children, economic impact and broad-based regional program support. In addition, new themes emphasizing cost consciousness and program review also moved a substantial number of respondents.

The movement in this series was impressive and unusually large, but a word of caution is in order. Since there was no specific tax proposal for the arguments to "push" against, the reader should not assume that the arguments would be equally successful when applied to any specific proposed tax. At this point, the push questions are most valuable with respect to how they rank against one another. Following are additional highlights of the push series.

1. Knowledge that the proposed Cultural Investment Program would emphasize educational attractions for children moved the largest percentage of respondents to favor the program (+21%). Key demographics were females (+24%), people age 45-59 (+24%) and over 60 (+28%), Democrats (+25%), people without children (+22%) and residents of Washington County (+27%).

2. A related question produced similar movement. Knowledge that the program would increase availability of cultural attractions to children and families boosted support for the program by 19%. Key demographics were the same as above.

3. Knowledge that the program would enhance the local economy also increased support by 19%. Key demographics were females (+20%), 60+ years old (+27%), Democrats (+21%), Republicans (+20%), those without children (+20%), and Washington County residents (+26%).

4. Knowledge that funds for the program could not be spent on any other government programs also substantially increased support for the program, again by 19%. Key demographics were females (+22%), Democrats (+22%), Republicans (+20%), those without children (+21%) and Washington County residents (+24%).

5. Pegging the cost of the program at $20 per year increased support by 13%. Key demographics were 60+ years old (+14%), Democrats (+17%), income levels $7,500-$15,000 (+18%) and $30,000-$40,000 (+25%), and Clackamas County residents (+14%).

FUNDING ALTERNATIVES FOR REGIONAL ARTS PROGRAMS

Respondents were then presented with the following information and question regarding funding options for regional art programs:

> **"Several individuals and groups have suggested various proposals to pay for the Cultural Investment Program which includes both regional arts and cultural programs.**
>
> **The first set of proposals will fund regional art programs such as the Portland Art Museum, Artists in School Program, Oregon Symphony, Oregon Shakespeare Program - Portland, Oregon Ballet Theater and art programs in local communities. Each tax proposal would raise a net $8.5 million annually for regional art programs. For each tax proposal I read to you, please tell me if you would FAVOR or OPPOSE that particular funding alternative."**

Below, the five tax proposals are listed in descending order of favorability.

Funding Proposal	Favor	Oppose	Not Sure
A one and a quarter cent tax on food and beverage sales in all restaurants and liquor establishments within the Tri-County Metropolitan Area. This tax would raise a net $8.5 million annually to pay for regional art programs. This tax would add 12 cents to a $10 restaurant meal.	49	44	7
A 7% admissions tax on movie tickets, concerts, plays and other ticketed events plus a 5% increase to the current hotel/motel tax. This tax would raise a net $8.5 million annually to pay for regional art programs. The combination of taxes would add 43 cents to a $6 movie ticket and an additional $2.54 to a hotel or motel bill.	38	54	8

Funding Proposal	Favor	Oppose	Not Sure
A one twelfth of one percent income tax on taxable incomes over $40,000 for individuals and corporations within Tri-County Metropolitan Area boundaries. This tax would raise a net $8.5 million annually to pay for regional art programs. It would cost an additional $48 a year for a household with $40,000 taxable income.	37	54	9
A fifteenth of one percent sales tax on the sale of all goods in Tri-County. Food and drugs would be exempted. This tax would raise a net $8.5 million annually to pay for regional art programs. This tax would add one cent to a $10 purchase.	35	60	5
A 6% admissions tax on movie tickets, concerts, plays and other ticketed events plus a one fifteenth of a percent income tax on taxable incomes over $60,000 for individuals and corporations. This tax would raise a net $8.5 million annually to pay for regional art programs. This combination of taxes would add 36 cents to the price of a $6 movie ticket and cost an additional $89 a year for a household with $60,000 taxable income.	32	60	8

Following are key highlights of this series on funding options for regional art programs:

1. No option received a majority of favorable responses. The only option to achieve a favorable plurality (49%) was the food and beverage tax. Key demographics were females (52%), 18-59 year olds (51-54%), Republicans (50%), Independents (55%), people with children (51%), people with incomes over $30,000 (52-63%), and residents of Clackamas County (52%).

2. Interestingly, even though the food and beverage tax rate tested in this survey was larger (by a quarter of a percent) than the one tested in the November 1991 survey, this one fared significantly better. In the previous survey, only 39% approved a one percent food and beverage tax. Key demographics in this 10% favorable shift were females, people age 45-59, Republicans, Independents, and residents of Clackamas County.

   It should be noted, of course, that the 1991 tax was being used for a different stated purpose - to pay for the operation and capital improvements for performing arts, sports and convention facilities - and the wording of the question was different. Specifically, though a smaller rate, it raised more money ($10-11 million annually instead of a net $8.5 million). It also made no mention of the impact on an average restaurant bill.

3. No other tax or combination of taxes in this series proved palatable to respondents. The only demographic group favoring the 7% admissions tax/5% hotel/motel tax increase were those with incomes over $60,000. Key demographics opposing this combination were females, Republicans, those without children, and incomes from $15,000-$30,000. In a special crosstab, 42% of those who originally favored creation of the $17 million Cultural Investment Program (24% of all respondents) now opposed a seven percent admissions tax/5% hotel/motel tax increase to pay for it.

4. Tying the admissions tax to an income tax moved it to the bottom of the list, even though it was one percent smaller in this combination. Not surprisingly, the only demographic group that favored this 6% admissions tax/one fifteenth of one percent income tax combination were the very poor (those with incomes under $7,500). Key demographics opposing this combination were males (62%), 18-29 year olds (61%), 45-59 year olds (65%), Republicans (68%), those with children (65%), Washington (63%) and Clackamas (69%) County residents.

   In a special crosstab, 48% of those who originally favored creation of the Cultural Investment Program (27% of all respondents) opposed this proposal.

FUNDING ALTERNATIVES FOR REGIONAL ARTS AND CULTURAL PROGRAMS

Though a substantial 69% said, earlier in the survey, they would choose to fund both regional arts and cultural programs, their enthusiasm flagged considerably when confronted with specific proposals to pay for them. The respondents were presented with the following information:

> **"Now, let's turn to suggested proposals to pay for regional arts and cultural programs such as Metro Washington Park Zoo, Oregon Museum of Science and Industry or OMSI, libraries, Children's Museum and the Oregon Historical Society. Each tax proposal would raise a net $17 million annually for regional and cultural art programs. For each proposal I read to you, please tell me if you would FAVOR or OPPOSE that particular funding proposal."**

Below are the three proposals presented, listed in descending order of favorability.

Funding Proposal	Favor	Oppose	Not Sure
A one quarter of one percent sales tax on the sale of all goods in the Tri-County. Food and drugs would be exempted. This would raise a net $17 million annually to pay for cultural art programs. This tax would add 3 cents to a $10 purchase.	33	63	4
A one eighteenth of one percent payroll tax on all payrolls in the Tri-County metropolitan area. This would raise a net $17 million annually to pay for cultural art programs. This tax would cost an additional $867 to a company with a			

Funding Proposal	Favor	Oppose	Not Sure
A one eighteenth of one percent income tax on taxable incomes over $20,000 for individuals and corporations within the Tri-County metropolitan area boundaries. This would raise a net $17 million annually to pay for cultural art programs. This tax would cost an additional $54 a year to a household with $30,000 taxable income.	27	69	4

1. All three proposals were opposed across the board by all demographic groups.

2. Key demographics opposing the sales tax were **males (72%)**, 18-29 year olds (68%), **45-59 year olds (69%), 60+ year olds (64%), Republicans** and Independents (both at 65%), income under 40,000 (64-73%), Washington (65%) and Multnomah (66%) County residents.

3. Key demographics opposing the income tax were **males (71%), 45-59 year olds (74%), 60+ year olds (72%), Republicans (78%)**, $7,501-15,000 income (83%), **$40,001-50,000** income (73%) and Washington County residents.

4. Key demographics opposing the payroll tax were **males (61%), 45-59 year olds (65%), 60+ year olds (63%), Republicans (65%)**, Independents (61%), $7,501-15,000 **income** (70%) and Clackamas County (71%).

5. Reviewing special crosstabs, the proposal that lost the most support among original supporters of the $17 million Cultural Investment Program was the income tax option. Fifty-seven percent of those who originally favored the program (32% of all respondents) now opposed a one eighteenth of a percent income tax to pay for it.

3. Though respondents were quite clear about their distaste for an income tax, they were evenly divided on whether an income tax should be paid by both individuals and corporations. Forty-seven percent said yes, they would favor including a small income tax on corporations, if a small income tax on individuals were levied to support the cultural investment program. Forty-seven percent said no.

END OF THE OREGON TRAIL PROJECT

Respondents were asked a brief series of questions to gauge their awareness and support of the proposed End of the Oregon Trail Project. Again, there was substantial support for the program and substantially less interest in paying for it.

A very large 72% of respondents had read or heard about the End of the Oregon Trail Project. This represented a huge jump in awareness from the 42% figure in the 1991 poll. Support for the project also grew slightly to 72% from the already large 68% in the earlier poll.

While 72% supported the idea of developing such a project for the Tri-County area, only 39% said they would favor a $38.5 million bond measure to pay for it. Another 44% were opposed and 17% were undecided. On the positive side, this represented a six percent favorable movement from the 1991 poll, while the opposition column decreased and the undecided increased from 1991.

Key demographics favoring the development of the End of the Oregon Trail Project were females, 30-59 year-olds, Republicans, all income levels except $15,000-20,000, and residents of Washington and Clackamas counties.

Key demographics favoring the $38.5 million bond measure were 30-44 year-olds, Republicans, Independents, all incomes over $20,000 and, not surprisingly, residents of Clackamas County.

CONCLUSIONS

1. Schools/school funding, crime and urban growth issues lead the list of the most serious problems facing the Tri-County metropolitan area. Concern about crime continues to rate higher here than in statewide surveys.

2. The public perceives Metro less favorably than it did in November 1991. There appears to be confusion as to Metro's purpose and responsibilities.

3. The respondents who rate Metro most highly think it is responsible for mass transit. Again there is a lack of clear understanding and definition about Metro's role in the region.

4. What first comes to respondents' minds when asked to name cultural attractions are the performing and visual arts, but the cultural attractions they value most highly are the educational/scientific attractions that are encompassed by the broader definition of cultural attraction.

5. The three cultural attractions the public values most highly are the Washington Park Zoo, OMSI and the county libraries. Though the public also clearly values other attractions, there is a substantial percentage break between the top three and the remainder of the list.

6. A broad-based cultural investment program has far greater appeal than a narrower regional arts program -- until it's time to pay for it.

7. Females, 18-59 year olds, Multnomah and Clackamas County residents tend to support broad-based cultural programs and facilities at a higher rate than males, 60+ year olds, Republicans and Washington County residents.

8. The public feels children and the economy should be the chief beneficiaries of the cultural investment program.

9. In addition to children and economic arguments, strictly limiting administrative costs and guaranteeing a set amount of money annually for large regional programs such as the Zoo, OMSI, and libraries increases support for creation of the Cultural Investment Program.

10. The Cultural Investment Program has many positive themes working in its favor but is still in search of a tax package that will overcome public resistance to additional taxation.

11. In the abstract, a fairly large plurality of respondents are willing to pay something for a cultural investment program, particularly if the cost is under $30.

12. This increase in support, however, occurred without reference to a specific tax source of funding.

13. Save one, every specific tax proposal offered in this survey would be rejected. Sales, income, admissions, payroll and hotel-motel tax proposals were all rejected.

14. The only one to receive a plurality of support was the one and a quarter percent food and beverage tax, but this proposal was to support regional art programs only.

15. Respondents are much more aware of the End of the Oregon Trail Project then they were in November 1991. While they support the idea of the project, they are still not ready to pay for it. Support for this project, however, is increasing.

# FINAL RESULTS
N=436

Hello, my name is ____. I'm with The Nelson Report, a statewide public opinion research firm. We are conducting a survey in this area today. Could I take just a few minutes of your time to ask you some interesting questions? I promise I'm not selling anything.

First of all, are you registered to vote in the State of Oregon? **(INTERVIEWER - IF NO, POLITELY TERMINATE SURVEY)**

A. What are the two or three most serious problems facing the Tri-County metropolitan area today? **(PROBE)**

1. How would you rate the operation and performance of METRO ~ EXCELLENT, PRETTY GOOD, ONLY FAIR or POOR?

1. Excellent	5
2. Pretty Good	34
3. Only Fair	31
4. Poor	11
5. Not Sure	19

B. Why would you rate the operation and performance of METRO as (EXCELLENT) (PRETTY GOOD) (ONLY FAIR) (POOR)? **(PROBE)**

C. When someone mentions a cultural attraction, what type of attraction do you think of right away? **(PROBE)**

There are many definitions of cultural programs or attractions. In general, cultural attractions refer to zoos, scientific, historical and art museums, art programs, libraries, visual and performing arts programs such as exhibits, plays and concerts.

Some people place a high value to the community on these programs and facilities. Some people do not. Now I am going to read to you a list of individual cultural programs available in the Tri-County area. On a scale of one to four with "1" representing NO VALUE and "4" representing HIGH VALUE, please tell me how you would rate the value of the program to the community. **(INTERVIEWER: ROTATE #2 - #18, BUT RECORD IN PROPER ANSWER BLANK)**

1. 1-No Value
2. 2
3. 3
4. 4-High Value
5. Not Sure

2.	Metro Washington Park Zoo	**0 - 7 - 20 - 72 - 1**
3.	Oregon Museum of Science and Industry or OMSI	**1 - 7 - 18 - 72 - 2**
4.	Portland Center for the Performing Arts	**9 - 20 -31 - 34 - 6**
5.	Portland Art Museum	**7 - 25 - 28 - 32 - 8**
6.	County Library System	**2 - 7 - 20 - 70 - 1**
7.	Children's Museum	**4 - 18 - 27 - 39 - 12**
8.	Oregon Symphony	**9 - 19 - 36 - 32 - 4**
9.	Arlene Schnitzer Concert Hall	**12- 22 - 28 - 31 - 7**
10.	Portland Opera	**17- 26 - 26 - 21 - 10**
11.	Oregon Historical Society	**5 - 20 - 35 - 37 - 3**
12.	Oregon Ballet Theater	**16- 25 - 32 - 17 - 10**
13.	End of the Oregon Trail Project in Oregon City	**11- 18 - 27 - 26 - 18**
14.	Artists in the School Program	**11- 18 - 26 - 29 - 16**

15.	Artquake	**19 - 33 - 21 - 17 - 10**
16.	Concerts in local communities	**7 - 21 - 35 - 29 - 8**
17.	Young Audiences	**6 - 19 - 22 - 24 - 29**
18.	Oregon Shakespeare Festival-Portland	**11 - 25 - 32 - 24 - 8**

Community leaders are currently reviewing two proposals to fund regional arts and/or cultural investment programs.

The first is a regional arts program which would help fund local facilities and programs such as:

* The Portland Arts Museum,
* Artists in School Program,
* Oregon Symphony,
* Oregon Shakespeare Festival-Portland,
* Oregon Ballet Theater, and
* art programs in local communities

The second proposal is a broader regional cultural investment program which would help fund the arts facilities and programs just listed plus:

* Metro Washington Park Zoo,
* OMSI,
* libraries,
* Children's Museum, and
* Oregon Historical Society

There will be limited public funds to support either one.

19. If you had to choose, would you fund the regional arts program ALONE or BOTH a combination regional arts and cultural program?

1. Alone	**11**
2. Both	**69**
3. Neither **(INTERVIEWER: DON'T VOLUNTEER, JUST RECORD}**	**14**
4. Not Sure	**6**

D. Why would you choose (ARTS ALONE) (BOTH) (NEITHER) program? **(PROBE)**

20. **(ALONE IN #19 ONLY)** How much in additional taxes would you be willing to spend each year to support a regional arts program which includes funding for Portland Art Museum, Artists in School Program, Oregon Symphony, Oregon Ballet Theater and an arts program in local communities? **(INTERVIEWER: DON'T READ ANSWERS, JUST RECORD)**

1. $1-$9	2
2. $10-$19	2
3. $20-$29	2
4. $30-$39	1
5. $40-$49	0
6. $50-$59	3
7. More than $60	2
8. None	14
9. Not Sure	74

21. **(BOTH IN #19 ONLY)** How much in additional taxes would you be willing to spend each year to support a combination regional arts and cultural program which includes funding for the arts programs I just named as well as the Metro Washington Park Zoo, OMSI, libraries, Children's Museum and Oregon Historical Society? **(INTERVIEWER: DON'T READ ANSWERS, JUST RECORD)**

1. $1-$9	7
2. $10-$19	6
3. $20-$29	7
4. $30-$39	1
5. $40-$49	2
6. $50-$59	5
7. More than $60	13
8. None	17
9. Not Sure	42

Many individuals and organizations have different ideas and goals for a regional arts or cultural investment program. For each goal I read please tell me whether you believe it is a VERY IMPORTANT, SOMEWHAT IMPORTANT, SOMEWHAT UNIMPORTANT or VERY UNIMPORTANT goal for a regional arts or cultural program.

1. Very Important
2. Somewhat Important
3. Somewhat Unimportant
4. Very Unimportant
5. Not Sure

22. Enhance the economic development of the region through job creation, visitor attractions and new business development.
59 - 25 - 7 - 6 - 3

23. Ensure that all citizens can afford to attend regional cultural programs.
54 - 26 - 9 - 8 - 3

24. Ensure that all children have cultural education opportunities.
68 - 22 - 5 - 3 - 2

25. Stabilize the finances of the region's cultural organizations.
41 - 33 - 9 - 7 - 10

26. Promote cultural diversity.
41 - 30 - 11 - 8 - 10

27. Promote innovation, creativity and artistic excellence.
40 - 34 - 10 - 9 - 7

28. The Cultural Investment Program to fund both regional arts and cultural programs is estimated to cost $17 million a year. Forgetting for a moment the type of tax that would be needed to fund this program, would you FAVOR or OPPOSE the creation of a Cultural Investment Program for the Tri-County region?

1. Favor	**56**
2. Oppose	**31**
3. Not Sure	**13**

E. Why would you (FAVOR) (OPPOSE) the Program? **(PROBE)**

29. If you knew the proposed Cultural Investment Program would emphasize educational attractions for children, would you FAVOR or OPPOSE the program?

1. Favor	77
2. Oppose	16
3. Not Sure	7

30. If you knew the proposed Cultural Investment Program would guarantee a set amount of money each year for large regional facilities and programs such as the Zoo, Performing Arts Center, OMSI and libraries, would you FAVOR or OPPOSE the program?

1. Favor	74
2. Oppose	20
3. Not Sure	6

31. If you knew the proposed Cultural Investment Program would increase availability of cultural attractions to children and families, would you FAVOR or OPPOSE the program?

1. Favor	75
2. Oppose	18
3. Not Sure	7

32. If you knew the proposed Cultural Investment Program would guarantee a percentage of funds to local arts and cultural programs outside downtown Portland, would you FAVOR or OPPOSE the program?

1. Favor	64
2. Oppose	26
3. Not Sure	10

33. If you knew the Cultural Investment Program and its funding would only be in affect on a trial basis for five years with another vote of the people required before it could continue, would you FAVOR or OPPOSE the program?

1. Favor	67
2. Oppose	23
3. Not Sure	10

34. If you knew legislation authorizing the Cultural Investment Program would have a strict limit on the amount of the tax dollars available for administrative costs, would you FAVOR or OPPOSE the program?

1. Favor	72
2. Oppose	21
3. Not Sure	7

35. If you knew funds for the Cultural Investment Program could not be spent on any other government programs, would you FAVOR or OPPOSE the program?

1. Favor	75
2. Oppose	19
3. Not Sure	6

36. If you knew that the City of Portland would contribute approximately $1 million to the Cultural Investment Program, would you FAVOR or OPPOSE the program?

1. Favor	55
2. Oppose	28
3. Not Sure	17

37. If you knew the Cultural Investment Program would provide a regional approach to arts and cultural programs and facilities as opposed to trying to solve the problems city by city or county by county, would you FAVOR or OPPOSE the program?

1. Favor	63
2. Oppose	24
3. Not Sure	13

38. If you knew Ballot Measure 5 has and will continue to reduce public funding for regional arts and cultural programs and facilities, would you FAVOR or OPPOSE the Cultural Investment Program?

1. Favor	58
2. Oppose	27
3. Not Sure	15

39. If you knew the local cultural programs add over $100 million to the local economy and provide more than 1,000 jobs, would you FAVOR or OPPOSE the proposed Cultural Investment Program?

1. Favor	75
2. Oppose	18
3. Not Sure	7

40. If you knew the cost of funding the Cultural Investment Program through dedicated taxes would cost the average METRO area household about $35 a year, would you FAVOR or OPPOSE the program?

1. Favor	59
2. Oppose	35
3. Not Sure	6

41. If the cost was $20 per year, would you FAVOR or OPPOSE the program?

1. Favor	69
2. Oppose	25
3. Not Sure	6

Several individuals and groups have suggested various proposals to pay for the Cultural Investment Program which includes both regional arts and cultural programs.

The first set of proposals will fund regional art programs such as the Portland Art Museum, Artists in School Program, Oregon Symphony, Oregon Shakespeare Program-Portland, Oregon Ballet Theater and art programs in local communities. Each tax proposal would raise a net $8.5 million annually for regional art programs. For each tax proposal I read to you, please tell me if you would FAVOR or OPPOSE that particular funding alternative.

42. A one and a quarter percent tax on food and beverage sales in all restaurants and liquor establishments within the Tri-County Metropolitan Area. This tax would raise a net $8.5 million annually to pay for regional art programs. This tax would add 12 cents to a $10 restaurant meal.

1. Favor	49
2. Oppose	44
3. Not Sure	7

43. A fifteenth of one percent sales tax on the sale of all goods in Tri-County. Food and drugs would be exempted. This tax would raise a net $8.5 million annually to pay for regional art programs. This tax would add one cent to a $10 purchase.

1. Favor	35
2. Oppose	60
3. Not Sure	5

44. A one twelfth of one percent income tax on taxable incomes over $40,000 for individuals and corporations within Tri-County Metropolitan Area boundaries. This tax would raise a net $8.5 million annually to pay for regional art programs. It would cost an additional $48 a year for a household with $40,000 taxable income.

1. Favor	37
2. Oppose	54
3. Not Sure	9

45. A 6% admissions tax on movie tickets, concerts, plays and other ticketed events plus a one fifteenth of a percent income tax on taxable incomes over $60,000 for individuals and corporations. This tax would raise a net $8.5 million annually to pay for regional art programs. This combination of taxes would add 36 cents to the price of a $6 movie ticket and cost an additional $89 a year for a household with $60,000 taxable income.

1. Favor	32
2. Oppose	60
3. Not Sure	8

46. A 7% admissions tax on movie tickets, concerts, plays and other ticketed events plus a 5% increase to the current hotel/motel tax. This tax would raise a net $8.5 million annually to pay for regional art programs. The combination of taxes would add 43 cents to a $6 movie ticket and an additional $2.54 to a hotel or motel bill.

1. Favor	38
2. Oppose	54
3. Not Sure	8

Now let's turn to suggested proposals to pay for regional arts and cultural programs such as Metro Washington Park Zoo, Oregon Museum of Science and Industry or OMSI, libraries, Children's Museum and the Oregon Historical Society. Each tax proposal would raise a net $17 million annually for regional cultural art programs. For each proposal I read to you, please tell me if you would FAVOR or OPPOSE that particular funding alternative.

47. A one quarter of one percent sales tax on the sale of all goods in Tri-County. Food and drugs would be exempted. This would raise a net $17 million annually to pay for cultural art programs. This tax would add 3 cents to a $10 purchase.

1. Favor	33
2. Oppose	63
3. Not Sure	4

48. A one eighteenth of one percent income tax on taxable incomes over $20,000 for individuals and corporations within the Tri-County metropolitan area boundaries. This would raise a net $17 million annually to pay for cultural art programs. This tax would cost an additional $54 a year to a household with $30,000 taxable income.

1. Favor	27
2. Oppose	69
3. Not Sure	4

49. A one eighteenth of one percent payroll tax on all payrolls in the Tri-County metropolitan area. This would raise a net $17 million annually to pay for cultural art programs. This tax would cost an additional $867 to a company with a payroll of $500,000.

1. Favor	32
2. Oppose	59
3. Not Sure	9

50. If a small income tax on individuals were levied to support the cultural investment program, would you favor including a small income tax on corporations?

1. Yes	47
2. No	47
3. Not Sure	6

51. Have you heard or read about the End of the Oregon Trail Project in Oregon City?

1. Yes	72
2. No	24
3. Not Sure	4

The Oregon Trail represents one of the largest mass overland migration in all of the world's history. The End of the Oregon Trail exhibit in Oregon City is a proposed interpretative center assigned to celebrate and display this segment of Oregon's history. The project will have a living history exhibit similar to the one in Williamsburg, Virginia.

52. Do you support the idea of developing such a facility for the region?

1. Yes	72
2. No	18
3. Not Sure	10

53. If a special election were held today would you FAVOR or OPPOSE $38.5 million bond measure with a 30 year term to construct the End of the Oregon Trail facility which would increase the current property tax rate by 6 cents per thousand?

1. Favor	39
2. Oppose	44
3. Not Sure	17

DEMOGRAPHICS

54. SEX

1. Male
2. Female

55. AGE: How old are you? **(RECORD ANSWER ON ANSWER SHEET, THEN CATEGORIZE BELOW)**

1. 18-29
2. 30-44
3. 45-59
4. 60+
5. Not Sure/Refused

56. POLITICAL PARTY: Are you registered to vote as a . . .

1. Democrat
2. Republican
3. Independent/Other
4. Not Sure/Refused

57. VOTING HABITS: Which of the following statements best describes you?

1. Vote in EVERY local election
2. Vote in MOST local elections
3. Vote in SOME local elections
4. Vote in FEW local elections
5. Vote in NO local elections
6. Not Sure/Refused

58. CHILDREN: Do you have children under 18 years of age?

1. Yes
2. No

59. INCOME: What category best describes your household income?

1. Up to $7,500
2. $7,501 - $15,000
3. $15,001 - $20,000
4. $20,001 - $30,000
5. $30,001 - $40,000
6. $40,001 - $50,000
7. $50,001 - $60,000
8. Over $60,001
9. Not Sure/Refused

60. PORTLAND RESIDENT: Do you live within the City of Portland?

1. Yes
2. No
3. Not Sure

61. GEOGRAPHIC AREA (DON'T ASK; **JUST RECORD COUNTY FROM PHONE LIST**)

1. Washington
2. Clackamas
3. Multnomah

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DAVID C. KNOWLES

May 25, 1993

<u>Hand Delivered</u>

The Honorable Judy Wyers
Presiding Officer
Metro Council
600 NE Grand Avenue
Portland, OR 97232

Re: Metro Funding Task Force - Interim Report

Dear Judy:

I am pleased to submit to you and the Metro Council an interim report from Metro's Funding Task Force for Regional Facilities and Programs. While I had genuinely believed that we would have completed our tasks and would be submitting a final report to you at this time, our tasks were more time consuming and complex than we originally imagined.

During the past year, the Task Force has made significant progress addressing your charge to us. We have identified funding needs, examined a wide range of funding options, developed program purposes and public policy goals, worked closely with the many parties throughout the region interested and involved in arts programs, and established strategies for informing the public.

During this process and because of our extensive research, however, we became convinced that opportunities exist to address a broad range of regional needs in a comprehensive fashion. Just as Arts Plan 2000+ documented the need for addressing both arts facilities and arts program needs, our research has shown that a broad cultural package would serve the region well in the coming years.

The accompanying status report summarizes our work to date. It provides a sense of the direction we have taken on developing a broad-based approach in addressing the arts and cultural needs of this region. It specifies the program details that we believe are necessary for success. And finally, it details what tasks remain for us to complete and a timeline for accomplishing those tasks.

To fully meet our charge, however, we have two requests. First, we respectfully request that the Council adopt a resolution extending the deadline for a final report from the Task Force by six months to December 1993. We believe that this additional time will enable us to thoroughly address our charge and produce recommendations that are well-research and thoughtful. Second, we request that adequate resources and staff be provided. As volunteers, we rely on staff. Only with staff support can we successfully complete our tasks.

On behalf of the Task Force, I appreciate your consideration of our report. I look forward to formally presenting this report to the Council and obtaining your insights and comments.

Very truly yours,

David

David C. Knowles, Chair
Regional Funding Task Force

cc: Rena Cusma
Metro Councilors
Task Force Members

DCK:mjt
f:\3\30729\1\Wyers.ltr

CHILDREN'S SCIENTIFIC AND CULTURAL FUNDING PROPOSAL

Purpose

To ensure access to scientific and cultural institutions and programs for all of the region's children.

Funding/Distribution

The total amount of funding will be $6 million. A small amount (maximum of 5%) will be allowed for tax collection and other administrative costs. The funds will be distributed as follows:

90% Operating grants to regional organizations to achieve/increase access for children
10% Innovation grants to achieve access for children

Eligibility

Operating Grants--90%

1. Scientific and cultural organizations that are public or non-profit with tax exempt status.
2. Organizations which serve the entire region.
3. Organizations that are primarily supported by local tax dollars (over 50%) must have support of at least $250,000 from non-local tax sources.
4. Organizations that are not primarily supported by local tax dollars (under 50%) must have operating budgets of at least $250,000.
5. Evidence of stability including a year-round professional staff, an active board of directors (if non-profit), and three years of operating experience that demonstrate a capability to operate regional programs.
6. Evidence of commitment to programs for children and for methods to enhance access to all children of the region, regardless of their income level.

Innovation Grants--10%

1. Public organizations or non-profit organizations with tax exempt status.
2. Organizations which propose innovative programs to achieve access for children.
3. Organizations with operating budgets of $100,000 or more and evidence of stability.
4. Collaborative programs involving one or more organizations.
5. Organizations which will provide for dollar for dollar match (new money).

Organizations Not Eligible

1. Local organizations that have no regional customer or constituent base.
2. Public parks and recreation organizations.
3. Schools--either public or private.
4. Commercial, for profit, entities.

Fund Formula for Operating Grants

Each organization gets an amount based on their size of operating budget and proportion spent on children. Since the intent is not to fund those organizations that are primarily supported by local tax dollars, organizations that have operating budgets with more than 50% in local tax dollars shall have their budgets reduced by the amount of the tax support for purposes of the funding formula.

Administration

Operating Grants

- Organizations which can establish eligibility are entitled to annual allocations during the life of the program. They must provide information each year to compute formulas.
- Organizations must document their efforts to achieve access for children in order to continue annual grants.
- To verify eligibility and accuracy of data submitted, organizations must submit auditable records.
- The above information would go into the applicant's annual "statement of work," used as the basis for a contract between the organization and the taxing entity (Metro).

Innovation Grants

Organizations that can establish eligibility would compete for this source of funds on an annual basis. A regional citizens' committee would establish annual criteria and make decisions on funding. Staff would solicit applications, review eligibility and verify conformance to criteria. Some type of audit or verification of results should also be done.

Administrative Costs

These costs would come off the top to cover tax collection, accounting, fund management as well as staff work associated with eligibility determination, grant solicitation/review, grant award, evaluation/audit, and committee administration. A limit of 5% would be placed on the amount allowable for administration.

Renewal

The program would be renewed every five years as follows:

- Prior to the start of the five-year period, organizations would apply and eligibility would be determined. Those qualifying would be the only ones eligible for operating grants for the five-year period. The process would be repeated every five years to allow for change.

- The program would be submitted to the voters every five years for approval.

SIMULATION OF FUNDING FORMULA
AT $6 MILLION *

Operating Grants = $5,130,000
Innovation Grants = $570,000
Administration/Tax Collection = $300,000

Organization	Annual Operating Budget (in millions)	Annual Operating Budget (minus portion supported by local taxes if over 50%)	Annual Attendance/ Served-Age 18 & under (estimated) **	Amount of Operating for 18 & under	Proportion Factor	Amount of Funding for Operational Grant
Multnomah County Library	$18.00	$900,000	40%	$360,000	.020	$102,600
OMSI	14.00	14,000,000	60%	8,540,000	.467	2,395,710
Metro Washington Park Zoo	12.00	12,000,000	61%	7,320,000	.400	2,052,000
Washington County Libraries	8.50	350,000	40%	140,000	.008	41,040
Oregon Historical Society	3.00	3,000,000	40%	1,200,000	.066	338,580
Libraries--Clackamas County	8.50	350,000	40%	140,000	.008	41,040
Children's Museum	0.80	416,000	80%	332,800	.018	92,340
End of the Oregon Trail	0.50	500,000 ***	50%	250,000	.014	71,820
TOTALS	$65.30	$31,516,000		$18,282,800	1.001	$5,135,130

* This is a simulation of the funding formula for discussion purposes. It assumes that the listed organizations are eligible and have applied. At this point, none of these organizations have determined whether they would, in fact, apply.

** Estimates provided by individual organizations.

*** Estimate of proposed operating budget for Facility scheduled to open in 1996.

APPENDIX J

[Presented by Bill Bulick to the Regional Funding Task Force, 10/27/93.]

Regional Administration of Cultural Funding and Programs
Structure and Governance Issues

The purpose of this paper is to describe two structural and governance models for regional administration of cultural funding and services so that the Regional Arts Funding Task Force (RAFTF) and other stakeholders can evaluate them and make appropriate recommendations. Existing examples will be cited, evaluation criteria proposed and advantages and disadvantages listed.

This summary is proposed as a tool. It records assertions about the advantages and disadvantages of the models -- many of which have already sparked healthy debate and disagreement. Policy makers must decide if additional evaluation criteria exist, which are the most important and which assertions are the most accurate. Politics and policy will intermingle. New factors will emerge as a result of ongoing dialogue among stakeholders.

The Metro Regional Arts Funding Task Force has set a deadline of December, 1993 for completion of its work. Other governments in the region will begin budget and policy making cycles in January which are inter-dependent.

BACKGROUND

Arts Plan 2000 Plus called for the transformation of the existing Metropolitan Arts Commission (MAC) into a regionally representative arts council (RAC) to administer funding and programs on a regional basis. In developing a funding package to meet the needs identified in Arts Plan and the Regional Facilities Study, the Metro Regional Arts Funding Task Force has embraced this concept.

Working concurrently to the Regional Arts Funding Task Force (RAFTF), a MAC/RAC transition team, with representation from regional governments and communities, studied structural options for eight months and recommended two models and some intermediary steps to transition the MAC towards a regional arts council. (Summary report, approved by RAFTF 1/21/93, attached.)

More recently, during development of a broader cultural package (OMSI, Zoo, etc.), administration of these added programs through the regional council has also been discussed, as one alternative. Examples of community's which administer funding for arts and cultural (science, history, children's museums) programs together through a single entity include Charlotte, Houston, New York, San Diego, Miami and Ft. Lauderdale.

MAC's board has already been expanded to include appointments from neighboring counties. It is now administering funding from Clackamas and Washington Counties and is offering a broad range of granting, technical assistance and planning services to the entire region. A major NEA Challenge grant and other smaller grants are providing additional "bridge funding" to help support these expanded services. MAC is ready to take further steps towards regionalization.

Since 1973, MAC has operated as a Commission created through intergovernmental agreement between the City of Portland and Multnomah County which fund its programs through yearly, general fund allocations. Staff are employees of the City of Portland. In May, 1993, that agreement was amended to allow for appointments and funding from Clackamas, Washington and Clark Counties.

MODELS UNDER CONSIDERATION

The MAC/RAC Transition Team recommended two structural options for a fully regionalized agency. Either would be accountable to Metro through appointments and budget oversight if a regional dedicated tax is referred by Metro and approved by voters. It is assumed, for either model, that Metro retains, and must be reimbursed for, tax collection and accounting.

The Metropolitan Arts Commission with assistance from Metro, the City of Portland and an independent expert in non-profit management, has conducted a brief study of the setup and operating costs of these models.

1) A private non-profit organization that would contract with Metro to administer programs and funding. The organization would exist as a separate, independent, non-government entity, chartered under the State of Oregon non-profit corporation laws. Metro would exert authority through approval of appointments and a contract for the services and programs supported by the Metro developed regional funding source. This is the preferred option of the MAC/RAC transition team study. (Summary report attached)

   Examples of non-profit entities which administer public programs under contract include the Private Industry Council, the Portland Oregon Visitors Association, Pioneer Courthouse Square, the Association for Portland Progress and community development corporations such as REACH. Major metropolitan regions which administer their arts programs through contracts with non-profit organizations include: Houston, New Orleans, St Louis, Charlotte, Fort Worth, Indianapolis, Tucson, Jacksonville and Columbus.

2) Metro Chartered Commission. Appointments to the board would be approved by Metro, which would also approve the Commission's budget, within guidelines set in the regional revenue package. The Commission would set policy, oversee programs and advise the Metro Council. Staff would be employees of Metro. Administrative support

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services such as personnel, legal, risk management, etc. would be provided by Metro at prevailing costs. The Metro Council would have full authority over the affairs of the Commission. This would, in effect, be a transfer of the current MAC to Metro.

Existing Commission models include: MERC (Metro), the Metropolitan Human Rights Commission (Portland/Multnomah County) and the Portland Development Commission (Portland). Major metropolitan regions which administer their arts programs through commission structures include Seattle, Sacramento, Phoenix, Fulton County (Atlanta) and San Diego.

EVALUATION CRITERIA

During nearly two years of discussion about the various models for administration of regional funding and programs, the following assumptions have emerged about governance and structure. The organization will:

1) be **accountable** to sponsoring governments and the general public
2) be **acceptable to stakeholders**: Metro, other governments in the region, arts councils, arts groups, the public.
3) provide for **diverse representation** of regional jurisdictions and community leaders.
4) deliver **efficient, cost effective administration** of programs.
5) **not add or duplicate layers of administration.**
6) have the authority to assure the **policy priorities** of the regional cultural programs, such as education, access, cultural diversity, economic development can be met.
7) **respond to changing circumstances and needs**
8) **leverage private investment** in cultural programs.
9) **return cultural opportunities to the communities** providing resources.

ADVANTAGES AND DISADVANTAGES

The following are assertions about the pros and cons of either model which have emerged in the dialogue so far. They are, by nature, subjective, and must be debated.

Accountability

If created by Metro, a commission is accountable to the public through directly elected officials. All decisions and actions can be appealed to the Metro Council. Government contracting and administrative practices receive a great deal of scrutiny.

A non-profit entity would be accountable through appointments to its governing board and a yearly contract for services which lists and describes measurable outcomes. Its daily practices and decisions are likely to receive less scrutiny from elected officials on a regular basis.

Acceptance to stakeholders

Because it is perceived to be more directly accountable, a commission is likely to be more acceptable to Metro Councilors, who would be responsible for any regional tax measure referred by Metro.

Regional counties and cities, whose support is critical to win a regional election and for ongoing collaborations, have expressed their preference for a more autonomous, non-profit entity.

Any entity must win support from and be able to work on an ongoing basis with a diverse range of stakeholders, including cultural groups, regional counties, cities and community based organizations. A more autonomous organization may be better able to juggle these diverse relationships.

Representation on the governing board is the best way to assure acceptance to stakeholders over the long term.

Efficient, Cost Effective Administration

Adoption of a commission model, very similar to the present Metropolitan Arts Commission, may involve less disruption for program administration and employees.

A recent cost analysis indicates that set up costs are comparable, but the non-profit model is likely to cost considerably less to operate on an ongoing basis. (The report is available)

A non-profit organization can remain focused on its primary mission and may expend less administrative time and energy responding to the requirements and activities within a government.

Contracting, payments, grant-making, personnel and other operations could be significantly streamlined under a non-profit model.

Layers of Administration.

Creation of a new Metro Commission is likely to appear to be "adding to government," though it would, in reality, be a transfer of the existing Metropolitan Arts Commission from Portland/Multnomah County.

There is a high level of cynicism among voters about "government." The extent to which the program can distance itself from government may help win support from voters. The non-profit option may be attractive to some stakeholders as part of a trend in "reinventing government" and "privatization."

Policy making

Either entity can be granted a strong policy making role to assure that public investment in cultural programs meets the education, access, cultural diversity, economic development and quality of life goals of the citizen driven planning processes and enabling legislation.

The decisions of a commission may carry more weight -- as public policy created through a representative government.

Open meeting laws, fair labor and employment standards, affirmative action policies, etc. are the law for government agencies. Analogous practices, as desired and appropriate, would have to be established through by-laws and contracts of a non-profit agency.

Respond to changing circumstances and needs

In the current climate, non-profit organizations are perceived to be more flexible, adaptable and quick to respond to changing circumstances and needs.

Leverage private investment

Although it has been assumed that the entity will exist primarily to steward public investment in cultural programs to meet public policy goals, some private fundraising has been anticipated and recommended. There are significant legal, bureaucratic and administrative impediments to private sector fundraising from governmental agencies.

A non-profit entity is perceived to be more able to broker and enter into public private/partnerships anticipated as central to the success of this program.

THE DEVIL'S IN THE DETAILS

The specific design of either model would allow varying degrees of accountability, autonomy and flexibility. The challenge will be to arrive at a structure which balances the priorities of stakeholders and is attractive to the public which must vote for new cultural funding. A united front is essential to a successful campaign.

Oregon Restaurant Association

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December 8, 1993

TO: Metro Regional Funding Task Force Subcommittee
FROM: Mike McCallum, ORA Director of Government Relations
REGARDING: Proposed Restaurant-Only Sales Tax

Oregon Restaurant Association is a state wide trade association representing over 3,000 food and beverage establishments and industry purveyors. We currently represent over one thousand restaurants in the Greater Portland area. We appreciate this chance to express our opposition to the Subcommittee's second funding alternative, a small restaurant tax.

In light of the recent vote on Ballot Measure 1, it seems almost inconceivable that a sales tax would be considered as a viable revenue option. The overwhelming rejection of a truly broad-based sales tax dedicated to a popular education program suggests the public will certainly reject a tax similar to the one you propose. The proposed restaurant tax is not broad-based and in all likelihood the programs targeted for funding are not as high a funding priority as education.

In addition, last spring Eugene voters defeated a restaurant tax by a 3-2 margin. A meals tax in Ashland, arguably Oregon's most tourism oriented community, narrowly passed last spring. Voters missed repealing that measure by only 141 votes in November. They will get another chance.

Oregon Restaurant Association is dedicated to opposing an industry specific sales tax that would target our industry. We were active in organizing and financing the Eugene restaurateurs $70,000 opposition campaign. We strongly believe that such a tax is not only discriminatory in nature, it is also not sound tax policy.

We refer the Task Force to some basic criteria used in your own draft report section titled "Revenue Strategy." Section 4 makes a clear statement that the tax needs to be broad based in order to be fair. As is stated in this section, "Niche taxes, which impact a particular industry neither raise enough money nor tax all the beneficiaries." In section 5 the report states polling results show that no niche tax received a majority of support but that a restaurant tax received a plurality when stated the tax would be approximately half as big as is now proposed. We suggest these already low numbers would be even less after all the publicity on Ballot Measure 1.

We are confused as to why this revenue option is being considered. We understand that until very late in your Subcommittee process the only tax being considered was a small income tax. We would be very interested in what spurred consideration of this tax so late in your process. It is certainly surprising that it would be actively considered without a definition of what a restaurant tax is and without any consultation of the industry targeted for the tax. Unfortunately, it appears as if the Subcommittee simply focused on a revenue source that they believe might yield a sufficient amount to meet their needs regardless of the relevance of the tax or the consequences to the industry or the community that imposition of this tax might bring.

At this point it is difficult to outline all our concerns. We have not seen how you actually propose to structure a meals tax, indeed it is not clear at all how the revenue estimate has been generated. Lacking these specifics, we will direct our arguments to the basic concept of an industry specific sales tax targeting restaurants.

OPPOSITION REASONS

- The average citizen in Oregon eats out 192 times each year. 58% of adults eat in restaurants on a typical day. This type of tax has often been called a "luxury tax", this simply is not the case. Food is a basic necessity of life.
- Contrary to popular belief, nearly 85% of restaurant patrons are local customers, it is local citizens who will be paying the bulk of any restaurant-only sales tax.
- A restaurant-only sales tax targets citizens who can least afford the tax. Low-income and fixed income citizens, such as seniors, will pay a proportionally larger percentage of their income to this regressive sales tax.
- Dining outside the home is rapidly becoming a way of life for ever growing segments of our society. With two family incomes being the standard, it has been shown that dining out is a critical factor in the busy lifestyle of today's families.
- Single adults do not find it economically feasible to prepare all their meals at home.
- Senior citizens with reduced appetites find that prepared foods fit their needs much more economically than food prepared at home. Over 34% of adults over the age of 65 eat out on a typical day.
- Local clientele does not have the ability to absorb increased costs. They will curtail the number of times they dine out; or dine out in restaurants outside of the tax entities limits. This loss of revenue will cause businesses to close and jobs to be lost.
- Equipment that is necessary to help businesses collect a sales tax is expensive, overburdening small businesses. This will cost jobs.
- Time spent to train current and future employees in implementation of this collection will be very significant and costly. Small operators will be the most likely to need updated equipment and larger operators will experience the increased cost associated with training. These factors will cost jobs.
- Operators who currently use computers in any fashion will likely be faced with software and hardware needs that can be very expensive.
- Operators who have units in other cities as well as Metro Portland, will experience real problems in tying their units together with a centralized accounting procedure. The local units would be different because of the sales tax. This will cause additional expense and inhibit growth of multi-unit food service establishments.
- This is potentially a very discriminatory tax. The fastest growing segment of the food service industry is convenience store food and in-store deli service. These types of operations are in direct competition with more

traditional food servers and could not be excluded from a tax without causing extreme discrimination.

- Imposing a restaurant tax would be going against the direct wishes of the people of Oregon who have repeatedly voted down any form of sales taxation.
- Without a statewide retail sales tax in place, this type of tax is difficult to collect and expensive to audit. The cost of implementing and monitoring this type of tax is not cost effective.
- This type of tax is not stable. It will rise or fall with the economy of the area which can be influenced by any number of factors.
- Increased cost of doing business within the city will raise the cost to the consumer which will deter business - not create it. Metro Portland spends hundreds of thousands of dollars promoting convention business. This segment of the industry will be severely disadvantaged by being the only large city in Oregon that charges a sales tax.
- Area restaurants already face a minimum wage that is among the highest in the nation. The cumulative effect of all taxes, fees and employer mandates erodes jobs. Adding a sales tax will erode the customer base and further exacerbate the struggle many small restaurants now have to survive.

In closing, we cite two studies that deal with a meals tax. First we draw attention to a study completed in Arlington County in Northern Virginia. It investigated the effect of existing meals taxes on the rate of growth of restaurant sales. The study found that restaurant sales grew five times faster between 1989 and 1990 in the immediately adjoining meals-tax free jurisdictions than in those jurisdictions burdened by a meals tax .*

The second study was in Canada. Canada imposed a national 7 percent tax on goods and services (GST) as of January 1, 1990. The 7 percent GST was followed by a dramatic reduction in sales by the Canadian food service industry of more than 19 percent between 1990 and the first 8 months of 1991. Although a recession period added slightly to the percentage, many Canadian restaurants became unprofitable as a result of the imposition of the GST. The rate of restaurant bankruptcies soared 45.5% in 1990 and another 12.1% in 1991.**

The restaurant community is not insensitive to the budgetary plight of the arts community. However, we strongly urge that a more appropriate revenue source be explored. Your initial analysis pointed to a much broader based revenue source such as the personal and corporate income tax. We suggest that any tax that is considered be as broad-based as possible.

Thank you for your attention. We look forward to discussing this with you further.

* "Economic Effects of the Proposed 4 Percent Arlington County Meals Tax", Fiscal Associates Inc. : Arlington, VA, March 8, 1991

** Sales figures from the Canadian Restaurant and Food Services Association, " Submission to the Honorable Donald Mazankowski, Minister of Finance, Regarding the 1992 Federal Budget", December 16, 1991.

Institute for Research
on the Economics
of Taxation.

Economic Consequences of a Meals Tax in Fairfax County

A Submission to the Fairfax County Board

by

Stephen J. Entin

January 27, 1992

This study was prepared under contract to a group of Fairfax County members of the Virginia Restaurant Association. The economic analysis and opinions expressed in the study are the independent analysis of Mr. Entin, as are any errors the study may contain. The assistance of Dr. Michael Schuyler in the preparation of graphics is gratefully acknowledged.

Economic Consequences of a Meals Tax in Fairfax County

The Fairfax County Board is considering steps toward enactment of a four percent tax on meals, beverages, and prepared foods purchased in restaurants and from other vendors in the County. The tax is estimated to raise nearly $30 million a year for the County.

Wrong time for a tax increase

It is generally considered to be bad economic policy to enact a tax increase in a recession. Businesses and their employees are already suffering, and have no need for the further economic damage a tax increase would impose.

Furthermore, as unemployment grows and as wages slip in real terms, the County's citizens are generally cutting back their purchases of most private sector goods and services, and would rather cut back on County-provided services than have to pay more for them. For the County to act as a self-interested supplier, forcing the continued consumption of its services on the public, rather than as a purchasing agent in the service of its citizens, would be poor policy.

Meals tax will hurt County residents

Claims are often made that a meals tax will fall chiefly on commuters and tourists. In fact, a meals tax will chiefly hurt County businesses and residents. Examination of excise taxes in general, and meals taxes in particular, reveals that the ultimate burden or "incidence" of an excise tax never falls quite where the taxing authorities expect, and, furthermore, that the revenues collected by the tax usually fail to meet the expectations of the tax authorities. Much of the ultimate burden of the tax will fall not on the customers of the restaurants, but on the restaurants' employees and owners, many of whom live as well as work within the County. This is because the tax will induce a decrease in spending on restaurant meals in the County and a contraction of the restaurant industry within the County, with the result that the revenues collected by the tax will not meet expectations.

Initial impact of an excise tax

Following the imposition of an excise tax, producers of the taxed product or service would seek to maintain their net-of-tax prices to avoid a drop in their profit margins. They would wish to pass the excise tax on to consumers, resulting in an increase in the price of the product to the customer by the amount of the tax. This would be possible only in the case of a completely inelastic demand for the product, that is, no consumer sensitivity to price.

Consumer resistance and industry contraction

In the real world, consumers react to an increase in the price of the product or service (in excess of general inflation) by reducing consumption. The ultimate adjustment to the tax would therefore involve a contraction of the industry. Industries normally operate under conditions of rising unit costs. A contraction of operations would result in lower unit costs for the remaining businesses in the industry. Ultimately, the price to the consumer would rise by something less than the amount of the excise tax; the price charged by the producer would fall by something less than the amount of the excise tax; and the output of the product or service would decline. (Compare graphs 1 and 2 for pre-tax and post-tax pictures of a taxed industry.)

Consumer sensitivity to prices can vary

The degree to which people alter their consumption of an item in response to a price change is called an "elasticity". For example, if consumers were to reduce their purchases of widgets by 1 percent when the price of widgets rose by 1 percent, the price elasticity of demand for widgets would be -1, or "unitary". A price elasticity of demand between 0 and -1 is considered "inelastic". A price elasticity of demand greater in absolute value than -1 (in magnitude, omitting the minus sign) is regarded as "elastic".

A price elasticity of demand of -1 suggests that consumers of the product tend to spend a fixed amount on it. If the price per unit rises 1% and the quantity purchased falls 1%, then total spending, price times quantity, will be unchanged. Total spending would rise on an item in inelastic demand, and fall on an item with elastic demand, following a price increase.

The degree of demand elasticity is important for several reasons. It is one of the factors that will determine how much an industry will contract following the imposition or increase of an excise or sales tax. It is a factor in determining whether the tax will be borne primarily by the consumers or the producers of the product. (See graph 3.) Finally, the elasticity is an important factor in determining how much revenue will actually be raised by the tax, after factoring in the amount that will be lost due to a drop in the consumption of the taxed product.

Restaurant industry faces elastic demand

Food is, of course, a necessity. There is no substitute. When food prices increase relative to other costs, people cut back on the quantities of food they purchase only in small amounts, shifting spending from other items to maintain their food purchases. It would be reasonable to expect that a 1% rise in the price of food might induce only a 0.5% reduction in the quantity purchased.[1] One would then say that food exhibits a price elasticity of demand of only -0.5.

However, a meals tax does not apply to all food, but only to that purchased from restaurants and other vendors of prepared food items. There are ready substitutes for restaurant meals for many persons. People may prepare food at home rather than dining out, buying take-out, or having food delivered. They may prepare food at home to bring to work rather than go out or order out for lunch. For some people, dining out is more of a necessity, as for the elderly who can no longer shop or cook, and students living in dormitories or boarders without kitchen privileges. Even these people can economize on their restaurant spending by frequenting cheaper establishments and switching to lower cost entrees, skipping desserts, etc. The availability of substitutes does not mean that people will not be inconvenienced by being driven to their second best choice, only that they will indeed change their behavior.

Because of the close substitutes available for restaurant meals, it is highly likely that the demand for such meals is price-elastic, that is, with an elasticity of -1 or even -1.5. In that event, a 1% increase in the price of purchased meals would result in a 1 percent or 1.5 percent decline in the quantity (or quality, i.e., a shift to less expensive menu selections) of meals purchased.

An elasticity of -1 or greater is inherently plausible. In the absence of an increase in family income, the family budget devoted to dining out might well be fixed. An increase in the price of restaurant meals would be unlikely to cause the family to want to cut back on clothing, shelter, or medical care, for example, to support the dining out habit. Indeed, the increase in the cost of dining out would by itself encourage the preparation of meals at home. A family used to dining out once a week, or 52 times a year, could achieve a nearly four percent reduction in restaurant outlays by staying home on two occasions, thereby saving enough to offset the tax.

<u>Meals tax would curtail industry sales and trim revenue gains</u>

At an elasticity of demand of -1, an initial 4 percent increase in the price of a restaurant meal following a 4 percent meals tax would lead to an initial 4 percent cutback in the quantity purchased, or a shift to lower priced menu offerings to offset the higher cost per item. The restaurant industry would contract, and somewhat reduce its costs and prices per meal served. Ultimately, some of the reduction in revenue to the industry would be made up by price reductions rather than reductions in quantity.

At an elasticity of -1, the total dollar amount of spending on purchased meals would remain unchanged. The restaurant industry would see its total sales volume drop off by four percent. The tax would claim the rest of the spending. The County would not receive four percent of the original level of spending on meals. Rather, it would receive four percent of roughly 96 percent of the original amount spent, or roughly 4 percent less than if restaurant sales had remained constant.

In the case of an elasticity of demand of -1.5, there would be a cutback in total spending by consumers on restaurant meals. Receipts of the industry would fall to roughly 94 percent of previous receipts, and tax revenues would be 4 percent of that reduced sales volume, or roughly 6 percent less than if restaurant sales had remained constant.

Loss to the industry

There are about 1,200 restaurants in Fairfax County, employing between 20,000 and 24,000 people.[2] A reduction of 4 percent in the output of the Fairfax industry would be equivalent to losing 45 to 50 restaurants, and between 800 and 1,000 jobs.

National surveys by the National Restaurant Association provide an estimated breakdown of costs and profit per dollar of sales for various types of restaurants. Table 1 illustrates the breakdown of a dollar of sales for surveyed restaurants with full menus and table service. For illustrative purposes, the table applies that breakdown to the total sales for Fairfax County for the year ending with the 3rd quarter of 1991.[3]

Taxable restaurant revenues in the County in the latest twelve month for which data are available (the 4th quarter 1990 through the 3rd quarter of 1991) totaled $723.8 million.[4] At that level of sales, a 4 percent meals tax would generate nearly $29 million in revenue. However, if it were to generate a 4 percent reduction in sales, the tax would cost those associated with the restaurant industry nearly $29 million per year (more if the demand elasticity were larger in absolute value) in lost sales, income, and other tax revenue.

Restaurant owners would lose nearly $1 million in profit.

Employees would lose nearly $10 million in wages and benefits (excluding tips, which would raise the loss by roughly $4 million more) until they found alternate employment.

Various suppliers to the industry would lose profits of about $11 million (assuming a margin of 3% of sales).

Other taxes would be reduced.

Thus, the revenue received by the County would be accompanied by substantial additional losses to the restaurant industry and its employees and suppliers. In other words, the combined income loss to the consumers, employees, the industry and its suppliers would be nearly twice the revenue collected by the County. This is an indication that the excise tax is "inefficient", creating a substantial economic dislocation relative to the revenue raised.

Table 1

Breakdown of the Restaurant Dollar
For Full Menu Restaurants with Table Service
At Fairfax County Level of Sales*

Expense	Percent of sales	$ millions
Cost of food and beverages	34.4	$249
Payroll & benefits	33.6	$243.2
General operating expenses**	17.9	$129.6
Occupancy costs		
Rent	5.1	$ 36.9
Property taxes	0.7	$ 5.1
Other taxes (not income taxes)	0.5	$ 3.6
Insurance	1.2	$ 8.7
Interest and depreciation	3.6	$ 26.1
Pre-tax income	3.2	$ 23.2

* Based on breakdown of sales of full menu, table service restaurants in National Restaurant Association "Restaurant Industry Operation Report, 1991" and Virginia Department of Taxation estimate of taxable sales of restaurants in Fairfax County, 12 months ended September, 1991, $723.8 million.

** Operating expenses, music and entertainment, advertising and promotions, utilities, administration, repairs and maintenance.

Shrinking tax base would reduce other revenues, raise welfare outlays

At a lower volume of restaurant sales, the state would collect less in sales tax revenue, a portion of which is returned to the County government. This would further erode the County's net revenue gain from the tax. The restaurant industry would experience lower profits, and the laid-off employees would experience lower incomes, depressing Federal and State income tax receipts.

Businesses in Fairfax County pay real estate property taxes, personal property taxes, and BPOL (business and professional occupational license) fees. For restaurants, these levies may easily amount to between 1 and 2 percent of sales, a bit more if equipment has recently been upgraded and has not been subject to significant depreciation. Such taxes would shrink with the contraction of the industry.

The reduced employment in the County, and the increased unemployment, would raise County outlays for public services and assistance to the poor. Assuming 75 percent of the 800 to 1,000 lost jobs described above are held by adult full-time workers who might be eligible for health and welfare assistance, the cutback could cost the County several hundred thousand dollars in unemployment-related outlays in the first year of the tax.

A large reaction to a large tax

Four percent may seem like a small number. However, the magnitude of the tax is actually quite large.

Surveys taken by the National Restaurant Association show an average pre-(income)tax profit margin of only 3 percent to 4 percent of sales in recent years for full-menu table-service restaurants. (Margins ranged from less than zero -- losses -- to above 12 percent for the most profitable establishments.) Most of the establishments surveyed were independent, not part of national chains. Margins were up to 50 percent higher for cafeterias and limited menu restaurants with table service.[5] A 4 percent meals tax, if "eaten" by these restaurants, would eliminate the average pre-income tax margin for this type of restaurant, and mean bankruptcy for many.

For large national restaurant chains, the tax would be somewhat less devastating, but still serious. Value Line figures indicate that the nationally traded corporate sector of the restaurant industry had an after-tax profit margin of 8.5 percent of sales in 1990. (Some national chains had higher margins, upwards of 12% for one industry leader. Other chains had sharply lower margins, some under 4 percent.) The pre-tax margin was 13.2 percent, with an average effective combined federal and state income tax rate of 35.5 percent. The imposition of a meals tax of 4 percent of sales, if "eaten" by these restaurants, would represent an average reduction of 30 percent in their average margins; the pre-tax margin would fall to 9.2 percent, and the after-tax margin to 5.9 percent. This can be put another way. It is as if the effective income tax rate of 35.5 percent had been increased to 55.3 percent of the original pre-tax income, a jump of nearly 20 percentage points, or 54% of the initial rate.

The proposed meal tax will hit independent restaurants especially hard. The only means of restoring normal profitability to the industry after a profit margin reduction of this magnitude would be a sharp contraction in the capacity of the industry. At lower levels of operation, individual restaurants would have lower unit costs. And with fewer restaurants in existence, those restaurants that did survive would be able to charge more per meal. The customers would be willing to pay the higher per meal prices at their reduced frequency of dining out.

Uneven taxation increases economic losses

Any tax causes contraction of private sector activity and some "dead weight loss" to the economy. Resources (labor and capital) released by the taxed industry will remain unemployed for a time, but will eventually be employed again in other uses. Because these other uses would be second-best, the resources will be less productive than in their previous employment. (If their previous use had not been the most rewarding and productive available to them, they would have left earlier for more rewarding employment.) The drop in value of the resources as they are shifted to their second-best uses, and the loss of consumers' satisfaction as they turn to second-best products, represent a dead weight loss to the economy.

Uneven taxation makes the economic loss involved in raising a given amount of revenue higher than it needs to be. Excise taxes on narrowly defined activities cause more economic distortion and impose more economic hardship than more broadly based taxes, and are an inefficient means of financing general County activities.

Economic losses from taxation rise faster than the rate of tax. Indeed, for small changes, a rough rule of thumb is that losses rise with the square of the tax rate. (Graph 4.) A 2 percent excise tax on an industry will impose roughly 4 times the dead weight loss of a 1 percent tax. A 2 percent tax imposed on half of the economy will have double the total dead weight loss of a 1 percent tax imposed on the entire economy.

It is in the nature of excise taxes to distort activity. Indeed, such taxes are deliberately used for that very reason on occasion to reduce out-of-favor activities, such as smoking, drinking, gambling (except state lotteries), and the burning of fossil fuels and generation of auto exhaust. It is idle to deny that other excises, such as the meals tax, would reduce sales and employment in the affected industry.

Meals tax an uneven burden on a fraction of the County economy

On January 3, the Fairfax County Board projected the 1993 budget deficit to be $137.67 million. The County is projecting revenue from the meals tax of approximately $30 million. Retail trade constituted just over 9.1 percent of Virginia's gross state product in 1989.[6] Nationally, sales by eating and drinking places constituted almost exactly 10 percent of retail sales.[7] If Fairfax County follows the national pattern, food and beverage sales constitute about 0.91 percent of the County economy. Allowing for the County's tourist and convention business, enhanced by the proximity to the Nation's capital and the presence of Dulles Airport, the share of the food service industry may be slightly higher than the state average, but even a 50% higher share would be no more than 1.4 percent of County output. Thus, the County is planning to address about 21.7 percent of the budget deficit with a tax on approximately 1 percent of the economy of the County.

Raising a substantial amount of County revenue with a discriminatory tax on a specific industry is not merely unfair, it is wasteful, and unnecessarily damaging to employment and economic activity in the County. The County will pay for adopting an inefficient tax through higher outlays on public assistance and a greater-than-necessary reduction in the tax base that will offset a greater-than-necessary portion of the anticipated tax revenue.

These distortions relate to the effect of ongoing taxes. In addition to these permanent inefficiencies, there would be transition costs as capital and personnel in the restaurant industry would have to seek employment elsewhere.

Sales of meals affected in jurisdictions with tax

A study of the proposed meals tax in Arlington County investigated the effect of existing meals taxes in Northern Virginia jurisdictions on the rate of growth of restaurant sales. The study found that restaurant sales grew five times faster between 1989 and 1990 in the meals tax-free jurisdictions of Arlington County and Fairfax County than in the meals tax-burdened jurisdictions of Alexandria, Fairfax City and Falls Church.[8]

The same study warned against the argument that imposing a tax in Arlington just equal to that of neighboring jurisdictions would not hurt Arlington restaurants. Presumably, the pattern of dining in the region had adapted to the existence of the taxes in the various jurisdictions. The study warned that imposing a new tax in Arlington would raise the cost of dining in Arlington relative to the existing levels in the other locales, and cause a decline in the sales of Arlington eating and drinking establishments. Patrons from other jurisdictions would have less incentive than before to drive to Arlington to dine, and Arlington patrons would have less reason not to frequent out-of-County restaurants.

These points apply with equal force to the proposed imposition of a meals tax in Fairfax County.

The Canadian experience

Canada imposed a national 7 percent tax on goods and services (GST) as of January 1, 1990, to replace a troublesome manufacturers' excise tax. While manufacturers saw their tax liability under the GST more than offset by the elimination of the manufacturers' excise tax, the GST was an added tax for service industries such as restaurants.

The 7 percent GST was followed by a dramatic reduction in sales by the Canadian food service industry of more than 19 percent between 1990 and the first 8 months of 1991. Not all of this decline can be attributed to the price effect of the GST, as the Canadian economy was entering a recession at the time. However, the decline in restaurant sales in the current Canadian recession is roughly three times greater than the 7.2% decline in the previous recession (1981-1983), in spite of the fact that the current recession, to date, is barely one-third as severe in terms of reduction of gross domestic product (-1% vs. -3.2%), and only one-sixth as severe in terms of reduction in disposable personal income (-0.2% vs. -1.2%).[9] The excess 15% reduction in sales in this recession following imposition of the 7% GST suggests a price elasticity of demand nearer to -2 than to -1 for food services. Many Canadian restaurants became unprofitable as a result of the GST and the subsequent decline in sales. The rate of restaurant bankruptcies soared 45.5% in 1990 and another 12.1% in 1991.[10]

An added factor in the contraction imposed by the GST was that the tax was not levied on food purchased in grocery stores. Store-bought food is a close substitute for restaurant meals. Consequently, one result of the GST was a sharp loss in market share of the restaurants and carry-out and home delivery trade to grocery items. For example, home deliveries of pizza fell and frozen pizza sales increased.

Competition extends to frozen foods and foods from scratch

One complaint raised by the food service industry in Virginia in past years was that early versions of the meals tax options available to County governments did not extend the tax to prepared food items, such as prepared sandwiches and platters, sold in grocery and convenience stores. Such prepared food items from non-restaurant vendors were thought to be a chief source of competition for the food service industry, and the failure to cover such sales was used as a potent argument that the tax was unfair. To counter that argument and make the tax less obviously objectionable, the tax option now extends to such store-prepared food items. The Canadian experience indicates that frozen foods and food prepared at home from scratch, not just prepared food in grocery and convenience stores, are close substitutes for dining out or carrying out. That is, extending a meals tax to foods prepared in convenience and grocery stores would not shelter the food service industry from serious loss of custom, and would not mitigate significantly the adverse consequences of this discriminatory tax. To be neutral across food options, the tax would have to be extended right to the store shelves for packaged products and even to the "from scratch" ingredients, all of which are substitutes for restaurant and carry-out items.

Questionable claims that the tax would be borne by outsiders

Meals tax are often served up to the electorate as if they were a special treat, supposedly falling to a large extent on commuters from outside the jurisdiction. It is often claimed that such taxes are a free lunch, so to speak, for local residents who can then receive additional local government services at far less than their full cost. If this were true, it would represent an undesirable fiscal practice from an economic perspective. One of the most important functions of a tax is to cost out government services so that the public realizes the extent to which it is commandeering economic resources that could be employed elsewhere, and will not over-consume.

However, as shown above, much of the tax is borne by the industry, its employees, and its suppliers, not by consumers either within or without the County.

Arlington County officials recently approved a 4 percent meals tax. Arlington County Manager Anton Gardner had justified the tax in his February, 1991 budget proposal in part by claiming that a large portion of the tax, 71 to 83 percent, would be paid by non-residents.[11] It is hard to credit such claims.

In terms of numbers of customers, it is most unlikely that the Arlington lunch trade is so under-whelmingly composed of Arlington County residents working in the County, and so dominated by tourists and commuters, as to warrant such a low projection of taxes paid by Arlington residents. Certainly the claim is exaggerated with respect to dinner and week-end dining. More to the point, the claim relies on the assumption that the tax will be passed onto the customers. In reality, a significant portion of the tax will be shifted back onto the employees, owners, and suppliers of Arlington restaurants. The full tax is "paid" by the customer only in the semantic sense that the tax is described that way in the law and on the restaurant check. These legal pronouncements have no economic substance.

If a similar claim is made for the proposed Fairfax tax, County residents would be justified in demanding more substantial evidence than was presented in Arlington. In particular, Fairfax is a larger county than Arlington, with a substantial number of jobs held by County residents, and a substantial number of local shoppers.

Robin Hood in reverse?

Use of a meals tax to finance County government is likely to take from the poor to give to the rich.

The data furnished by the National restaurant Association indicate that the wages of restaurant employees in the County average nearly $9,000 per year. Those employees who wait on tables receive tips from customers as well, although kitchen staff do not. If tips are roughly 15 percent of sales, they equal about half of paid wages and raise the average income to something under $14,000. It is highly likely that the incidence -- or actual economic consequences -- of the meals tax will fall heavily on lower income individuals. On the other hand, Fairfax County residents are relatively affluent, on average. Consequently, expenditure of additional revenue by the County to maintain or expand County services and expenditures on County payroll will generally benefit relatively high income individuals.

It might also be noted that the restaurant industry provides an important source of entry level jobs to young workers, students, and minorities, to those still learning job skills, and to those newly arrived in the United States. These persons tend to be among the lower income, and from groups with above average unemployment rates. The industry, with its strong orientation toward ethnic cuisines, also provides an important opportunity for the creation of small family businesses by immigrants. From the point of view of social policy, this is not the ideal industry to be burdening with discriminatory taxation.

Stephen J. Entin

Institute for Research on
the Economics of Taxation

January 27, 1992

Notes

1.Ragnar Frisch, "A Complete Scheme for Computing All Direct and Cross Demand Elasticities in a Model with Many Sectors," in Readings in Economic Statistics and Econometrics, Arnold Zellnor, ed., Boston, MA: Little, Brown and Company, 1968, pages 133-154.

2. Virginia Department of Taxation (number of taxable eating and drinking establishments) and National Restaurant Association (employment and payroll, adjusted for difference in estimates of numbers of restaurants between the VDT and NRA).

3. Real world results for Fairfax restaurants would undoubtedly differ from the breakdown shown for two reasons. First, there would be some variation of results if the actual mix of Fairfax restaurants among the various types surveyed -- cafeterias, limited and full menu restaurants with table service and without table service, i.e. carry-outs -- were known. Second, the actual breakdown of a dollar in sales for any given type of restaurant in fairfax might differ from the national survey average.

4. Virginia Department of Taxation.

5. National Restaurant Association, "Restaurant Industry Operation Reports", various years, 1979 through 1991, tables entitled "statements of income and expenses".

6. Economics and Statistics Administration / Bureau of Economic Analysis, U.S. Department of Commerce, "Survey of Current Business", December, 1991 / Vol. 71, no. 12; Washington, DC, p. 56.

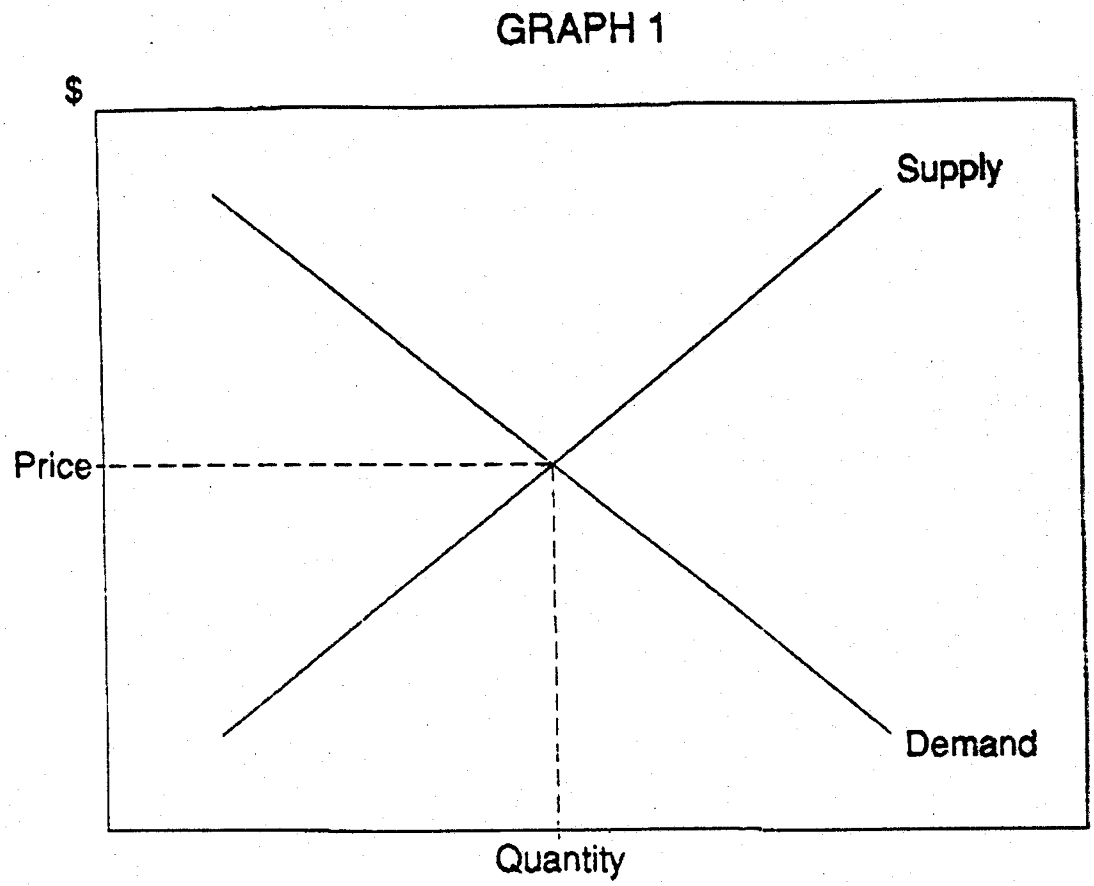
7. Ibid., p. S-8.

8. "Economic Effects of the Proposed 4 Percent Arlington County Meals Tax", Fiscal Associates, Inc.: Arlington VA, March 8, 1991.

9. Sales figures from the Canadian Restaurant and Food Services Association, "Submission to the Honorable Donald Mazankowski, Minister of Finance, Regarding the 1992 Federal Budget", December 16, 1991. Recession figures, from Statistics Canada, courtesy of the C. D. Howe Institute, Ottawa.

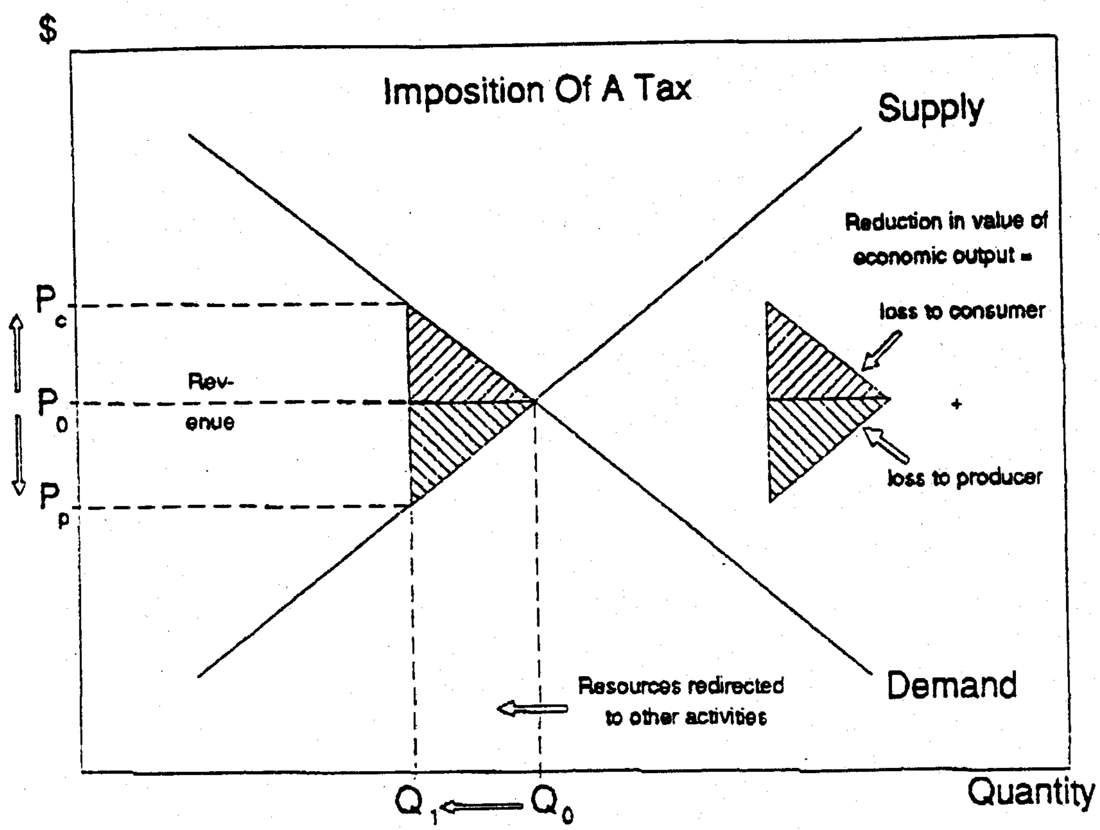
10. Report of the Canadian Restaurant and Food Services Association, op. cit.

11. Anton S. Gardner, County Manager, "Advertisement of a Meals, Food and Beverages Taxation (Restaurant Meals Tax) Ordinance for Public Hearing." Memorandum to the County Board of Arlington, Virginia, February 1, 1991.



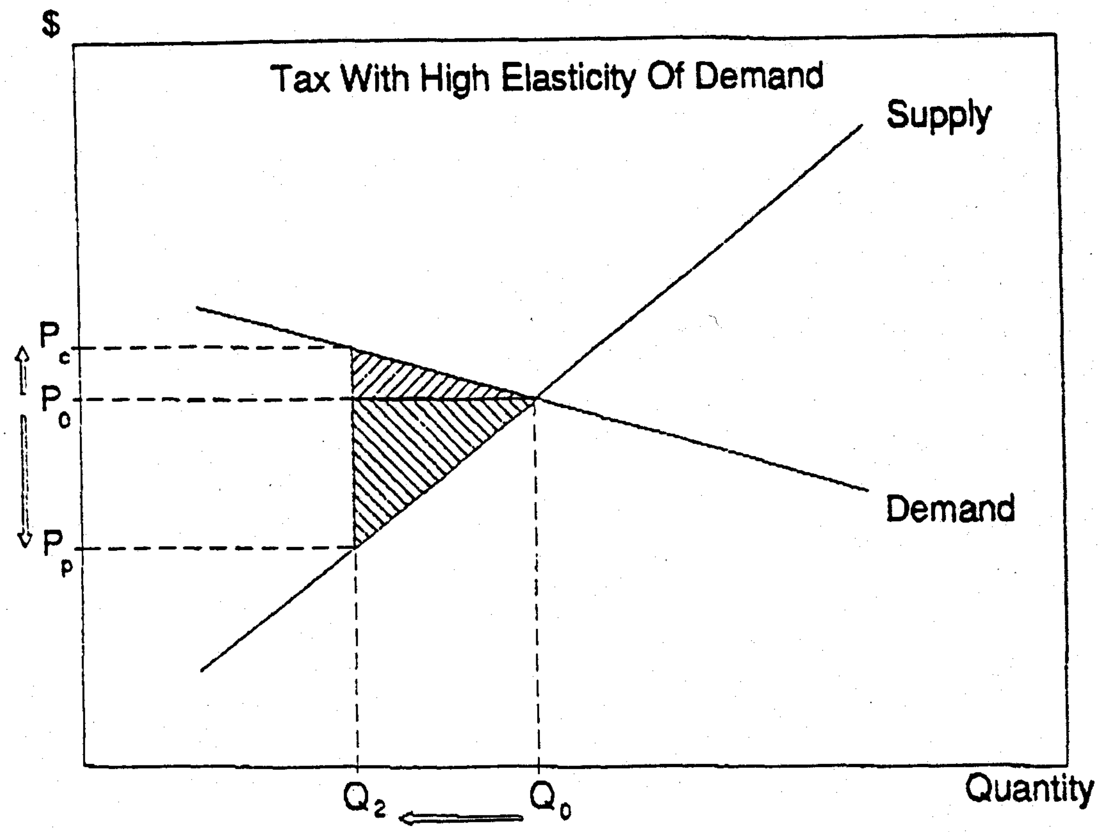
Graph 1 illustrates the quantity of output and the price of a product in an untaxed industry. The supply curve shows that producers will increase output as prices rise; the area under the curve also represents the value of the inputs used to produce the product. The demand curve shows that consumers will buy more as prices fall; the area under the curve also shows how highly consumers value each unit of output.

GRAPH 2



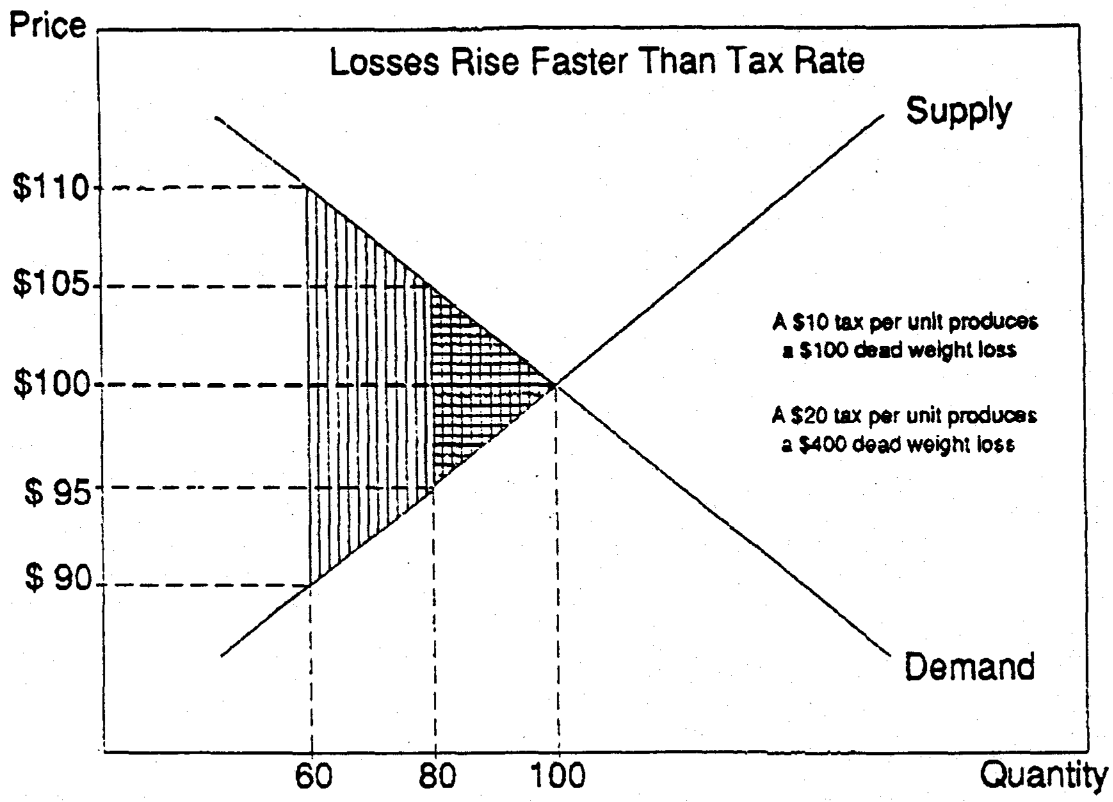
Graph 2 illustrates the effect of an excise tax on the production and price of the product. The price to the consumer will increase, and the price received by the producer will fall. Quantity of output will decline. The tax will impose a "dead weight loss" on the economy. Resources (labor and capital) released by the tax will eventually be employed again in other less productive uses. The dead weight loss to the economy (the shaded areas in the graph) is the drop in value of the resources as they are shifted to their second-best uses.

GRAPH 3



Graph 3, in contrast to graph 2, illustrates that a higher elasticity of demand will reduce the extent to which a tax may be passed on to the consumer. It will also increase the drop in output and increase the burden of the tax on the producers of the taxed product or service.

GRAPH 4



Graph 4 illustrates the point that a doubling of the tax rate roughly quadruples the economic loss associated with the tax. Pre-tax, output was 100 units selling at $100 apiece. In this example, a tax of $10 per unit reduces output by 20 units. The price to the consumer rises to $105, and the price received by the producer falls to $95. The tax revenue is $800 (= $10 x 80), less than the tax rate times the pre-tax output ($10 x 100 = $1,000) because of the drop in output. The economic loss associated with the tax is the area of the cross-hatched triangle, or $100. (The resources under the supply curve between 80 and 100 units are released for employment elsewhere. The excess consumer satisfaction that would have been produced had they been used to satisfy the demand for the last 20 units is the area above the supply curve and below the demand curve.)

Raising the tax rate to $20 cuts output further to 60 units, raises the price to the consumer to $110, and lowers the price to the producer to $90. Revenue does not double. It rises only to $1200 (= $20 x 60) because of the drop in output. The total shaded area represents an economic loss of $400.

The State of the Industry

The past two years have been particularly devastating for Canada's foodservice industry. In 1990, real sales declined 2.0% compared to 1989. In the first 8 months of 1991, real sales fell a further 19.2%. All sectors are experiencing negative sales including fast food which, in the past, has been resistant to recession.

Bankruptcies in the industry rose 45.5% in 1990 and a further 12.1% in the first 8 months of 1991.

Profit margins on sales, which are typically thin (3% to 6%) in this very competitive industry, have virtually disappeared...as has financing. Several major chartered banks have stopped all loans to the industry as a matter of corporate policy.

The foodservice industry is clearly being hurt by the recession but there are other factors which are hampering the industry's ability to restore its competitiveness and attractiveness to consumers.

Competitiveness: Domestic

The foodservice industry has always competed for market share with grocery stores and other retailers of food products. A key measurement of industry performance has been its share of the food dollar which rose to 40% in 1989 but has since declined to 36% in 1991.

The Goods and Services Tax

In the past, competition between grocery products and foodservice was less obvious, since restaurants typically added value in the form of preparation and service while grocery stores sold ingredients for home preparation. In the 1970s and 1980s, however, this distinction became completely blurred.

The rapid growth of fast food and take-out operations has created a $5 billion industry where consumers receive prepared meals but little or no service. At the same time, grocery product manufacturers have placed an emphasis on highly prepared meals which simply require re-heating.

The direct competition between convenience meals such as pizza sold by grocery stores and pizza sold by fast food outlets cannot be denied. It is widely recognized by both sectors of the food industry.

The competition between these sectors has also been acknowledged by most provincial governments in the application of retail sales taxes with either no taxes on restaurant meals or a sales tax exemption on low priced restaurant meals.

The GST, however, has ignored this market place reality with disastrous results in 1991. While all sectors have suffered from the recession and the inflationary effect of the GST, take-out and delivery has been hit far worse with a drop in real sales of 27.4% in the first 8 months of 1991 versus the same period of 1990. This is the sector that competes most directly with prepared grocery products such as tax-free frozen pizzas, microwavable burgers and other prepared, "ready to heat" meals.

The fast food industry has also suffered from the unequal application of GST. While its decline in real sales (15.5%) is less dramatic than take-out and delivery, it is clearly under performing in the 1990-1991 recession as compared to 1982-1983.

The distortion created by the unequal taxation of prepared meals should be corrected with the application of GST to all prepared meals sold in grocery stores.

Beverage Alcohol

The taxation of beverage alcohol has reached the point of diminishing returns with serious consequences for restaurants and other liquor licensed establishments.

Canadian consumers are familiar with "sticker shock" when they buy beverage alcohol on a retail basis but few are aware that licensees receive little or no concession for their volume purchases. In fact, with the GST and PST applied after restaurant mark-ups, consumers actually pay up to 25% more in taxes for beverage alcohol purchased in licensed establishments.

The taxation and distribution of beverage alcohol by both provincial and federal governments generally ignore their role as wholesalers to the hospitality industry. There are virtually no discounts for volume purchases or accommodation for the inflated tax revenue earned on sales through licensed establishments...not to mention the increased employment, payroll taxes, income taxes and property taxes generated by licensees.

With approximately 20% of beverage alcohol sales accounted for by licensed establishments, governments have an opportunity and rationale to adjust the rate of tax on this product without hurting their income on the other 80%.

In some respects the sale of alcoholic beverages in licensed establishments encounters similar problems to that of prepared meals sold in grocery stores versus take-out in fast food establishments. There is an element of competition between at home and away from home consumption.

REGIONAL CULTURAL INVESTMENT PROGRAM

Section-by-Section Analysis

Section 1. Matter of Metropolitan Concern. Under Metro's charter it can only assume a new function if the Council makes findings that the function is a "matter of metropolitan concern." This section makes those necessary findings.

Section 2. Definitions. This sets out definitions of organizations that are major beneficiaries of the program. It clarifies an intent to ensure that some of the funds go to local organizations outside the city of Portland. It defines the Regional Cultural Council.

Section 3. Description of Program. This section does three things: declares the intent to serve citizens within Metro's boundaries as well as other jurisdictions which specifically elect to participate; states that two programs will be funded and specifies the percentage allocation to each; and sets a goal of 50% match from private sources for the program as a whole. Regarding the match, it is a goal and not an absolute. The Regional Cultural Council would be responsible for determining how it would apply to each grant and what would qualify as match.

Section 4. Regional Arts Program. This lists the types of activities that will be eligible for funding under the arts program. It provides a minimum level of funds for arts councils in small communities outside of Portland. Fund distribution for all arts programs, except the PCPA, will be done by the Regional Arts Council. The PCPA will receive a direct allocation from Metro. Organizations which receive program funds must meet standards that the Regional Cultural Council will establish.

Section 5. Children's Scientific and Cultural Accessibility Program. This section describes how the funds will be allocated, for what purpose and what organizations are eligible. The purpose is access for children. Ninety percent of the funds go to operating grants for large regional cultural organizations that can meet the eligibility requirements. Ten percent of the funds are dedicated for "innovation grants". The large regional cultural organizations are eligible as well as somewhat smaller organizations (with operating budgets of $100,000). In addition, collaborative efforts of several organizations are eligible.

Section 6. Funding Source. The income tax surcharge is identified as the funding source. It will exempt certain lower income levels and place a cap on the total amount of surcharge. Since these are not yet determined these limits are indicated by a blank. The language is general and does not specify whether the tax includes a surcharge on corporations. That decision is left to future determination.

Section 7. <u>Program Administration.</u> The requires Metro to enter into an initial contract with a private non-profit to act as a Regional Cultural Council for five years. The Council must meet criteria listed in this section. The contract will include requirements to meet goals, criteria and limitations in the ordinance. It provides for termination for cause or breach. After five years or after early termination, Metro may renew the contract or select some other entity or means to administer the program.

Section 8. <u>Administration of Program Limited.</u> Total administrative costs are limited to 3% of total program funds. Such costs will be paid to Metro and to the Regional Cultural Council only for specific activities listed in this section.

Section 9. <u>Regional Arts Program Administration.</u> This makes the Regional Cultural Council responsible for administering funds for the arts program.

Section 10. <u>Children's Scientific and Cultural Accessibility Program Administration.</u> For this program, the Regional Cultural Council must recommend an initial list of recipients for the operating grants to Metro. Once approved, these organizations will be the only ones eligible for five years. After that, eligibility is open and organizations must "re-qualify". The innovation grants will be awarded annually.

Section 11. <u>Additional Jurisdictional Memberships.</u> This provision allows another county or local government outside of the Metro boundaries to be a part of the program. They would need to provide funds in a manner similar to the tax supporting the program and then would be eligible to receive grants.

Section 12. <u>Restricted Organizations.</u> This section restricts funding of parks and recreation organizations and schools unless done in collaboration with eligible arts or cultural organizations.

Section 13. <u>Effective Date.</u> This makes the program contingent on passage of a ballot measure.

DRAFT

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF CREATING	)	ORDINANCE NO. _____
A REGIONAL CULTURAL INVESTMENT	)	
PROGRAM	)	Introduced by _____

THE METRO COUNCIL HEREBY ORDAINS:

Section 1. A new chapter is added to the Metro Code to read as follows:

CHAPTER _____

REGIONAL CULTURAL INVESTMENT PROGRAM

SECTIONS:

1. Matter of Metropolitan Concern. The Regional Cultural Investment Program is a matter of metropolitan concern. Adoption of this Program will benefit the Metro region by ensuring that to citizens have access to regional cultural programs; ensuring that all children have cultural educational opportunities; enhancing the economic development of the region through cultural job creation, visitor attractions, and cultural programs which attract new businesses; stabilizing and strengthening the region's cultural organizations; promoting cultural diversity in programming, education, audience development and participation; and promoting a cultural environment for innovation, creativity, and artistic excellence. Cultural assets including artistic, scientific, and historical programs and facilities are vital to our region's economic, educational and recreational well-being. Preservation and enhancement of these assets are critical to continue economic development because they create jobs, bring in visitors, and help attract new businesses. The programs inspire our children, give them knowledge, and teach them discipline. By adoption of this Program, Metro declares that all citizens should have access to our cultural programs and benefit from the lessons of our heritage.

2. Definitions.

(a) "Program" means the Regional Cultural Investment Program established by this Chapter.

(b) "Qualified Local Arts Councils" means any local government entity or nonprofit tax-exempt corporation designated by one or more cities with a population less than