Investing In Culture
Innovations In State Policy

A report by the
NCSL Cultural Policy Working Group

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The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the states, commonwealths and territories.

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PREFACE AND ACKNOWLEDGMENTS

This report relies on material originally published in the 2002 report, Policy Partners: Making the Case for State Investments in Culture, prepared by Chris Dwyer and Susan Frankel of RMC Research. Policy Partners was the outcome of a year-long feasibility study supported by The Pew Charitable Trusts. The goal of the study was to identify mechanisms, ideas and practices that could advance state-level cultural policy, especially those policies that augment public resources for culture. It is available in full at http://www.culturalpolicy.org/state-cp/home.htm.

Now that the study is complete, the goal is to disseminate the findings. In releasing the Policy Partners report, Pew also awarded a grant to the Center for Arts and Culture, an independent, Washington, D.C.-based think tank, to lead the dissemination effort. This report is made possible through a partnership between the National Conference of State Legislatures (NCSL) and The Center for Arts and Culture to make the information contained in Policy Partners available to state policymakers.

This report is the product of the NCSL Cultural Policy Working Group, which was formed to improve the quality of cultural policy information that is available to state policymakers. The primary goal of this group is to improve the dialogue among state legislators, cultural organizations and others that are interested in and affected by state cultural policy. Basic information is an important tool for state policymakers who must make decisions about how to allocate scarce resources. Investing in Culture: Innovations in State Policy is meant to provide information to assist legislators who want to strengthen their states’ cultural agenda.

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Special acknowledgment goes to RMC Research for providing the background information in the Policy Partners report. In addition, special thanks go to the Center for Arts and Culture for its financial support and to the NCSL legislative partners for their insight and contributions.
1. **Introduction**

As representatives of the public trust, state legislators strive to serve their constituencies well and spend tax dollars wisely. One way to measure the value of state policies is to examine outcomes relative to inputs or, in other words, ask what results are achieved by providing funding for such activities. In doing so, policymakers across the country are finding that a relatively modest investment in culture frequently pays big dividends.

Recognizing the breadth of the cultural community, the term *culture*, as it is used throughout this report, includes four different fields—arts, folklife/heritage, historic preservation and the humanities. These fields are thought to be a sample, rather than an inclusive list, of the cultural community.

Cultural agencies serve diverse groups of people of all ages and income levels. Cultural agencies serve both cities and rural areas. These agencies help make culture accessible and enhance the lives of those who otherwise would not have the opportunity to participate in cultural activities. In addition, culture offers intangible benefits. It helps create a community soul and develop a real “sense of place.” All these things combine to result in better, more livable communities.

A thriving cultural scene is more likely to attract the highly coveted, and very mobile, knowledge-based worker (workers who rely on intellectual power instead of physical power). This is particularly important to state policymakers who are striving to improve their state’s economic vitality. In the space of a single generation, work and the workforce have changed dramatically. Knowledge has supplanted labor-intensive careers as the preferred path to economic growth and stability, and human capital has become the primary determinant of a region’s economic health.1 Surveys indicate that knowledge-based workers place a high value on quality of life. Recognizing the value of the cultural sector to the quality of life, a number of states have become cultural leaders through innovative state policies.

New research on state cultural policies is presented in the publication, *Policy Partners: Making the Case for State Investments in Culture*. This publication is the outcome of a study launched in 2001 by the national culture program of The Pew Charitable Trusts. The goal of the study was to identify mechanisms, ideas and practices that could advance state-level cultural policy. Representatives from the arts, folklife/heritage, historic preservation and the humanities participated in the study. The findings are framed as five premises.

1. To have clout in the policy arena on a par with other sectors, the cultural fields must develop alliances and craft unified messages that effectively communicate the value of culture.
2. Cultural collaborations can build on examples of policies from other states along with proven strategies for navigating the political arena.

3. Success in moving policy forward at the state level requires specific capacities, including an understanding of the state’s current political and economic climate.

4. National culture organizations are essential partners in policy work at the state and local levels.

5. Policy organizations and opinion leaders from the policy community could become champions for cultural goals.

This report discusses selected approaches to advancing state-level cultural policy that are featured in the *Policy Partners* publication.
2. How Cultural Programs Meet State Policy Goals

Times have changed in the cultural arena. Gone are the days when art was created simply for arts’ sake. Today, society likes its art to contribute to civic life. Fortunately, the arts are well-positioned to meet this challenge; as a strong cultural agenda can help states meet the following policy goals:

- Accessibility and participation,
- Diversity,
- Economic development,
- Education and youth at risk,
- Revenue generation,
- Rural development,
- Tourism, and
- Urban revitalization.

Accessibility and Participation

One of the most important policy functions of state cultural agencies is that of providing access. Such agencies help ensure public access to cultural programs by eliminating barriers imposed by economic status, education, prejudice, distance or special needs. This is accomplished in several ways, ranging from free admission days at major cultural institutions to special school performances to traveling performances or exhibits that bring the arts to all areas of the state, providing exposure and developing new audiences.

In addition to providing access to cultural events, cultural agencies facilitate citizen participation. These agencies provide opportunities for hands-on participation, regardless of social connections or artistic talent. In doing so, they offer a way for all citizens, even those with no artistic talent, to become engaged in art.

Taking the Arts on the Road in Alabama

The Schoolhouse Players is a troupe of performing artists who are involved in the Alabama State Council on Arts’ Rural School Touring Program. The arts council initiated this remarkably simple program in 1997 to serve rural areas (65 percent of the state’s 4 million people live outside the four urban centers). With a boost in funding from the National Endowment for the Arts, the program was expanded in 2001 to include inner city schools. The arts council works closely with the Alabama Department of Education to target the state’s 150 “underachieving” schools for inclusion in the program. Each school is invited to select an artist from the council’s school roster, and the council covers the entire cost of the performance. In 2001 alone, the program brought jazz, blues, theater, dance and storytelling to more than 11,000 students, almost half of whom were seeing a live performance for the first time.1
Diversity

Cultural programs help facilitate discourse across groups and promote understanding of the diverse heritages represented in society. Many times, the only exposure Americans have to other ways of life are through cultural events and performances. For example, Asian festivals, prevalent in many communities, offer tremendous insight into traditional cultures that are very different from Western daily life. In addition, exposure to different cultures may assist people to understand different ways of thinking, which is increasingly important in today’s global economy.

Culture may also serve to protect diverse groups with unique traditions and knowledge by preserving them. This is particularly important amid the tremendous global pressure to assimilate.

Economic Development

Culture helps accomplish state economic development goals by developing creative industries and by providing states a competitive advantage.

- Develops creative industries—Culture in itself is big business and is one of the healthiest industries in this country. Commercial creative industries, which include the output of artists and other creative workers in publishing, audiovisual, music and recording, and entertainment businesses, are the nation’s leading export, with more than $60 billion annually in overseas sales.²

- Offers a competitive advantage—In the new economy, a business’ success depends on its ability to recruit skilled knowledge workers. A strong cultural scene gives states and communities an advantage when businesses consider relocating. Richard Florida, a professor of regional economic development at Carnegie Mellon University, writes about the importance of culture in his book, The Rise of the Creative Class: And How It’s Transforming Work, Leisure, Community and Everyday Life. In his study on the new economy, Professor Florida found that quality-of-place factors are as important as traditional economic factors such as jobs and career opportunities. Quality of life in the community increases the attractiveness of a job by 33 percent for young knowledge workers. This is a significant change from conventional economic theory that is based on the idea that workers will settle in places that offer them the highest paying jobs in their fields.

Increasingly, the arts and cultural life of a region are taken into consideration by companies and workers as they decide where to relocate. A 1998 KPMG survey of more than 1,200 high-tech workers examined the most important factors associated with taking a new job. “Community quality of life” was the second most important factor—after salary—and was more important than benefits, stock options or company stability.³

Education and Youth at Risk

Research shows that children who study the arts demonstrate stronger overall academic performance. A 1999 study, using a U.S. Department of Education database of 25,000 students, found that students with high levels of exposure to the arts outperform “arts-poor” students on virtually every measure, regardless of socioeconomic status. In fact, the
researchers found that high arts participation has a more profound effect on the academic performance of students from low-income backgrounds than it does on high-income students. In addition, involvement in the arts positively influences learning in other disciplines. Students who consistently are involved in music and theater show higher levels of success in math and reading. This is consistent with other studies that show students of the arts continue to outperform their non-arts peers on the Scholastic Aptitude Test (SAT). Even more important, most students enjoy the arts and are likely to actively participate because arts education is education that focuses on "doing."

For young people who are at risk of delinquency, school failure, substance abuse, teen pregnancy and other problems, involvement in the arts can improve academic performance, reduce school truancy, provide positive outlets and build new skills that give them a chance at a better life. In short, arts programs improve students’ self-confidence, build communication and problem solving skills, and help prepare young people to be the creative thinkers that employers seek for today’s workforce. Arts programs are an effective intervention strategy for troubled youth who have failed to respond to more traditional educational and social services programs. Arts learning experiences can alter the attitudes young people have about themselves and toward learning, even among those who already have had serious brushes with the law. A three-year study of arts-based delinquency prevention programs in three sites—Atlanta, Ga.; Portland, Ore.; and San Antonio, Texas—showed that at-risk youths’ participation in arts programs improved their attitudes, behavior and academic performance; decreased delinquent behavior; and increased communications skills.

An 11-year national study that examined youth in low-income neighborhoods found that those who participated in arts programs were much more likely to be high academic achievers, be elected to class office, participate in a math and science fair, and win an award for writing an essay or poem.

An adolescent arts center in Denver, Colo., The Spot, is nationally recognized as a successful model for how creative endeavors reach at-risk youth and help them mature into productive adults. The Spot focuses on urban culture and its hip-hop roots. The programs are designed to help youth express their talents in the elements of hip hop culture: music (rap), performance art (break dance and slam poetry) and visual art (graffiti). This formula has been tremendously popular with the urban adolescents who visit The Spot. Many participants are gang members and homeless youth—typically undesirable groups. However, they are young people full of raw emotion and undeveloped talent. The Spot—through its publications, performances and music studios—offers them a way to showcase their talent to the world and helps to build self-esteem.

Revenue Generation

Numerous economic impact studies have found that investment in culture provides substantial returns in terms of direct expenditures, new jobs and additional tax revenue. This holds true at the federal, regional, state and local levels.

Federal Level

In June 2002, Americans for the Arts released the results of the most comprehensive impact study of the nonprofit arts industry ever conducted in the United States. The study, conducted by the Georgia Institute of Technology, was based on 3,000 arts organizations
in 91 cities. It found that the nonprofit arts industry (museums, theater companies, performing arts centers, orchestras, dance companies and arts councils) generates $134 billion in economic activity nationally every year. That is more than the gross domestic product of most nations in the world. The $134 billion in economic activity generated includes $53.2 billion in direct spending by arts organizations, representing an increase of 45 percent (from $36.8 billion) from 1992. It also includes $80.8 billion in spending by audiences at arts events—parking, souvenirs, refreshments or other similar costs. Furthermore, this $134 billion supports 4.85 million full-time equivalent jobs—a greater percentage of the U.S. workforce than is employed as doctors, lawyers, or accountants.9

The nonprofit arts industry also generates $24.4 billion in federal, state and local tax revenues annually. By comparison, federal, state and local governments spend less than $3 billion on support for the arts each year. The federal budget for the National Endowment for the Arts—which provides most federal funds to arts organizations around the country—is only $115 million. The annual financial return on the government’s investment in the nonprofit arts is more than eight times the investment.10

**Regional Level**

Entire regions also may benefit from culture. In 2000, the New England Council, which operates as a regional chamber of commerce, released the Creative Economy Initiative report, which examined the role of the arts and culture on the economic life of New England. This study attempted to examine the creative economy as a whole (including nonprofit and for-profit enterprises) and identified three key components.

1. The creative cluster, defined as those enterprises and individuals that directly and indirectly produce cultural products.
   - Supports more than 245,000 jobs, or 3.5 percent of New England’s total job base. This is more than the software or medical technology industries.
   - Is growing faster than the rest of the economy, by a rate of 14 percent compared to 8 percent in New England overall (1993–1997).
   - Brings in significant revenues from outside the region—nearly $6.6 billion in revenues from cultural tourism alone.

2. The creative workforce, defined as the thinkers and doers trained in specific cultural and artistic skills.
   - Accounts for more than 2 percent of New England’s total workforce.
   - Is highly entrepreneurial, with more than 40 percent of creative workers self-employed as architects, graphic designers, photographers, musicians and artists.
   - Has many of the professional qualities required to compete in the new economy. These qualities include creativity and initiative, design and technical skills, advanced conceptualizing and the ability to respond to rapid change.

3. The creative community, defined as a geographic area with a concentration of creative workers, creative businesses and cultural organizations.
   - Demonstrates a positive effect on quality of life, which is key to attracting and retaining businesses, employees, residents and visitors.
   - Inspires downtown revitalization as more municipalities integrate culture into their planning efforts.
• Can be found in big cities as well as small towns across New England, a region nationally recognized for its arts and cultural activity.11

State Level

In 2000, a well-known Texas economist, Ray Perryman, conducted an economic impact study for the Texas Cultural Trust Council. The study concluded that the arts have an extraordinary effect on the Texas economy—from billions of dollars in total expenditures to almost 2 million permanent jobs. What separated this report from past efforts at evaluating the effect of the arts on the Texas economy was its comprehensiveness. It focused on full integration of the arts into the entire spectrum of production in the state. As a result, the research design and conclusions emerging from the report surpassed typical evaluations of economic effects. In summary, the cultural arts accounted for $190.2 billion in total expenditures, representing 12.3 percent of the state total.12

Local Level

Culture generated more than $1 billion in economic impact during 2001, according to the most recent study of the Denver metropolitan area—up from $844 million in 1999. This includes $648 million in spending by cultural organizations and $435 million in event-related spending by cultural audiences. Key findings include the following.

• More than 9 million people, twice the state’s population, attended Denver area cultural activities in 2001. This compares to 7.5 million people who visited nearby ski resorts and 5.3 million people who attended Denver’s professional sporting events.

• Cultural organizations paid $14.5 million in payroll, seat and sales taxes in 2001.

• Cultural institutions invested $41 million in new construction, remodeling and equipment.

• Cultural revenue in 2001 was $208 million—one-half earned through ticket and other sales, and the other half contributed by individuals, corporations, foundations and governments.

• Cultural visits consisted of 4.3 million paid, 3.9 million free and 870,000 reduced rate admissions.

• Cultural tourism generated $139 million; almost 860,000 cultural visitors were from outside Colorado.

• Cultural institutions provided tours and educational experiences for 2 million school children, more than four times the number of metropolitan area K-12 school students.13

Rural Development

Culture also helps revitalize rural areas. Many small towns are overlooked by economic development strategies that base investment solely on market principles. Such approaches conclude that these towns do not have enough critical mass to sustain or attract new busi-
ness or industry. However, small towns may have other assets such as historic buildings, and the preservation and enhancement of local culture is a feature of rural areas that has the potential to generate new kinds of economic activity. Guthrie, Okla., for example, has 2,169 old buildings and was designated a National Historic Landmark. As a result of that designation, the town has evolved into a cultural and historic center.\textsuperscript{14}

In many small towns, cultural organizations are the center of community life. In addition, traditional and modern crafts represent a significant and growing sector of the small business economy in many rural areas and provide opportunities for people to generate income from their personal resources and skills. In 2002, National Public Radio’s Marketplace program (a series of nine-minute business news modules) featured Lanesboro, Minn.; Ashland, Ore.; and Hot Springs, Ark.; as examples of small towns in which artists contribute significantly to the communities’ economic vitality.

Another good example is Paducah, Ky. (pop. 28,000). To encourage redevelopment of historic neighborhoods, Paducah’s city government and local financial establishments joined forces to draw artists to historical downtown and lowertown neighborhoods. This effort resulted in the Artist Relocation Program, which offers incentives to artists who relocate to those areas. Financial incentives include lower than market interest rates, loan-to-value ratios up to 100 percent, discounts on all closing costs, a full array of deposit products and services at no charge to relocating artists. In addition, the city offers a number of business incentives such as preservation tax credits, free Web sites and special health insurance packages, among others. The program has been in existence only since 2001, but the early response has been encouraging. Currently, 18 artists have committed to making Paducah their home.

**Tourism**

Culture attracts tourists, and tourism is America’s third largest retail sales industry.\textsuperscript{15} The notion of attracting visitors to cultural and historical sites is increasingly popular. Referred to as cultural or heritage tourism, it is one of the fastest growing tourism segments in the world. This is good news for states, because the traveler who is interested in culture is likely to make a more significant economic difference. According to a 2001 survey by the Travel Industry Association of America (TIA), cultural tourists tend to take longer trips and spend more money ($631 per trip) than the average U.S. traveler ($457). They also are more likely to fly; participate in more activities while traveling; and stay more often in hotels, motels, and bed and breakfast establishments. All this translates to more revenues for states and local governments.

**Urban Revitalization**

In cities, cultural infrastructure helps provide the impetus for urban revitalization by giving people a reason to visit downtown. For example, performing arts centers and museums draw people to cities.

Historic preservation also plays a part in urban revitalization. Inner cities are the historic cultural centers and historic places are valuable, scarce and nonrenewable. Preservation of existing buildings injects vitality into traditional downtown areas and creates better communities by providing alternatives to suburban development. Cities usually spring back to
life as downtown areas become vibrant. Historic places also tell the story of America and help us understand our roots as a society.

A National Trust for Historic Preservation program is devoted to preserving small downtowns. Since 1980, the National Main Street Center has been working with communities across the nation to revitalize their historic or traditional commercial areas. Based in historic preservation, the Main Street approach was developed to save historic commercial architecture and the fabric of American communities' built environment, but it has become a powerful economic development tool as well. Since the program's inception, more than 1,650 communities have participated, resulting in total public and private reinvestment in Main Street communities of $16.1 billion. The average reinvestment per community is $9.7 million, and the ratio of reinvestment into the community (the average amount generated in each community for every $1 used to operate the local Main Street program) is $40 reinvested for every $1 spent. The average program length is just over seven years, and the average cost per job created is $2,500.16

Culture's role in urban development spreads into neighborhoods, as well. Smaller neighborhood projects such as community gardens or participatory murals stimulate community pride and neighborhood cooperation. Cultural organizations help make up the heart of a community and are engaged in common struggles against the problems of crime, homelessness, unemployment, disease and general turmoil. Arts and culture provide common ground and reach the disenfranchised in ways that other organizations may not.
3. Communicating the Value of Culture

Clearly, a strong cultural agenda can help states meet certain policy goals. However, the general public and the lawmakers who represent it do not always recognize the daily effects of culture on their lives. Connecting with the public is one of the most significant obstacles that faces the cultural community in its effort to promote a strong cultural policy agenda.

Most people understand policy issues best through personal experiences—how they are affected directly by government agencies. It is very likely that most people do not link the opportunity to hear live musical performances or see high-quality local theater performances with policies about funding for arts and music education in the schools. It is up to the cultural community to make it known that these are related—that the public does benefit from cultural policy. The first step in getting that message across is to develop a unified message. The message should be one that unites the various cultural fields with a common purpose—such as promoting state-level cultural policies that instill a “sense of place” or improve the quality of life.

Although the various agencies understand that they have different missions, the discrete role of each agency is not easily discernable to the general public. For example, few people outside the respective fields understand the difference between heritage tourism and cultural tourism. To most, it means the same thing. To those in the field, however, clear differences exist. By dwelling on the distinctions of each domain, the cultural community risks harming the overriding cause of furthering investment in culture.

Regardless of agency structure, cooperation is important. When leaders from the arts, humanities, folklife and historic preservation areas work together to increase public investments in culture, as they have done in several states, political credibility is
enhanced, constituencies are enlarged and visibility for cultural causes is increased. A unified cultural message has other advantages. For legislators, a unified message removes some of the politics from funding. It no longer is necessary to distinguish between groups that appear to have similar objectives.

One of the best ways for cultural organizations to attain their goals is through collaboration—with each other or with other state agencies. Through policy collaboration, they become part of a larger effort, working with policymakers to represent community interests.
4. CULTURAL COLLABORATIONS

This next section contains three examples of successful collaborations across the fields of culture. These case studies were presented in Policy Partners.

• Maine—A collaboration of seven public and private cultural agencies.

• Oregon—A statewide plan to raise new funds for investment in the arts, humanities, heritage and historic preservation sites.

• Pennsylvania—A multi-level, multi-sector partnership is committed to conserving, interpreting and managing the historic cultural and natural resources related to the steel industry of southwestern Pennsylvania.

These examples show cultural leaders working with policymakers to represent community interests. They are prototypes of collaborations that may inspire similar cooperative policy efforts in other states.

Maine: The New Century Community Program

In 1998, the Maine Cultural Affairs Council (MCAC), composed of seven arts and culture agencies, designed the New Century Community Program. The project was jointly developed by a mix of public and private agencies: the Maine Arts Commission, the Maine Historic Preservation Commission, the Maine State Library, the Maine State Museum, the Maine Historical Society, the Maine State Archives and the Maine Humanities Council.

The program was designed to revitalize Maine’s communities with newly appropriated grant funds. State leaders who sought to strengthen the entire state began to see that careful investment in cultural endeavors at the local level could reap major dividends. Tourism is a major industry in Maine. Leaders saw that Maine’s rich cultural heritage, combined with the state’s physical beauty, could draw more tourists if cultural resources were more accessible. Second, leaders were aware that Maine needed to strengthen its educational resources to attract and keep new industries and to prepare young people for the workforce of the new century. Finally, leaders knew that businesses that are seeking to relocate assign considerable importance to cultural resources as a key component of quality of life in an area.

The New Century Community Program encompasses both matching grants and direct assistance to communities. The three objectives of the program are:
• To expand access to educational resources through the promotion of literacy and access to historic materials and contemporary information;

• To preserve Maine’s historic resources, its properties, artifacts and documents; and

• To build communities through strengthened cultural resources.

The New Century Community Program was proposed to the state Legislature for funding in 1999 with the support of the Maine Community Cultural Alliance, a private, nonprofit advocacy organization that preserves, promotes and increases awareness of Maine’s cultural resources. The Maine Legislature appropriated $3.2 million for FY 2000. This sum ultimately was reduced to $1 million in subsequent years, reflecting the state budget shift from a record surplus to a significant shortfall. Supporters believed that even this level of success was significant, given the severity of the state’s fiscal situation in 2001. Despite the setback, the reauthorized program gained “ongoing” budgetary status and is now permanently authorized. At the very end of the 2002 session, Maine’s Legislature approved a 21 percent increase for the New Century Community Program, even though all partners had received across the board budget reductions. The Legislature took this action on its own, which offers proof of the perceived value and visibility of the New Century Community Program.

In its first year, the New Century Program distributed more than $2.3 million in state funds and generated $9.8 million in matching funds and in-kind assistance. More than 420 grants were awarded, reaching 180 communities across the state. These ranged from historic preservation grants for historic buildings to library development projects and arts and humanities programming grants. The remainder of the allocation was spent on direct service activities that brought programs directly to communities.

Each of the seven collaborating agencies is responsible for awarding grants and distributing direct service programs using existing mechanisms and agency staff. A selling point of the program for legislators is that all funds go directly to communities and are not spent on administration.

Oregon Trust for Cultural Development

In 2001, the Oregon legislature created the Oregon Cultural Trust to provide funding for the state’s cultural development. The trust is a statewide cultural plan to raise new funds for investment in the arts, humanities, history and heritage sites. The cultural trust’s goal is to raise $218 million and disburse as much as $91.7 million over a 10-year period.

The Oregon Cultural Trust’s funding does not supplant existing funding to the cultural partner agencies: new funding is above regular appropriations for these state agencies. The first infusion of state funds into the cultural trust included an appropriation of $100,000 to the secretary of state’s office to implement the cultural trust. An additional appropriation of $1 million to the Oregon Cultural Trust was contained in the legislature’s budget reconciliation bill in 2001. However, the original $1.1 million was trimmed to $815,000 in 2002 as a result of a serious budget shortfall.

The Oregon trust also is a funding mechanism. New funds for the cultural trust are generated in three ways.
1. Tax credits for corporations and individuals who donate to nonprofit cultural organizations and then make a direct contribution of an equal or greater amount to the cultural trust. Starting in December 2002, donations to the trust of up to $500 from individuals and $2,500 from corporate organizations are eligible for 100 percent state tax credits. During the 10-year period, an estimated $114.7 million may be realized through tax credits.

2. Proceeds from the conversion of surplus state-owned assets—an industrial site and land owned by the Department of Corrections—were identified in legislation. Converted assets for the trust are estimated at $102.4 million by the end of the 10-year plan. (At the time of printing, one of the designated properties was expected to bring in $7 million; however, more than half of those funds were diverted to help balance the state budget. The trust retained $3.3 million.)

3. Revenue derived from the sale of special cultural license plates. An estimated $20.2 million may be realized over 10 years.

Interest from the Oregon Cultural Trust will fund activities related to the state’s cultural development plan, including:

- Allocations to Oregon counties and the nine federally recognized tribes to support local and regional projects and collaborations that build participation in culture.
- Competitive matching grants for both operating and capital needs.
- Increased funding for the cultural partner agencies to support partnerships and collaborations as well as existing programs that are underfunded. A portion of these funds requires collaboration between two or more partner agencies.

The trust is the culmination of more than two years of work by statewide arts, humanities, heritage and historic preservation leaders to increase collaboration and funding for cultural initiatives. The coordinating cultural partner agencies were the Oregon Arts Commission, the Oregon State Historic Preservation Office, the Oregon Heritage Commission, the Oregon Historical Society and the Oregon Council for the Humanities. In addition, the Oregon Tourism Commission also worked closely with the task force.

During the next 10 years, the cultural trust will add to agency funding, disseminate new funds at the local and state levels, and create an endowment that will provide a permanent source of funding for cultural development and preservation of cultural assets.

To measure the benefits of the plan to Oregonians, a designated portion of funds to the cultural partner agencies will be set aside annually for qualitative benchmarking of cultural development access, the financial condition of cultural organizations and quality of life factors.

**Pennsylvania: Rivers of Steel National Heritage Area**

Rivers of Steel is a combination of cultural programs and policies that fosters economic development and community revitalization. In 1996, Rivers of Steel was designated as both a national heritage area and a state heritage area. The designations make the region...
eligible for congressionally appointed funds for heritage area operations and state heritage parks program funds. Rivers of Steel is one of 23 designated national heritage areas.

The Rivers of Steel geographic region encompasses seven counties in southwestern Pennsylvania and includes the greater Pittsburgh area and communities along the Monongahela, Allegheny and Ohio rivers and their branches. The area is known for its contributions to the country’s steel-making industry. By focusing on the legacy of steel and related industries, Rivers of Steel has become a catalyst for creating investment and economic development strategies and promoting heritage tourism throughout the counties.

In the early years, a steel industry task force undertook region-wide advocacy efforts to reach federal and state legislators. In 1988, federal legislation designated Allegheny County and part of Washington County a study area for heritage planning with the National Park Service. Congress appropriated funds for a feasibility study and an action plan for developing a steel heritage area in the Monongahela Valley. The study area expanded, additional federal funds were made available, and several state agencies worked cooperatively in the development of a state heritage area.

In 1991, the Steel Industry Heritage Corporation incorporated as a nonprofit organization to serve as fiscal agent for Rivers of Steel. Initially formed as a citizen-based coalition, the group broadened as federal, state and private funding sources expanded across sectors. With formal designation as a heritage area, more municipalities and community groups began to participate. Through cultural conservation work, trail-building, tour development and other programs, Rivers of Steel attracted wider participation in the coalition along with other types of constituents such as school districts.

The primary goals of Rivers of Steel are community revitalization and economic development. Major areas of programming are listed below.

- Economic development strategies aim to revitalize the historic and cultural resources of the industrial communities in southwestern Pennsylvania by making them critical elements of regional revitalization and heritage tourism. Currently, Rivers of Steel is creating a 38-acre national park on the site of the Homestead mill, site of the 1892 Homestead steel strike.

- The preservation of historic buildings, locations and artifacts tells and interprets the story of “big steel” throughout southwestern Pennsylvania.

- Cultural conservation initiatives protect a wide range of ethnic, religious and occupational folklife traditions, preserve the places and values that serve as symbols of identity and important sources of local pride, and provide assistance to tradition bearers.

- Restoring, protecting and enhancing the land and water resources of the region includes building trails along riverfronts and old railroad corridors and reclaiming abandoned industrial riverfronts that will act as entrances to communities.

- Rivers of Steel archives serve as a repository for collections of artifacts, documents, photographs and audiovisual materials that show the many aspects of the region’s industrial and cultural traditions. Most materials have been donated by the public.
More than $43.4 million has been raised since 1991 for projects in the Rivers of Steel region. Nearly $4 million in National Heritage Area funds has leveraged more than $23.5 million in additional public and private funding. The Homestead Works National Park is expected to generate revenue of $60 million annually from heritage tourism and other supporting businesses.
5. **Additional State Cultural Policies**

Cultural agencies face formidable competition for limited state budget funds. Education, transportation, corrections, environmental programs, human services, tourism and economic development are making strong claims for state resources. States are reluctant to increase taxes significantly, so a shortage of money for cultural funding often exists. This situation naturally encourages the search for innovative policies that could augment arts budgets.

As illustrated in the previous section, cultural collaborations are one way that states have successfully served the public and raised public investment in culture. Legislatures also adopt legislation specifically designed to increase funding for culture (direct support). In addition, government officials adopt policies and regulations that indirectly result in revenue increases for the cultural sector. This section highlights some funding mechanisms and state policies that have resulted in increased funding for cultural organizations.

**Direct Support**

Traditional support for state cultural institutions is through general fund appropriations to state-level funding organizations and through direct line-item appropriations to cultural institutions. However, some states have found creative ways to fund culture through a mix of sources.

Endowment or trust funds are the most common way that states supplement cultural funding. Endowments are independent pools of money set aside for a specific use. Public endowments are created through legislation and managed by the state. The principal is invested in long-term securities, and the interest income usually is turned over to the beneficiary as discretionary funds. Cultural trusts exist in 17 states.

Excerpts from examples featured in *Policy Partners* follow.

**Arizona Arts Endowment Fund**

The Arizona Arts Endowment Fund (known as Arizona ArtShare) was created in 1996 by the Arizona Legislature to support the stabilization and advancement of Arizona arts organizations. Until 2008, the Legislature will allocate up to $2 million annually to build the principal of the endowment. (At the time of printing, however, this funding was in jeopardy as a result of the state’s budget shortfall.) The funds come from revenue from the existing commercial amusement tax that is collected over and above the 1994 base year.
Private sector contributions supplement the state’s contribution and can be either designated or non-designated funds. Designated funds are direct contributions to the endowment of a particular cultural organization. Non-designated funds are gifts made to Arizona ArtShare and distributed by the state arts council. Arizona’s program has the unique feature of leveraging private investments into the endowments of local arts groups.

Since the legislation was passed in 1996, the state has appropriated $6 million to the endowment, and more than $21 million has been raised in private contributions.

**Florida Cultural Institutions Trust Fund**

The Cultural Institutions Trust Fund is a dedicated public funding source for cultural institutions in Florida, based on portions of proceeds from a variety of corporate filing fees. The fund was started in 1988, when the state began allocating $10 from the annual $25 corporate filing fee to the cultural trust. The trust also benefits from fees imposed on businesses operating under an alias and from penalty fees collected on out-of-state businesses that fail to file in Florida. These fees now yield $12 million to $16 million annually. Seven years after the inception of the program, an increment of $10 was added to the original filing fee to provide additional funding. During these years, the number of organizations that receive funds has doubled.

**Florida Special Category Grants**

In 1984, a widespread grassroots lobbying campaign successfully persuaded the Florida Legislature to approve funding for grants to identify, preserve, protect and rehabilitate historic properties. However, these preservation grants were capped at $40,000. To obtain more funding for preservation, larger special category grants were proposed, which targeted appropriations for specific local projects. These grants were funded for the first time in 1985. The grants are in the form of legislative appropriations to local nonprofit organizations, municipalities, school boards and state agencies for specific projects, including restoration of historic structures, archeological excavations, and museum exhibits that are identified before appropriations are made. Grants, which range in size from $50,000 to $250,000, require a minimum $50,000 matching contribution.

The Florida Legislature has provided steady funding for both the original smaller historic preservation grants and the special category grants. In 2000, more than $17 million in special category and $2 million in historic preservation grants were awarded. With the special category grants, Florida’s grant programs for historic preservation are among the largest in the nation.

**Missouri Historic Tax Credit Program**

Legislation in 1997 established the historic preservation tax credit program in Missouri, which allows a 25 percent tax credit for the costs of rehabilitation of historic residential and commercial structures. This tax credit is in addition to the 20 percent federal credit for commercial structures. According to state historic preservation officials, the state credit, combined with the existing federal tax credits, offers one of the best economic incentives for the preservation of historic buildings in the country. Since 1998, more than $200 million has been spent on rehabilitation projects, representing $53 million in state tax credits.
Efforts have been made to cap the tax credits and limit their transferability, but, to date, these efforts have been defeated.

**New Hampshire Land and Community Heritage Investment Program (LCHIP)**

In June 2000, the New Hampshire legislature appropriated $3 million in start-up funding for the Land and Community Heritage Investment Program (LCHIP), the state's first combined land conservation and historic preservation program. LCHIP is designed to increase public and private funding to help communities conserve their natural, cultural and historic resources. The program acquires important assets for the state and provides matching grants to municipalities and nonprofit organizations to help save locally determined open spaces and historic sites. Interest in statewide conservation and preservation efforts was fueled by citizen concern about the fast pace of growth in the state and the underlying threat to historic resources. In July 1998, a commission was formed to study the possibility of establishing a public-private partnership to fund preservation and conservation efforts. The commission urged the state to establish a new fund for both conservation and historic preservation efforts and to provide grants for up to 50 percent of total costs, to be matched by local communities. Despite a bleak budget picture, legislation passed in June 2000, and 29 projects soon were awarded LCHIP funds. The legislature appropriated $5 million for FY 2002 and $7 million for FY 2003. Grant awards for the second round of funding were announced in March 2002; 31 communities were awarded $3.8 million.

**Texas Courthouses**

In 1999, the Texas Legislature established the Texas Historic Courthouse Preservation Program. The program provides partial matching grants to Texas counties for the restoration of historic county courthouses. The program began with a $50 million appropriation for the grants, which were awarded in two rounds. In 2001, Texas lawmakers allocated an additional $50 million to fund a third round of grant projects. Interest in the program was sparked in 1994 when the Texas Historical Commission used federal funds from the Intermodal Surface Transportation Efficiency Act (ISTEA) to support restoration of several courthouses, document conditions of the most threatened courthouses, and build databases of information about all the courthouses in the state. In the first biennium, 47 counties received full or partial grants totaling almost $50 million. With an additional $50 million allocation from the Legislature, commissioners awarded matching grants totaling $39.2 million to 14 counties in January 2002, and an additional $8.2 million in emergency grants to eight counties four months later.

**Indirect Approaches to Funding Culture**

Sometimes policies that are not obviously about revenue result in tangible financial benefits to the cultural sector. In 1996, for example, Indiana decentralized its method for funding the arts. This became a long-term strategy for creating demand at the local level for more public funding. Because most of the legislative arts appropriation now goes to all counties in the state through 12 regional partnerships, both state and local public officials are more engaged in deliberations about arts funding. They have become stakeholders in leveraging state funds that have direct benefits to the constituencies they represent. As a result, legislative investment in the arts increased by approximately 28 percent during the
Decentralization also was an aim of the Pennsylvania Council on the Arts. In this case, however, decentralization is better understood as “regionalization.” When the Pennsylvania arts council engages with regional partners to make state arts funding available, and it makes the council more accessible, more personal and more effective through face-to-face interaction between partners and grantees. As a result, the council provokes a greater understanding and appreciation of the process of allocating public funds. This also results in greater support for that allocation process and the work that ultimately is accomplished with council assistance to benefit communities across the state.

A variation on the decentralization strategy is Louisiana’s Regional Folklife Program, established cooperatively between the state’s folklife program and Louisiana’s state universities and modeled on the Louisiana Archeology Program. Five Louisiana state universities currently host faculty folklife positions using state funding; the positions bridge the division between locals and higher education institutions as folklorists work in the community to identify, document and present local folk cultural traditions and artists.

Regulatory policies sometimes can directly affect the public and private allocation of resources. The example of South Carolina’s sweet grass basket makers shows the benefits of concerted advocacy by traditional artists. Regulations enacted by the South Carolina legislature now protect sweet grass growing beds from land development and destruction. Prospective land developers are required to pay the costs of local impact studies to determine the consequence of development on growing areas. South Carolina’s legislation also protects the locations of basket sellers along highways.

Laws and regulations in other sectors can create opportunities to meet cultural purposes. Education is one example. Some states require students to take art and music classes in order to graduate from high school. Other states require arts credit for applicants to be accepted in the public university system. Although these are education policies, they serve to further cultural policy.
One of the most successful cultural collaborations has occurred in Maine. To understand the success of the Maine New Century Community Program and how it won such loyal support from state lawmakers, interviews were conducted with state legislators to determine which arguments and what information were effective in winning their support. The interviews shed some light on how the process worked. Although the purpose of the interviews was to seek legislators’ views on broader cultural policy issues, most legislators focused their comments on the specific factors related to the authorization of the program. The notion of cultural policy in the abstract did not resonate with those interviewed, further illustrating the need for a unified message.¹

How Can State Policymakers Promote Cultural Policy?
One question that surfaced during discussions with lawmakers about state cultural policy was what legislators could do to encourage cultural collaborations and good policy development. Ideas generated by NCSL’s Cultural Policy Working Group include the following.
• Create a legislative standing committee for cultural issues.
• If it is not possible to create a standing committee, create a cultural caucus.
• Hold public hearings on cultural issues across the state.
• Require cultural agencies that receive public funds to be accountable for its distribution.
• Require or encourage legislative representation on cultural boards and commissions.
• Conduct economic impact studies on state cultural activities.
• Survey new businesses that relocate in the state to determine why they chose that particular state.
• Convene a symposium with policymakers and the cultural sector to discuss cultural policy issues.
6. Conclusion

Cultural programs help states meet a variety of policy goals, but the message to policymakers is not always clear about how cultural policy connects with the public and other policy issues. State and cultural leaders are increasingly finding that agency collaborations can effectively advance a state-level cultural agenda.

Many of the stories featured in this report are about increasing the amount of public funds that are dedicated to culture, but they also share other characteristics. First, policy developers defined the formulas for distributing new funds in legislation or developed agreements about distribution of funds during the policy formulation stage. Second, the policy examples made explicit the public benefits of strategies, including nonfinancial outcomes such as increased public participation in the arts, stabilization of arts organizations and greater public awareness of cultural assets. Third, the policies were crafted to augment resources, not to supplant existing funding.

The goal of state cultural policy is an admirable one, but policymakers who strongly support cultural programs do not always relate to the notion of cultural policy in the abstract. It is wise to express the value of culture so that it can be understood by everyone. In a recent speech, Canadian Senator Laurier LaPierre communicated his message well when he said:

“Culture is not a product. A nation’s culture is its soul. And a soul is not a commodity that can be bought and sold. Yes, arts and culture are big business. But culture is not only an economic contributor, it is bigger than that: it is a social contributor. At the local level, arts and culture enrich communities in ways too great to define. Theaters, galleries, museums and heritage sites are the heart of our communities. They draw volunteers, they liven up aging downtown cores, they attract tourists, they help us to understand our past, they help to build bridges between communities, between regions and between nations.

All democratic countries share the common goal of building a world that encourages freedom of expression and diversity—and for a very good reason. It is because people who are secure in the knowledge that their own culture is unthreatened are stronger and more confident citizens. And such confidence helps engender tolerance and respect for others. Never before in our lifetimes has this been so important.”
Conclusion

As illustrated throughout this report, states are emerging as real innovators in cultural policy. In particular, collaboration across different cultural fields has proven to be very successful. However, this is only the beginning. As states continue to grapple with budget challenges, innovative ideas and partnerships will be critical to moving forward a cultural policy agenda.
NOTES

1. Introduction


2. How Cultural Programs Meet State Policy Goals


7. YouthARTS Development Project, U.S. Department of Justice, National Endowment for the Arts, Americans for the Arts, quoted in NASAA Advocate, 2.


5. **Additional State Cultural Policies**