The Show Must Go On?
Exploring dedicated funding possibilities for Milwaukee’s cultural and entertainment assets

Rob Henken, President
Anne Chapman, Researcher
Vanessa Allen, Senior Fiscal Researcher

Public Policy Forum
Impartial research. Informed debate.
Key Research Questions

How much (if any) public funding is needed?

Which institutions and how should $$ be allocated?

How have other regions approached problem?
Sizable basic repair/ maintenance challenges at several privately-owned facilities.

Severely challenged business models at two major sports/ convention facilities.
The Show Must Go On? – March 2014

Explores funding mechanisms used by: Oklahoma City, Pittsburgh, Denver, Cleveland, and St. Louis.

Models four of those approaches for Milwaukee County.
Oklahoma City

Metropolitan Area Projects (MAPS)

- 1-cent sales tax
- Approval: Voter referendum
- Term: Temporary

Allocation
- Four sequential project packages, outlined in the voter referendum
- MAPS 3 (current package): $777 million, 8 years, 8 projects

Eligible Use
- Capital only
- Separate use tax for ongoing operating/maintenance
- Cash-financed (almost no bonding)

Funded Assets
- Performing arts centers
- Parks
- Convention, sports, and civic centers
- State fairgrounds
- Transit
- Schools, libraries
Relevant observations

Addressed cost of ongoing operations, maintenance, and capital replacement on new and renovated assets.

Clear emphasis on downtown development and schools, as opposed to arts and culture.

Governing process focused on completing projects as outlined within promised budgets & timeframes.

Because MAPS projects involved new construction, voters literally could see their tax dollars at work.
Pittsburgh Area

Allegheny County
Regional Asset District

- Half-cent sales tax
- Approval: County Council ordinance
- Term: Indefinite

Allocation
- $91.2 million to 91 assets in 3 funding levels
- Contractual assets, multi-year assets, annual grantees

Eligible Use
- Operating (96.4%) & capital (3.6%)
- Nonprofits and governmental units serving region

Funded Assets
- Libraries (32%)
- Regional parks/trails (30%)
- Sports facilities/convention (16%)
- Arts and culture (10%)
- Zoo, aviary, bot. garden (8.5%)
- Transit (3%)
Relevant observations

Addressed Pittsburgh’s disproportionate financial burden with regard to support of regional assets.

Wide latitude on how to spend funds promoted stability and enhanced recipients’ private fundraising capacity.

Governing board oversees and helps develop performance standards for assets.

One of the few models of dedicated public funding for cultural facilities implemented without voter approval.
Allocation
- $45.7 million to 284 orgs in 3 funding tiers
- Set percentage, formula-based, annual competitive grants

Eligible Use
- Operating only (excl. debt service)
- Nonprofits and governmental units

Funded Assets
- Botany/zoology (26%)
- Dance, music, theater (25%)
- Natural history (19%)
- Visual art (18%)
- Multi-discipline (8%)
- Cultural history (4%)
Regional approach spread financial responsibility and reduced amount of required sales tax.

Dependable public revenue facilitated ability of beneficiaries to raise private money for operations.

Creation of third tier promoted local control and helped units of local government.

Frequent debate over how funding should be distributed both within and across tiers.
Cleveland Area

Cuyahoga Arts & Culture

- 30-cents-per-pack cigarette tax
- Approval: Voter referendum
- Term: Temporary but renewable

Allocation
- $15.6 million to 196 organizations in 2 main grant programs
- General operating support
- Project support grants

Eligible Use
- Annual operating or project-based grants
- Nonprofits and governmental units

Funded Assets
- Arts services
- Dance, music, theater
- Visual and media art
- Nature and science
- Fairs and festivals
- Community education
- History
Explicit goal to supplement existing public sources and private contributions.

Operating grants have stabilized fiscal health of arts organizations, particularly small and mid-sized.

Governing process emphasizes transparency and public participation.

Success at the polls attributed to exclusive focus on the arts, imposition of tax on minority of voters, limited and time-specific duration.
Zoo Museum District
- Property tax: 27.97 cents per $100 assessed value
- Approval: Voter referendum
- Term: Indefinite

Allocation
- $74 million to 5 subdistricts
- Institutions receive mill rate, specified in statute

Eligible Use
- Unrestricted: Operating or capital expenditures allowable

Funded Assets
- St. Louis Zoo
- St. Louis Art Museum
- St. Louis Science Center
- Missouri Botanical Garden
- Missouri History Museum
Relevant observations

Transformational impact on member institutions, but extremely narrow reach.

Guarantee of free admission helped sell voters, but may have hindered non-member institutions.

Unrestricted funding has promoted both flexibility and stability.

Complicated, decentralized governance structure may lack accountability.
Lessons Learned from Other Regions

The debate in Milwaukee will go beyond the type and amount of tax. Other critical considerations include:

• Eligibility - Types of covered institutions/projects?
• Specificity - Statute, formula, or competitive grants?
• Time-frame - Ongoing or time-limited funding?
• Flexibility - Operations? Capital? Project-based?
• Governance - Special district? Regional or one-county?
Four Models

Model 1: Major Capital Projects Approach

Model 2: Comprehensive Tiered Approach

Model 3: Supplemental Funding Approach

Model 4: High-Quality Public Assets Approach
Modeling Considerations

Milwaukee County-only revenue mechanisms

Revenue distribution limited to arts, culture, recreation, and entertainment

Pros & cons of potential dedicated revenue sources

How Milwaukee County’s sales, property, and sin taxes compare to others

The question of governance
Pros and cons of dedicated revenue sources

**Pros**

- **Sales Tax**
  - Small doses
  - Growth/stability
  - Hits non-residents
  - Currently low

- **Property Tax**
  - Linked to property
  - Stable
  - Less regressive
  - Federal deduction

- **Sin Tax**
  - Short-term stability
  - Impacts behavior
  - Less unpopular

**Cons**

- **Short-term volatility**
- **Regressivity**
- **Tax island effects**

- **Exempts visitors**
- **Discourages residency**
- **Currently high**
- **Flat growth**

- **Time-limited**
- **Regressivity**
- **Tax island effects**
# Milwaukee County tax comparisons

## Property Taxes

<table>
<thead>
<tr>
<th></th>
<th>Milwaukee County</th>
<th>Oklahoma City</th>
<th>Allegheny County</th>
<th>Denver (City/County)</th>
<th>Cuyahoga County</th>
<th>St. Louis (City/County)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wisconsin</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average home value</td>
<td>$153,200</td>
<td>$126,900</td>
<td>$121,900</td>
<td>$251,200</td>
<td>$134,900</td>
<td>$119,400</td>
</tr>
<tr>
<td>Average property taxes</td>
<td>$3,918</td>
<td>$1,372</td>
<td>$2,629</td>
<td>$1,390</td>
<td>$2,817</td>
<td>$1,267</td>
</tr>
</tbody>
</table>

### Taxes as % of Average Home Value

- Denver: 0.55%
- St. Louis: 1.06%
- Oklahoma City: 1.08%
- Cuyahoga County: 2.09%
- Allegheny County: 2.16%
- Milwaukee County: 2.56%
Milwaukee County tax comparisons

Sales Taxes

<table>
<thead>
<tr>
<th></th>
<th>Milwaukee County</th>
<th>Oklahoma City</th>
<th>Allegheny County</th>
<th>Denver (City/County)</th>
<th>Cuyahoga County</th>
<th>St. Louis (City/County)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wisconsin</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>5.00%</td>
<td>4.50%</td>
<td>6.00%</td>
<td>2.90%</td>
<td>5.75%</td>
<td>4.23%</td>
</tr>
<tr>
<td>County</td>
<td>0.50%</td>
<td>0.00%</td>
<td>1.00%</td>
<td>0.00%</td>
<td>1.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>City</td>
<td>0.00%</td>
<td>3.88%</td>
<td>0.00%</td>
<td>3.62%</td>
<td>0.00%</td>
<td>4.27%</td>
</tr>
<tr>
<td>Other</td>
<td>0.10%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>1.10%</td>
<td>1.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Combined Sales Tax**

- Milwaukee County: 5.60%
- Allegheny County: 7.00%
- Denver (City/County): 7.62%
- Cuyahoga County: 8.00%
- Oklahoma City: 8.38%
- St. Louis (City/County): 8.49%
Major Capital Projects Approach

**Revenue source:** Temporary sales tax

**Total funds generated:** $101 to $692 million

**Beneficiaries:** Limited number of major public and private arts, cultural, recreational, entertainment assets

---

**Model 1A (Arts and Culture)**

- **Arts & Culture**
  - Total costs: $100,926,958

- **Sales Tax**
  - 0.10%
  - 0.50%

- **Timeframe**
  - 8 years
  - 1.6 years
**Major Capital Projects Approach**

**Revenue source:**
Temporary sales tax

**Total funds generated:**
$101 to $692 million

**Beneficiaries:**
Limited number of major public and private arts, cultural, recreational, entertainment assets

---

**Model 1B (Arts, Culture, and Parks)**

- **Arts & Culture**
  - Total costs: $100,926,958

- **Parks**
  - Total costs: $14,350,000

---

**Sales Tax**

- 0.10%
- 0.50%
- 0.12%

**Timeframe**

- 9.3 years
- 1.9 years
- 8 years

---
### Major Capital Projects Approach

**Revenue source:**
Temporary sales tax

**Total funds generated:**
$101 to $692 million

**Beneficiaries:**
Limited number of major public and private arts, cultural, recreational, entertainment assets

### Model 1C (Arts, Culture, Parks, Arena)

- **Arts & Culture**
  - $100,926,958

- **Parks**
  - $14,350,000

- **Arena**
  - $276,769,231

**Total costs:**
$392,046,189

- **Sales Tax**
  - 0.10%
  - 0.50%
  - 0.39%

- **Timeframe**
  - 31.5 years
  - 6.3 years
  - 8 years
Major Capital Projects Approach

**Revenue source:**
Temporary sales tax

**Total funds generated:**
$101 to $692 million

**Beneficiaries:**
Limited number of major public and private arts, cultural, recreational, entertainment assets

---

**Model 1D (Arts, Culture, Parks, Arena, Convention Center)**

**Arts & Culture**
$100,926,958

**Parks**
$14,350,000

**Arena**
$276,769,231

**Convention Center**
$300,000,000

**Total costs:**
$692,046,189

**Sales Tax**
- 0.10%
- 0.50%
- 0.69%

**Timeframe**
- 11.1 years
- 55.6 years
- 8 years
## Comprehensive Tiered Approach

### Revenue source:
Ongoing sales tax

### Funds generated:
$14 to $90 million per year

### Beneficiaries:
Three tiers of public and private arts, cultural, recreational, entertainment assets

---

### Model 2A (Arts and Culture)

<table>
<thead>
<tr>
<th>Tier 1: County-owned arts &amp; culture (contractual-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13,125,883</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Regionally significant organizations (formula-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,176,417</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3: Other arts &amp; cultural organizations (competitive grants)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,585,401</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

**Total costs:** $19,887,701

**Total sales tax:** 0.16%
Comprehensive Tiered Approach

**Revenue source:**
Ongoing sales tax

**Funds generated:**
$14 to $90 million per year

**Beneficiaries:**
Three tiers of public and private arts, cultural, recreational, entertainment assets

**Model 2B (Arts, Culture, Parks)**

<table>
<thead>
<tr>
<th>Tier 1: County-owned arts, culture, and parks (contractual-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$41,260,665</td>
<td>0.33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Regionally significant organizations (formula-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,176,417</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3: Other arts &amp; cultural organizations (competitive grants)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,585,401</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

**Total costs:**
$48,022,483

**Total sales tax:**
0.39%
Comprehensive Tiered Approach

Revenue source: Ongoing sales tax

Funds generated: $14 to $90 million per year

Beneficiaries: Three tiers of public and private arts, cultural, recreational and entertainment assets

Model 2C (Arts, Culture, Parks, and Debt Service for Arena & Convention Center)

<table>
<thead>
<tr>
<th>Tier 1: County-owned arts, culture, and parks (contractual-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$41,260,665</td>
<td>0.33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Regionally significant organizations (formula-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,176,417</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3: Other arts &amp; cultural organizations (competitive grants)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,585,401</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 4: Debt service for arena and convention center</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$42,439,690</td>
<td>0.34%</td>
</tr>
</tbody>
</table>

Total costs: $90,462,173
Total sales tax: 0.72%
### Comprehensive Tiered Approach

**Revenue source:** Ongoing sales tax

**Funds generated:** $14 to $90 million per year

**Beneficiaries:** Three tiers of public and private arts, cultural, recreational, entertainment assets

---

**Model 2C Applied to Five-County Region**

(Arts, Culture, Parks, and Debt Service for Arena & Convention Center)

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1:</td>
<td>County-owned arts, culture, and parks (contractual-based)</td>
<td>$41,260,665</td>
<td>0.16%</td>
</tr>
<tr>
<td>Tier 2:</td>
<td>Regionally significant organizations (formula-based)</td>
<td>$4,176,417</td>
<td>0.02%</td>
</tr>
<tr>
<td>Tier 3:</td>
<td>Other arts &amp; cultural organizations (competitive grants)</td>
<td>$2,585,401</td>
<td>0.01%</td>
</tr>
<tr>
<td>Tier 4:</td>
<td>Debt service for arena and convention center</td>
<td>$42,439,690</td>
<td>0.16%</td>
</tr>
</tbody>
</table>

**Total costs:** $90,462,173

**Total sales tax:** 0.35%
**Comprehensive Tiered Approach**

**Revenue source:**
Ongoing sales tax

**Funds generated:**
$14 to $90 million per year

**Beneficiaries:**
Three tiers of public and private arts, cultural, recreational, entertainment assets

---

**Model 2C (Arts, Culture, and Parks Capital Needs)**

<table>
<thead>
<tr>
<th>Tier 1: County-owned arts, culture, and parks (contractual-based)</th>
<th>Associated Costs</th>
<th>Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$9,244,860</td>
<td>0.07%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Regionally significant organizations (formula-based)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,941,546</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3: Other arts &amp; cultural organizations (competitive grants)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,820,957</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

**Total costs:**
$14,007,363

**Total sales tax:**
0.11%
Supplemental Funding Approach

**Revenue source:**
Temporary but renewable cigarette tax (sales tax could be substituted)

**Funds generated:**
$12 million per year

**Beneficiaries:**
Grants to broad range of public and private arts & cultural assets

---

**Model 3A (Arts, Culture, and Parks)**

- **30¢/pack cigarette tax**
- **Total annual funds generated:** $11,747,079

**Tier 1:**
- General operating grants (90%)
  - Operating grants: $10,546,739

**Tier 2:**
- Project support grants (10%)
  - Project support grants: $1,200,340
### Supplemental Funding Approach

**Revenue source:**
Temporary but renewable cigarette tax (sales tax could be substituted)

**Funds generated:**
$12 million per year

**Beneficiaries:**
Grants to broad range of public and private arts & cultural assets

### Potential General Operating Support Grants

<table>
<thead>
<tr>
<th>Entities involved</th>
<th>2013 County operating support</th>
<th>% of total</th>
<th>Estimated annual allocation for Model 3A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milwaukee Public Museum</td>
<td>$3,502,376</td>
<td>10%</td>
<td>$664,376</td>
</tr>
<tr>
<td>Marcus Center</td>
<td>$1,088,000</td>
<td>3%</td>
<td>$206,386</td>
</tr>
<tr>
<td>War Memorial/Art Museum</td>
<td>$1,491,405</td>
<td>4%</td>
<td>$282,909</td>
</tr>
<tr>
<td>Milwaukee County Zoo</td>
<td>$4,918,755</td>
<td>14%</td>
<td>$933,053</td>
</tr>
<tr>
<td>Milwaukee County Parks</td>
<td>$24,465,028</td>
<td>69%</td>
<td>$4,640,841</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$35,465,564</strong></td>
<td><strong>100%</strong></td>
<td><strong>$6,727,564</strong></td>
</tr>
</tbody>
</table>
High-Quality Public Assets Approach

Revenue source: Permanent property tax mill rate

Funds generated: $13 to $73 million per year

Beneficiaries: Limited number of major public arts & cultural assets

Model 4A (Arts and Culture Operations)

Arts & Culture $12,650,616

Total tax annual levy: $12,650,616

Mill rate: $0.23
High-Quality Public Assets Approach

Revenue source: Permanent property tax mill rate

Funds generated: $13 to $73 million per year

Beneficiaries: Limited number of major public arts & cultural assets

Model 4B (Arts, Culture, and Parks Operations)

Arts & Culture
$12,650,616

Total tax annual levy:
$40,785,399

Parks
$28,134,783

Mill rate:
$0.73
High-Quality Public Assets Approach

Revenue source: Permanent property tax mill rate

Funds generated: $13 to $73 million per year

Beneficiaries: Limited number of major public arts & cultural assets

Model 4C (Arts, Culture, and Parks Operations and Debt Service)

Arts & Culture $23,209,755

Total tax annual levy: $73,358,038

Debt Service $32,572,639

Parks $50,148,283

Operations $40,785,399

Mill rate: $1.32
High-Quality Public Assets Approach

Revenue source: Permanent property tax mill rate

Funds generated: $13 to $73 million per year

Beneficiaries: Limited number of major public arts & cultural assets

Hypothetical property tax allocation for county-owned assets

<table>
<thead>
<tr>
<th>Museum</th>
<th>2012 hypothetical property tax w/St. Louis model</th>
<th>Hypothetical additional funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milwaukee Public Museum</td>
<td>$4,639,863</td>
<td>$1,137,487</td>
</tr>
<tr>
<td>Marcus Center</td>
<td>$1,817,327</td>
<td>$729,327</td>
</tr>
<tr>
<td>War Memorial/Art Museum</td>
<td>$1,789,516</td>
<td>$298,111</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,246,706</strong></td>
<td><strong>$2,164,925</strong></td>
</tr>
</tbody>
</table>
Conclusion

• **Do we need to do anything at all?** – Must consider the value that taxpayers place on these assets; their importance to local economy; how their needs measure up to those faced by other community assets; and whether other viable strategies exist.

• **If we do act, what is the primary driver?** – Spread cost of supporting regional assets to broader geographic area? Undertake transformational projects to boost competitiveness? Enhance public access and quality of publicly-owned assets? Solely address immediate challenges?

• **Should broader public policy objectives come into play?** – Should this issue be seen as the opportunity to address longstanding concerns about local government finance and structure?

• **While we cannot answer these questions, our research points to clear pathways for action depending on how they are answered by policymakers and the community at large.**
Future Research?

• Needs assessment in four-, five-, or seven-county region?

• Economic impacts of certain regional assets?

• Capacity of Greater Milwaukee’s philanthropic community?

• Deeper dive into governance issues & models?

• Additional financial modeling?