

**Frequently Asked Questions
Seattle Office of Arts & Cultural Affairs
Admission Tax Funding**

Where does the Office of Arts & Cultural Affairs get its funding?

Currently, the department's 2009 budget includes \$2.9 million from the city's general fund; nearly \$1.2 million in city-admission-tax revenue; and \$2.8 million from the municipal arts fund, which sets aside 1 percent of the cost of city building projects for public art – for a total agency budget of \$6.9 million in 2009.

What is the city of Seattle admission tax?

The city of Seattle collects 5 percent on every dollar of ticket sales to entertainment and recreational events, including movies, rock concerts and University of Washington football games. Nonprofit cultural organizations and some live music venues don't pay the tax. Currently, the Office of Arts & Cultural Affairs receives 20 percent of admission- tax revenues. In recent years, the department's portion of the revenue has been based on roughly \$5 million in eligible admission-tax receipts, resulting in an annual allocation ranging from \$1 to \$1.2 million.

Why shift to admission-tax revenue as the primary funding source?

In his 2010 budget, Mayor Greg Nickels proposed sending 75 percent of city admission-tax-revenues to the Office of Arts & Cultural Affairs – shifting more than half of the department's budget from the city's general fund to admission-tax revenue. Increasing the percentage of a dedicated funding source – especially in these difficult economic times – emphasizes the importance of arts and culture to Seattle's economy and to our quality of life. With the nexus between admission tax dollars and arts and culture already well established, this is a vote of confidence by city leaders in the value of our arts and culture sector. The remaining 25 percent of admission-tax receipts the city collects will go to the general fund.

Why change the funding stream for arts now?

This is a challenging time for government at every level to provide essential services. Admission-tax revenue provides a dedicated and reliable funding stream for the Office of Arts & Cultural Affairs and buffers the department from the year-to-year variability of the general fund. Shifting the department from the general fund to admission-tax revenue will secure a dedicated funding source for arts and help the city hold the line on current funding levels for arts and culture. This is welcome news, as most of Seattle's arts and cultural organizations have suffered significant losses in endowments and contributed revenue.

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Will a dedicated funding source for arts affect other city programs?

No. **This move is budget neutral** and won't result in cuts to other city programs. Currently, the bulk of admission-tax revenue goes to the city's general fund. To offset its increased percentage of admission tax, the department will take an equivalent reduction in its current general fund allocation.

Is admission-tax revenue a stable funding source?

Yes. Over the past decade, admission-tax revenue has remained fairly steady, showing modest growth in most years. This does not mean there aren't fluctuations in the tax. But variations have been relatively minor as compared with the general fund over the same period. In fact, motion picture attendance, which is one source of admission-tax revenue, historically increases during a recession.

Does this prohibit the Office from receiving other city funds?

No. As a city department, the Office could receive general fund appropriations for special projects and initiatives in the future.

Why dedicate funding for the arts during a recession?

The arts are an important part of our economy. Investing in the arts in troubled times fuels the economy and creates a better environment in which our communities can thrive. Investment in the arts made a difference in another difficult financial era, and programs like the Federal Arts Project and the Works Progress Administration helped America emerge from the Great Depression and left us with some lasting cultural and artistic legacies.

What about future economic downturns?

The mayor's proposal calls for a reserve of admission-tax dollars to cushion the Office against economic downturns or a dip in tax revenue. The department's annual admission-tax allocation will be based on receipts from two years prior. For 2010, the calculation will be based on 75 percent of eligible receipts collected in 2008. Next year, this will amount to \$3.6 million in tax revenue for the Office. With a dedicated revenue stream that is based on previous year's receipts, we will be able to anticipate and plan for downward trends.

Will this impact the department's place in city government?

No. The Office of Arts & Cultural Affairs will remain an executive city department, accountable to the mayor, City Council and the citizens of Seattle. The agency will continue to work with city leaders to integrate arts and culture in the work of the city and promote Seattle's vibrant arts and cultural resources.