



ArtServe Michigan's
Arts & culture
advocacy Toolkit

Investing in Michigan's Competitive Edge:
Nature, Culture & Creativity



Investing in Michigan's Competitive Edge:
Nature, Culture & Creativity

Dear Advocate:

Thank you for your continued interest in advocating for arts and culture throughout Michigan. Advocacy in all its forms is at the heart of ArtServe's work. This means we represent you, our constituents, at decision-making tables in Lansing and Washington, D.C. It also means we provide you with the information and tools to take action in support of arts, culture and creativity on the ground in your communities, where support for your work is critical on a daily basis.

ArtServe Michigan's Arts & Culture Advocacy Toolkit is a resource for you to use in your community to help you effectively take action on arts and cultural issues and policies at the national, state and, most important, local level. As you take action, remember that the backdrop for any case that we make for arts, culture and creativity in Michigan is part of the following broader message:

Investing in the basics of education, health care and public services is a MUST — but it's still not enough. We must also invest in those things that differentiate us as a state and that define our competitive edge: Nature, Culture and Creativity — our legacy of invention, innovation and entrepreneurship.

The ArtServe Michigan Arts & Culture Advocacy Toolkit contains the following information:

1. Americans for the Arts – Advocating at the National Level (Page 2)
2. Who Are My Elected Officials (National, State and Local)? (Page 3)
3. Local Arts Action Network (LAAN) **NEW!** (Page 4)
4. Tips for Organizing in Your Community (Page 5)
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8. ArtServe Michigan's Advocacy Platform and Legislative Plans (Pages 9–11)
9. Making the Case for Supporting Arts and Culture in Michigan: Talking Points (Page 12)
10. Making the Case for Arts Education in Michigan: Talking Points (Page 13)
11. Addendum – Talking Points on Supported Pieces of Legislation (Pages 14–24)

Again, thank you for being an active participant in advocating for arts and culture. If you have any comments or questions about any of the information contained in this Toolkit, please feel free to call Mike Latvis, ArtServe's director of advocacy, at 248-912-0760 or to e-mail him at mike@artservemichigan.org.



Americans for the Arts – Advocating at the National Level

Much of the work ArtServe Michigan does is through partnerships at all three levels of government. At the national level, ArtServe Michigan partners with Americans for the Arts (AFTA), both as a member and by serving as the Michigan State Captain for AFTA's State Arts Action Network.

Americans for the Arts was created in 1996 as a result of the merger between the National Assembly of Local Arts Agencies (NALAA) and the American Council for the Arts (ACA) — one of a small number of successful unions between two national nonprofit groups.

With offices in Washington, D.C., and New York, and more than 5,000 organizational and individual members and stakeholders across the country, AFTA is focused on three primary goals:

1. Foster an environment in which the arts can thrive and contribute to the creation of more livable communities.
2. Generate more public and private-sector resources for the arts and arts education.
3. Build individual appreciation of the value of the arts.

To achieve these goals, AFTA partners with local, state and national arts organizations, government agencies, business leaders; individual philanthropists, educators, and funders throughout the country. It provides extensive arts industry research, and information and professional development opportunities for community arts leaders via specialized programs and services, including a content-rich Web site and an annual national convention.

Local arts agencies throughout the United States comprise AFTA's core constituency. A variety of unique stakeholder groups with particular interests such as public art, united arts fundraising, rural and small communities, state arts agencies and emerging arts leaders are also supported. Through national visibility and local outreach, we strive to motivate and mobilize opinion leaders and decision makers who can help the arts thrive in America.

AFTA provides several helpful resources and policy briefs for free on its Web site, www.artsusa.org.

As always, please feel free to contact the ArtServe Michigan staff at 248-912-0760 if you would like any assistance contacting Americans for the Arts.



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Who Are My Elected Officials (National, State and Local)?

The most effective way to influence your legislators or to make them aware of an issue is to contact them directly, via phone or e-mail. Unless constituents at home are informing them of specific issues it is hard for elected officials to know everything that is happening. Most legislators ask their constituents to inform them of things happening at home whether it is something that positively or adversely affects you. As an advocate, it is **your job** to let your elected officials know which issues affect you.

To find your elected officials at both the national and state level please go to the following link to fill in the spaces below so that their information is readily available.

http://www.capwiz.com/artsusa/dbq/officials/?affiliate_lookup=1

National (Congress)

House of Representatives:

Your US Representative is: _____

Email: _____

Toll-Free Number: _____

Senate:

Your US Senator is: _____

Email: _____

Toll-Free Number: _____

State Legislature

House of Representatives:

Your State Representative is: _____

Email: _____

Toll-Free Number: _____

Senate:

Your State Senator is: _____

Email: _____

Toll-Free Number: _____

Local City Council/County Commission/School Board

To find your city council, school board members and other local agencies please go to your city's Web site. Please feel free to contact ArtServe if you are having trouble finding your local elected officials.



Local Arts Action Network (LAAN)

In an effort to expand our range of advocacy and bring you up to speed on the local issues that affect you, we are now providing members of ArtServe Michigan's GRAAND (Grass Roots Arts Advocacy Network Distribution) with access to the **Local Arts Action Network**. This new service is aimed at connecting YOU with other arts and culture supporters in your community.

If there is an upcoming vote, hearing or meeting in your area for which you would like to mobilize a group to join you in making your voices heard and/or in taking a specific action, we can help by using the **Local Arts Action Network** to spread the word throughout your local area, inviting fellow advocates to contact you.

Our new **Local Arts Action Network** is a local community-activated alert system, which means that you as a local arts advocate need to e-mail ArtServe Michigan at mike@artservemichigan.org with the information listed below in order to prompt an alert.

1. Your name and contact information (e-mail, phone, fax, snail mail address)
2. Brief description of the issue
3. Name of group discussing, taking up or voting on the issue (i.e., city council members, county commission, school board, chamber of commerce)
4. Name of city or county affected by the issue
5. Meeting date/time/location
6. Action you are requesting of fellow advocates (i.e., attend, sign a petition, call or write local elected officials, media, etc.)

Once ArtServe Michigan is notified, an e-mail will be sent to members of GRAAND who live in your city (or county if it is a countywide issue), passing along the above info provided by you and inviting them to contact you if they want to get involved. This also serves as a way that ArtServe can help you build and strengthen your local lines of communication among arts advocates.

To ensure the privacy of all members of GRAAND, we will blind carbon copy (BCC) every member who would be included in the Local Arts Action Network list. The e-mail will look like it came from Mike Latvis and will only contain the requester's contact information, making the LAN an optional service.



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Tips For Organizing In Your Community

- **Contact the Local Arts Action Network.** Use the LAAN to find other community advocates in your city or region. This tool will not only enable you to find other supporters in your community but will allow you to stay up on the latest information in your city/region.
- **Download "A Public Policy Primer".** Download David Hollister's, *A Public Policy Primer* from ArtServe's Resource website. This document contains everything from the public policy process to what you can do as an advocate in your own community.
- **Know the facts.** Know the issue that you are asking others to support. The better you can explain the issue in your request for supporters, the more willing people will be to join you. Contact ArtServe if you need assistance in obtaining any talking points or other helpful information.
- **Make it personal and make it local!** People don't understand every issue when given talking points or statistical figures. You may find it easier to use an example of how this issue will not only affect you personally but the community as a whole.
- **Let this be the beginning of a relationship with your community advocates.** After the specified event, stay in contact with the members of GRAAND who attended the meeting with you. Add them to our mailing lists and invite them to local arts events, openings and other activities that they or their families might enjoy. Be a resource to each other and keep everyone in the loop.



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Tips For Speaking With Elected Officials

- **Know the facts.** In the pages that follow, you will find everything that ArtServe staff members use when speaking to legislators on pieces of legislation. Take a moment to read over the documents that explain what we are advocating for and how the passage of each bill will benefit Michigan, its people and its communities.
- **Be patient and polite.** It is not unusual for a legislator to run late between the day's meetings. Be patient and polite; the legislator's staff will advise you on when he or she will arrive.
- **Don't back down.** It is likely that the representative or senator will challenge you as to why such legislation will help the state of Michigan. Don't retreat from the issues—stick to the talking points! More often than not, legislators don't know all the issues and will ask questions. This is your opportunity to inform them of our issues.
- **Let them know who you are.** Make sure you let your legislators know that you reside in their district, as they will be more responsive if they know they are speaking to constituents. Be sure to point out that voters in their district support this legislation and so should they.
- **Make it personal!** Legislators are more responsive when you attach the human factor to the issue. Tell stories about how arts funding and state grants have benefited the people and communities in the legislator's district. We have included a list of grants that have been awarded in your legislative district, so be sure to point them out.
- **Say "Thank you!"** At the end of your meeting, be sure to thank the legislator for his or her time and remember to provide a copy of the group's thank-you letter before you leave.
- **Let this be the beginning of a relationship with your legislators.** When you get home, send your legislators a note thanking them for their time. Add them to our mailing lists and invite them to local arts events, openings and other activities that they or their families might enjoy. Be a resource to your legislators. If any of them express interest in obtaining information on a certain arts issue or organization, send it. Let ArtServe know if you need help.



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List of ArtServe's Supported Legislation and Positions

The following is a legislative check list for you to use as a reference when scanning the issues and pieces of legislation that ArtServe supports. Talking points and further information is listed as addendums with page numbers attached.

Big Picture Message: Investing in the basics of education, health care and public services is a MUST, but it is not enough; to restore Michigan to the prominence it once held, we must also invest in those things that differentiate us as a state – Michigan's Competitive Edge: Nature, Culture and Creativity. Specifically, we are asking you to support the following:

Budgetary Issues:

- ✓ Support an increase in grant funding for the Michigan Council for Arts and Cultural Affairs. (Pg. 12)
- ✓ Support funding for the Visual, Performing and Applied Arts Credit required within the Michigan Merit Curriculum High School Graduation Requirements. (Pg. 13-16)
- ✓ Support creating a trust fund to bring sustainable funding for arts and cultural organizations throughout Michigan.

Specific Pieces of Legislation:

- ✓ Support the restoration of the \$100,000 State and Local Historical Society Grant Program in the budget of the Department of History, Arts and Libraries.
- ✓ Support Senate Bill 20 (Sen. Buzz Thomas / Rep. Bettie Cook-Scott) – a bill to provide MCACA clients with (24) 2-day liquor licenses. (Pg. 17)
- ✓ Support Senate Bill 399 (Sen. Tom George) - a bill to capture the income tax of Nonresident Entertainers and Athletes to be appropriated to the MCACA for arts and cultural grant funding. (Pg. 18)
- ✓ Support outreach efforts by the Michigan Festivals & Events Association to optimize the economic potential of festivals and events in communities and support their volunteer's throughout Michigan.
- ✓ Support Senate Bill 973 (Sen. Cameron Brown) - a bill to amend the Michigan Business Tax to allow for the stacking of the 20% federal credit with the 25% state credit.
- ✓ Support Michigan Cultural Redevelopment Districts, a package of bills that will create tax incentives to redevelop abandoned, blighted or underutilized structures and to attract artists and other cultural entrepreneurs to live and work. (Pg. 19-22)
- ✓ Support the Motion Picture Rebate – Increasing the current sliding scale rebate to a flat 40% cash rebate as well as increasing the budget for the Michigan Film Office. (Pg. 23-25)
- ✓ Support the substitute for HB 4280, a bill that will allow taxpayers to donate \$5, \$10 or more to the MCACA for the purpose of funding arts grants.



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Legislative Overview / Analysis

With a fiscal year 2009 budget of more than \$44.8 billion that includes more than \$200 million in cuts and reforms, the Governor has laid the framework from which the legislature will work in the coming months.

ArtServe has looked through the entire budget, paying special attention to the budgets of the Department of History, Arts and Libraries (HAL) and the Department of Education. While we have found a slight increase in some programs with the creation of special departmental funds, we have unfortunately found that the Governor has continued to refuse to fund certain initiatives. The following analysis details programs specific to arts and culture and what ArtServe will be advocating for in the coming months.

Department of History, Arts and Libraries:

(\$52.8 million, of which \$40.1 million comes from the general fund)

The Michigan Council for Arts & Cultural Affairs received a deceptive increase in funding of around \$800,000. Under the recommendations, the MCACA would receive \$530,200 for administration and staffing for five positions (an increase of \$95,800, or 22%, from FY08) as well as \$7,996,000 in grant funding (an increase of \$242,000, or 3%).

Under the governor's recommendations, funding for the **Library of Michigan** would stay nearly stagnant at \$22.6 million, with only a slight increase of \$63,000. The recommendations include nearly \$12 million for library staffing and operations, \$350,000 for book distribution centers, \$505,000 in subregional state aid and \$10 million in state aid to libraries.

The **Michigan Historical Program** would be funded at \$8.4 million, receiving an increase of nearly \$730,000. Unfortunately, given the slight increase, the governor failed to include funding for Michigan History Day (\$25,000), as the legislature had in FY08.

The **Mackinac Island State Park Commission** would receive \$3.7 million, a nearly \$240,000 increase from the FY08 budget.

The important thing to note when looking at all the departmental budgets in HAL is that the governor depends on the creation of a History, Arts and Libraries Fund to absorb some of the increase. The fund will be created within HAL to collect fees from general services, training, meetings, etc., provided by the department. In total, the new fund will bring in around \$790,000 to the entire department in the governor's FY09 budget.

Michigan Department of Education:

(\$94.7 million, of which \$8.1 million comes from the general fund)

While the Governor supports a budget of \$94.7 million for the Department of Education, she again refused to include funding for the Visual, Performing and Applied Arts Credit required by the Michigan Merit Curriculum.



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ArtServe's Advocacy Platform And Legislative Plans (Budget and Special Legislation)

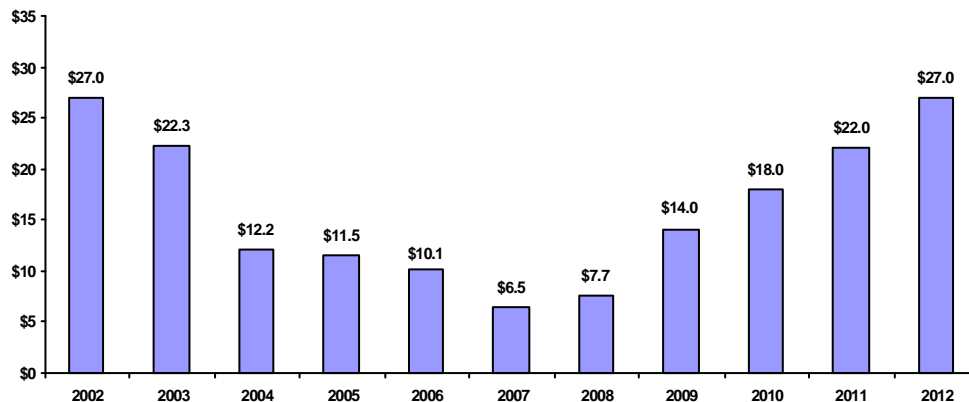
Budget:

In addition to advocating for specific pieces of legislation that support arts, culture and creativity, as the budgetary process moves forward ArtServe will advocate for increased funding for arts and cultural grants, the inclusion of Michigan History Day, and funding to support the ongoing implementation of the Visual, Performing and Applied Arts credit.

MCACA:

ArtServe has taken the stance that the Legislature needs to incrementally restore the MCACA's grant funding in as much time as it took them to cut it from \$27 million in 2002 to \$6.5 million in 2007.

MCACA Funding (Recent History/Restoration Plan)



Funding would have to reach \$12 million to equal the national average for per capita funding at \$1.21

We will be testifying before both the House and Senate HAL Subcommittees later this month to request that the Legislature **fund the MCACA at \$14 million for arts and cultural grants.** We will also be requesting the committee to continue to fund **Michigan History Day at \$25,000.**

Department of Education:

ArtServe will advocate for funding to support the ongoing implementation of the visual, performing and applied arts credit mandated within the Michigan Merit Curriculum. We will ask the legislature for **\$10 million to properly fund this credit, which is just \$20 per pupil.**

Department of Labor & Economic Growth:

ArtServe supports an increase for the Travel Michigan "Pure Michigan" tourism campaign as well as further development of the tourism industry.



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Special Legislation:

- **Senate Bill 20** (Sen. Thomas) & House Bill 4438 (Rep. Scott) Special Purpose Arts Liquor License – Will provide 60 arts and cultural clients of the MCACA with 24 2-day liquor licenses for the purposes of beer and wine consumption at their events for a \$300 per year fee.
 - ✓ *For additional analysis please see ADDENDUM #1*

- **Senate Bill 399** (Sen. George) – Will re-designate the amount of income tax paid by nonresident entertainers and athletes to be appropriated each year to the Department of History, Arts, and Libraries to fund the Michigan Council for Arts and Cultural Affairs.
 - ✓ *Senator George held a workgroup on September 20th, which ArtServe attended, to talk about how the bill could best be amended to gain the support of the Treasury Department. Since this time no additional meetings or information has come about.*
 - ✓ *Late last year, Congress introduced a bi-partisan piece of legislation that would effectively make SB 399 defunct. HR 3359 would restrict states and localities from imposing state income taxes on non-resident workers who are in the state/locality for less than 60 days. After which point, income tax can be levied on the worker back-dating to the day of initial entrance.*
 - *While there has been no additional movement on this legislation in Congress we are following its progress closely.*
 - ✓ *For additional analysis see ADDENDUM #2*

- **Cultural Redevelopment Districts** (Rep. Tobocman) – Not yet introduced, the Michigan Cultural Redevelopment District Act would set up a special authority made up of arts and culture advocates and economic development experts to designate Cultural Redevelopment Districts throughout the state. Each designated district would have access to different tax credit incentives that would specifically serve their economic redevelopment plan. When this is introduced, we plan to make sure it is highly visible and gains a broad base of support.
 - ✓ *This package of bills will be introduced soon.*
 - ✓ *For further analysis see ADDENDUM #3.*

- **Senate Bill 973** (Sen. Brown) will amend the Michigan Business Tax to not only change the assignability and recapture rules of the Historic Restoration Tax Credit, but will stack the 20% federal credit with the 25% state credit.
 - ✓ *This is a bill supported by the Michigan Cultural Alliance that ArtServe is supporting, yet not actively advocating for.*

- **House Bill 4280** (Rep. Accavitti and Sen. Thomas) Senator Thomas has introduced a substitute to Rep. Accavitti's income tax check-off bill that would add a check-off option to donate a portion of a taxpayer's return to the Michigan Council for Arts and Cultural Affairs. This bill will allow taxpayers to donate \$5, \$10 or more to the MCACA for the purpose of funding arts grants.
 - ✓ *This bill was passed by the House and is currently in the Senate Finance Committee awaiting a hearing.*



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- **Motion Picture Rebate** (Yet to be introduced) the Michigan Film Office is proposing a significant increase in the cash rebate given to films, commercials, etc. that are made in Michigan.
 - ✓ Current Sliding Scale Rebate:
 - If spent \$200,000 - \$1 million -- 12% cash rebate
 - If spent \$1 million - \$5 million -- 16% cash rebate
 - If spent over \$5 million -- 20% cash rebate
 - ✓ The film office is recommending the following:
 - An increase of the cash rebate to a flat 40% rebate.
 - Lower the \$200,000 expenditure limit to \$50,000.
 - Increase the budget of the film office and allow for regional offices.
 - ✓ These recommendations, if passed, will give Michigan the competitive edge it needs to make the state attractive for filmmakers.
 - ✓ *For further analysis see ADDENDUM #4.*



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Making the Case for Supporting Arts and Culture in Michigan: **Talking Points**

- Every dollar granted to arts and culture generates a return of \$10 and has a ripple effect of \$34.
- People visiting Michigan for arts and cultural activities are estimated to spend \$65.7 million dollars annually.
- In 2004 the average household expenditure was \$30.72 per month for arts and cultural activities.
- Tourism industry studies show consistently that cultural tourists stay longer and spend more than recreational sports tourists.
- Corporate leaders continue to stress the importance of a strong cultural environment to recruit a creative workforce.
- In a recent report prepared by Michigan Future, Inc entitled **Michigan's Transition to a Knowledge-Based Economy: First Annual Progress Report**; the report concluded that, "What most distinguishes successful areas from Michigan are their concentrations of talent, where talent is defined as a combination of knowledge, creativity and entrepreneurship. Quite simply, in a flattening world, the places with the greatest concentrations of talent win. States and regions without concentrations of talent will have great difficulty retaining or attracting knowledge-based enterprises, nor are they likely to be the place where new knowledge-based enterprises are created."



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Making the Case for Arts Education in Michigan: Talking Points

- Arts education promotes creative problem solving and strengthens the ability to work with others; all of which provide an invaluable link from Arts Education to the workforce.
- Arts education provides a way to nurture the next generation of arts and culture patrons/audiences and employees, which feeds into providing our cities with a greater quality of life.
- Supporting arts education helps keep at-risk students in school, providing them with the creative instruction they require to graduate and move on to the next level of education.
- Arts education nurtures the imagination that fuels innovation in today's competitive workforce.
- Arts education exposes students to a broad range of perspectives giving them the ability to work with people who are different from themselves.
- A poll conducted by Harris Interactive, reports that 93% of Americans believe the arts are vital to providing a well-rounded education.
- According to the same Harris Interactive poll, 75% of Americans agree that incorporating the arts into education is the first step in adding back what is missing in public education today.
- Arts education increases student's self-esteem by encouraging students to take risks and to be different by thinking creatively.

For additional research, resources and talking points please download the full version of ArtServe's Arts Education Toolkit on our website at www.artservemichigan.org



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ADDENDUM #1

Creation of an Arts and Culture Special Purposes Liquor License Senate Bill 20 and House Bill 4438

BILL SPECIFICS

- Senate Bill 20 and House Bill 4438 will allow the Michigan Liquor Control Commission to issue not more than 60 special purpose licenses to the arts and cultural clients of the State of Michigan Council for Arts and Cultural Affairs (MCACA) for the purposes of beer and wine consumption on the premises.
- The Arts and Culture Special Purposes Liquor License will be issued only for events that are artistic in nature and which are held on the premises of a recognized nonprofit client of the MCACA that has been in continuous existence for not less than two years.
- The Arts and Culture Special Purposes Liquor License will be valid for no more than 24 two-day events.
- To be eligible, an applying organization must be a funded client of MCACA during the fiscal year in which they are applying for a license, must be a nonprofit organization and must have been in existence for at least two years.
- The annual fee for the Arts and Culture Special Purposes License will be \$300.

REASONS FOR AND BENEFITS OF THE BILL TO ARTS/CULTURAL ORGANIZATIONS

- Funding for arts and cultural grants administered by the MCACA has been reduced by over 65%, which has forced arts organizations to make up for lost state revenue.
- Although nonprofit arts and cultural organizations continue to raise revenue from individual, foundation and corporate giving to continue to provide world-class programming in the face of drastic reductions in state funding, many organizations are struggling to find additional ways to recover from these cuts.
- Creation of the Arts and Culture Special Purposes License will allow clients of MCACA to provide a desired amenity while enhancing its fundraising potential and earned revenues.
- The ability to serve beer and wine at artistic events and fundraisers will provide a much-needed boost to earned revenue and ultimately make them less dependent on state funds.



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ADDENDUM #2

Senate Bill 399

Senate Bill 399 (Sen. George) seeks to capture Michigan income tax collected from nonresident entertainers performing in Michigan, and earmark it for the Department of History, Arts and Libraries to fund MCACA grants.

If adopted, the bill will amend the Income Tax Act to require the Department of Treasury to report the amount of Michigan income tax paid each year by nonresident entertainers and athletes. The bill will require that this amount be appropriated to the Department of History, Arts, and Libraries and will thereby establish an identified, restricted and stable funding source for the arts. In the short term, it will be a welcome supplement to the far less stable general fund allocation. In the long run, it has the potential to release MCACA from its dependence on the general fund where it must compete for funding with other essential services such as Medicaid and education.

Since Michigan's nonresident entertainer income tax is an existing tax and the monies so collected would otherwise be added to the general fund, in order for Senate Bill 399 to offer a viable solution, two things need to happen: 1) There will have to be reliable systems in place for identifying and capturing the income from nonresident entertainers and athletes, and 2) The State will need to secure adequate additional revenue for the general fund to be capable of supporting all of its obligations.

Michigan's Department of Treasury is opposed to Bill 399 because the department does not currently have a reliable system in place to track what income is coming from non-resident entertainers. Some legislators warn that, since the bill captures existing revenues, it does not solve the overall budgeting issues faced by the state and will only be a viable solution for arts funding if additional revenues are first generated by the State.



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ADDENDUM #3

Michigan Cultural Redevelopment Districts Using Arts and Culture in Economic Development

The Michigan Cultural Redevelopment District Act would set up a special authority made up of arts and culture advocates and economic development experts to designate Cultural Redevelopment Districts throughout the state. This stakeholder group would include private developers, arts and culture organizations, the Michigan Economic Development Corporation, the Michigan Council for Arts and Cultural Affairs, the Michigan State Housing Development Authority, Michigan State Historic Preservation office, and the Department of History, Arts and Libraries.

Districts would be designated through a competitive application process. To apply, local governments, nonprofit organizations, and other entities would have to create an arts and culture-centered economic redevelopment plan for a specific area that had the support of the local municipality.

The economic redevelopment plan would have to show how arts and cultural activities would be leveraged to create long-term economic revitalization. This might be through the rehabilitation of some vacant buildings into housing for artists or new gallery space, or collaboration with a nonprofit arts organization to relocate and expand their activities in the district.

Local teams vying for Cultural Redevelopment District designation would have several tools at their disposal created by the legislative package. These tools are incentives to redevelop abandoned, blighted or underutilized structures and incentives to attract artists and other cultural entrepreneurs to live, work and retail in these districts.

These tools include:

- **Tax incentives for properties in the district that rent to artists, galleries, and cultural institutions in order to encourage redevelopment of properties and the attraction of artists and cultural uses.**
 - Property owners would receive a income tax credit (or MBT) based on the amount of property taxes paid for property used for arts and cultural uses, including artists housing.
 - Similar to the NY Culture Zone proposal and the Maryland Arts and Entertainment Districts incentives currently in place.
 - The benefit would last for 10 years, decreasing over this period.
- **An MBT credit for a community revitalization projects happening in the cultural development district regardless of its intended use.**
 - This credit would give cultural redevelopment districts an edge in attracting redevelopment projects of any type, regardless of whether they were arts and culture oriented.
 - The amount of the credit would be determined on a project-by-project basis with no project able to receive more than \$250,000.
 - This bonus credit could be coupled with other incentives, like Low Income Housing tax credits, Brownfield credits, federal New Markets Tax Credit, or the state historic



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preservation tax credit, to make projects within a Cultural Development District more attractive.

- **State tax credit for philanthropic contributions from individuals and businesses to nonprofit arts and cultural organizations located within the cultural development district.**
 - While these contributions are deductible on federal income tax returns, they cannot be counted on the Michigan tax return.
 - The credit would mirror the existing credits for donations to Michigan public institutions like public libraries, public broadcast stations, colleges and universities, and museums of up to \$100.00 for a single filer, \$200.00 for joint filers, or a maximum of \$5000 for a resident estate or trust.
 - Based on a similar proposal made in the New York Culture Zone legislation.
 - Would give nonprofit organizations in Cultural Redevelopment Districts a fundraising edge.
- **A personal income tax exemption for artists for all or portion of income generated while living and working in the cultural development district.**
 - Artists of all types, including writers, composers, and musicians, who live in a Cultural Redevelopment District, would be eligible to exempt up to \$25,000 of their income from the sale or exhibition of their artistic "work" from their state income return.
 - This would mean a \$1000 tax savings for each artist living in a Cultural Redevelopment District.
- **State sales tax exemption on art or artists' materials sold in the Cultural Development District.**
 - Any artistic work sold within a Cultural Redevelopment District would be exempt from Michigan sales tax, as would artist's materials sold within Cultural Development Districts.
 - Sales of artwork made outside the districts, such as at art festivals throughout the state, would still be subject to sales tax.
 - To be eligible for these sales tax exemptions, artist, galleries, and stores selling artist materials would have to be certified as being exempt from sales tax.
 - These exemptions are based on similar incentives in Rhode Island, where all artwork sold within the arts and entertainment districts are exempt from sales tax, and in Maryland, where all tickets sold in Arts and Entertainment Districts are exempt from the state's admission and amusement tax.

This concept stands apart from other economic development programs because it is not a one-size-fits-all approach. Each district can apply for a different combination of incentives that would specifically serve their economic redevelopment plan. A community in Detroit might need a different set of tools for its Cultural Redevelopment District than a community in mid-Michigan. This approach provides flexibility in awarding Cultural Redevelopment District designations, as well as flexibility in implementing the program based on state budget constraints.

Each district will have maximum duration of 10 years. Continuation of benefits throughout the 10 year designation is contingent on evidence of actual progress within the district.



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Michigan Cultural Redevelopment Districts: Using Arts and Culture in Economic Development

Facts and Figures

National Data

- At least eleven states have created cultural economic development strategies designed to stimulate the creative economy.
- Rhode Island has designated 9 tax-free arts districts since establishing its program in 1998, which originally started with just one district in Providence. Maryland was the first state in the country to designate Arts and Entertainment Districts on a statewide basis, with 12 designated since 2001. Iowa has designated 19 cultural districts in the first two years of its program and hopes to invest \$40 million in historic preservation tax credits over the next 10 years in these districts, not to mention other incentives to create live/work spaces for artists and other spaces for arts and entertainment uses. Legislation has been proposed in New York to implement a similar program.
- While without a formal district program, Massachusetts has established a cultural economic development grants program, giving out over \$1 million in grants to 22 cultural economic development projects in the first year. New Mexico has created Arts Enterprise Partnerships to help create new arts and cultural-oriented businesses.
- According to the National Assembly of State Arts Agencies, in fiscal year 2006, state arts agencies invested \$327.5 million in creating and sustaining arts infrastructures in communities across the nation.
- According to Americans for the Arts, America's nonprofit arts industry generates \$134 billion in economic activity every year, including \$24.4 billion in federal, state and local tax revenues. In 2005, more than 578,000 businesses were involved in the production or distribution of the arts and these businesses employ almost 3 million people.
- The creative sector, whose economic function is to create new ideas or creative content, employs 38 million Americans, or 30 percent of all employed people, according to Richard Florida's *The Rise of the Creative Class*.
- The National Endowment for the Arts found that Americans spent \$12.1 billion (\$42 per person) on admissions to performing arts events in 2002. In 2004, the Giving USA Foundation found that Americans donated more than \$13.99 billion to the arts in 2004 through individual giving, estates, foundations and corporations.



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Nature, Culture & Creativity

Michigan Cultural Redevelopment District: Using Arts and Culture in Economic Development

Facts and Figures

Michigan Data

- There are numerous examples of Michigan-based arts and culture-related economic development projects from the work taking place in Detroit's Midtown/Cultural Center area through the University Cultural Center Association (UCCA), to the Martineau Project to provide live/work space for artists in the Heartside neighborhood in Grand Rapids, to the Armory Arts Project in Jackson to transform a vacant industrial facility into a mixed-use arts complex.
- Nearly \$2 billion in economic activity is generated in Michigan by arts and cultural activities. This includes the \$1 billion in multiplied economic impact of non-profit organizations networked with the Michigan Council for Arts and Cultural Affairs.
- The economic return on the investment for each dollar of state appropriated funding in the arts is a direct \$10 and a multiplied \$34 (study commissioned by the Michigan Council for Arts and Cultural Affairs commissioned and performed by Wayne State University's Center for Arts and Public Policy)
- Michigan arts and cultural activities support directly or indirectly 108,000 jobs in Michigan (of these, 71,300 are artists and employees of arts and cultural organizations). Over \$1.5 billion in personal income is generated by Michigan residents who work with arts and cultural organizations, or whose jobs are supported by arts and cultural organizations, or through their personal consumer expenditures. (Study sponsored by the Michigan Nonprofit Research Organization, undertaken W.E. Upjohn Institute for Employment Research)
- 84% of Michigan households surveyed by the Michigan Nonprofit Research Organization study on the economic impact of the arts said that at least one member attended an art or cultural event last year. The 2004 average Michigan household expenditure was \$30.72 per month for arts and cultural activities. Visitors to Michigan for arts and culture are estimated to spend \$65.7 million annually.
- One third of Michigan households surveyed by the Michigan Nonprofit Research Organization study on the economic impact of the arts said that the quality and availability of arts and cultural activities in the community will play an important role in their next relocation decision.



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ADDENDUM #4
LEGISLATIVE PROPOSAL FOR
MICHIGAN FILM & DIGITAL MEDIA INCENTIVES

PRODUCTION INCENTIVES

- **40% Tax Rebate (refundable tax credit) For Michigan Production**
 - 40% refundable tax credit against Michigan Business Tax (MBT) liability for qualified film or digital media pre-production, production, and postproduction costs incurred in Michigan. Alternatively could be claimed against Michigan income tax withholding tax liability.
 - Refundable and assignable (transferable). This is a "refund" or "tax rebate" equal to 40% of qualified production expenditures, not a credit against taxes owed.
 - Additional 2% credit in core communities.
 - Wages paid to non-Michigan residents eligible as a qualified expenditure capped at \$2 million per person per production.
 - \$50,000 minimum spend. No project cap. No annual cap. No sunset.
- **Income Tax Exemption for Reinvestment in Michigan Productions**
 - Allow an income tax deduction equal to all or a portion of a gain realized from an equity investment of at least \$25,000 in an qualified production in Michigan, if the initial investment plus the gain, or a portion of the gain, is reinvested in a new qualified production within one year.
 - Sunset on September 30, 2015.

INFRASTRUCTURE DEVELOPMENT INCENTIVES

- **Film & Digital Media Infrastructure Investment Tax Credit**
 - Investment of \$250,000 or more in Michigan film or digital media production infrastructure (such as studios, equipment, or other facilities) eligible for a 25% tax credit against MBT liability.
 - Credit is assignable or may be carried forward.
 - Total credits allowed limited to \$10 million annually.
 - Credit reduced for Brownfield credits claimed for same investment.
 - Sunset on September 30, 2015.
- **MEGA Eligibility for Film & Digital Media Production Companies**
 - Authorize film and digital media production companies to apply for and receive tax credits issued by the Michigan Economic Growth Authority (MEGA) against MBT liability.



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FINANCING INCENTIVES

• Film and Digital Media Investment Loans

- Authorize the Michigan Strategic Fund to offer loans from the Jobs for Michigan Investment Fund (part of 21st Century Jobs Fund Program) for up to \$15 million per qualifying film and digital media productions in Michigan.
- Loans can be 0% with backend participation by the Jobs for Michigan Investment Fund in lieu of interest.
- Terms of loans are negotiated and production budget must be at least \$2 million.
- A guarantor for the loan must be in place. Production must be wholly or substantially shot in Michigan.
- Qualified production company eligible for both loan and 40% production tax credit.

• Choose Michigan Film and Digital Media Production Loan Program

- Authorize a qualified production company to receive all or a portion of the value of discounted tax credits the company is eligible to receive in the form of a loan from the Jobs for Michigan Investment Fund approved by the Michigan Strategic Fund. Credits would be pledged for the repayment of the loan.
- Loans would be provided an interest rate of up to 2%.
- Minimum loan amount would be \$500,000.
- No loan would be greater than the discounted value of the tax incentives pledged.
- Production company would be responsible for loan repayment regardless of performance of primary tax incentive.

• Capital Access Program for Film and Digital Media Producers

- Authorize film and digital media production companies to participate in the capital access program established by the Michigan Strategic Fund under the 21st Century Jobs Program.
- Participating banks throughout Michigan would offer CAP loans directly to production companies that need credit enhancement. Similar to a loan loss reserve fund, the bank, the production company, and the Michigan Strategic Fund pay a small premium into a reserve that makes it possible for the company to receive fixed asset and working capital financing in the form of a private loan from the bank.

WORKFORCE DEVELOPMENT INCENTIVES

• Film & Digital Media Worker Job Training Tax Credit

- 50% refundable MBT tax credit for expenditures incurred by an eligible production company to provide on-the-job training for Michigan residents in advanced below-the-line crew positions on qualified productions.
- Expenditures eligible for job training tax credit could not also be claimed for the 40% production tax credit.
- Sunset on September 30, 2015.



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ENHANCE MICHIGAN FILM OFFICE

• Enhance Michigan Film Office

- Formalize, update, and enhance the powers, duties, and functions of the Michigan Film Office and Michigan Film Advisory Commission.
- Transfer Office to the Michigan Strategic Fund with staff support and related resources provided by the Michigan Economic Development Corporation.
- Change name of Michigan Film Commission Advisory Commission to the Michigan Film Office Advisory Council and increase terms of office for members of Council from 3 to 4 years with staggered terms.
- Prohibit authorized claims of agency or employment relationship with the Film Office.
- Repeal Sections 21 and 22 of the History, Arts, and Libraries Act.

• Increase Financial Support for Michigan Film Office

- Create the Michigan Film Promotion Fund to support and provide additional dedicated funding to support the Michigan Film Office.
- Charge a 0.5% application and redemption fee for all film-related tax credits, with proceeds deposited in the Michigan Film Promotion Fund to support the Michigan Film Office.
- Require 50% of any state earnings on a loan or investment in a production from the Jobs for Michigan Investment Fund is deposited in the Michigan Film Promotion Fund.



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ADDENDUM #5

Rationale for Providing Adequate Funding For Implementation of the Visual, Performing and Applied Arts Credit

1. The arts can significantly add to the learning potential of students if a quality, sequential arts education program is in place. Currently, most schools in Michigan lack a sequential arts curriculum; therefore, arts education programs are not as effective as they could be. With adequate funding for arts education, districts would be better able to develop model arts curriculum.
2. Arts programs often thrive in wealthy school districts, but are lacking in low-income districts. Adequate funding will give all districts an opportunity to develop successful arts programs.
3. Research done by ArtServe Michigan in 2001 (Arts Alive Report) indicates that dance and theatre instruction is almost non-existent in Michigan's public schools. Through a strategic planning process, districts can begin to consider how to expand their arts education offerings to include all disciplines.
4. Without required testing in the arts and no state mandate for K-8 arts education, districts have little incentive to maintain and improve their arts programs. The state can demonstrate its commitment to arts education as a core learning area by encouraging school districts to develop a comprehensive plan for arts education and supporting their efforts to do so. In addition, school districts can develop model assessment tools to ensure student performance in the arts is measured and results can be reported back to the state for tracking purposes.
5. Research done by the Arts in the Basic Curriculum Project to evaluate arts education in South Carolina public schools found that schools with arts education strategic plans, at least three years in length and written by a diverse group of stakeholders, did not derail when there was a change in superintendents, principals, key arts teachers, or loss of funding.
6. Even though the arts are recognized as a core academic subject in No Child Left Behind and part of the Michigan Merit Curriculum, little attention and funding has been given to arts education in Michigan. As a result there has been a steady erosion of districts' arts education programs throughout the state. By providing adequate funding directly to the schools or school districts we can generate awareness and provide legitimacy for the arts as a core academic subject.
7. Currently there is little oversight for arts programs brought into schools by outside providers (arts organizations and artists). By providing schools districts with adequate funding to recruit, retain and educate arts educators -- arts education can be strengthened in all of Michigan's 552 school districts.



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BEST PRACTICES FROM OTHER STATES

California – (985 school districts, 9,221 public schools, 6 million students)

Governor Arnold Schwarzenegger has included \$109 million for visual and performing arts instruction in California schools for 2007-08. The funds, to be allocated to districts and county offices of education on a per pupil block grant basis, are to be used for hiring teachers, purchasing books, supplies and equipment, and for staff development.

Maryland – (24 school districts, 1,403 public schools, 866,743 students)

Maryland has developed a Fine Arts Initiatives Program that funds fine arts program improvement in school systems. Funding is based on a formula. Each school system is eligible to receive \$20,000 plus \$1.25 per student through the Fine Arts Initiative Program. The awarding of grants is contingent upon each school system's development of a strategic, long-range plan for enabling all students to achieve or exceed state standards in the arts. In 2002-03, \$2.4 million was granted.

Minnesota – (354 school districts, 2,399 public schools, 840,000 students)

Any school district willing to commit a team of representatives from the school and community to be involved with putting together a comprehensive five-year plan for arts education is eligible to receive funding through the state's Comprehensive Arts Planning Program (CAPP). Working with the Perpich Center for the Arts, a unique state agency charged by the Minnesota Legislature to bring arts education into all K-12 schools, districts can receive \$5,000-\$30,000 per year. The Perpich Center will work on an individual basis with school districts to develop a plan that includes ways to improve arts curriculum, increase funding and integrate the arts into other subject matter instruction. As of 2004, 231 of the 354 school districts in the state have gone through this planning process and now have a comprehensive five-year plan for arts education in the school district.

South Carolina – (87 school districts, 1,114 public schools, 624,175 students)

The South Carolina Department of Education (SCDE) funds a number of initiatives that promote the implementation of the Visual and Performing Arts Standards. For example, schools and school districts are eligible for grants (up to \$20,000 for schools and \$50,000 for districts) each year to design and implement curriculum, instruction and assessment aligned with the curriculum standards. School districts can also receive funding for teacher in-service training programs for arts specialists, appropriate classroom teachers, or both, which are approved by the SCDE working with the state's colleges and universities. Districts can also hire certified arts specialists or contract with professional artists approved by the S.C. Arts Commission to assist in planning, developing, and implementing discipline-based arts education curriculum.

* There are a total of 10-states with some type of arts education state funding initiative that provides funding to public schools and school districts.



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