

STATE SUPPORT OF THE ARTS IN MICHIGAN
by V. Hollister Angell

The Michigan Council for the Arts

The Michigan Council for the Arts (MCA), the primary funding agency for the arts in the state, opened its office twenty years ago this past June with one staff member, a desk, one telephone, and a \$5,000 appropriation from the legislature. Today, the MCA has a 27-member professional staff and more than 200 advisors; its fiscal year 1986-87 budget is \$11,087,000. The council is comprised of 15 members appointed by the governor for four-year terms. Its purpose is to stimulate, encourage, and expand the arts throughout Michigan.

At the time of the MCA's creation, there were already a number of well-known and well-established arts institutions such as the Detroit Institute of Arts, the Cranbrook Academy of Arts, and the Interlochen Center for the Arts; creation of an additional agency was regarded by many as of dubious value. In the early years, substantial time was spent convincing the state legislature that not only should the MCA continue to exist, but also that it should be given additional funding. The effort was worthwhile: the record of twenty years shows that Michigan art and culture have indeed been stimulated, encouraged, and expanded.

One of the first tasks of the MCA in its early years was to take the arts to residents in outlying areas of the state and to demonstrate what Michigan had to offer in the field. One means to accomplish this was Michigan Artrain, a traveling art gallery comprised of five baggage cars and a caboose donated by the railroads and refurbished with contributions from the private sector. The train presented multimedia displays--slides, photographs, and films--about the history of Michigan arts and artists and exhibited paintings and examples of industrial design. The train also carried a resident artist in a working studio.

Artrain was a resounding success, greater than anyone had anticipated. During its first five years, 1971-75, it stopped in 64 Michigan communities and was visited by almost one-half million Michigan residents. Artrain has evolved into an independent nonprofit organization. Because of its success in Michigan, with funding assistance from the National Endowment for the Arts, it has visited 28 other states.

One result of Artrain's influence was the development of community or local arts agencies. Before Artrain went on the tracks, only eight such agencies existed in the state; now there are over one hundred, many of them formed during Artrain's initial years. Paralleling the development of community agencies was the growth and development of local arts fairs and festivals. As interest in the arts began to grow, the fairs and festivals provided an outlet for artists and advocates alike. Of the now 350 arts and crafts fairs and festivals held during the year all over Michigan, the larger ones--such as the Ann Arbor Arts Fair--bring in sellers and buyers from across the country.

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Another means that the MCA developed to fulfill its legislative mandate is the arts outreach program, begun in 1975. This program has a purpose similar to that of Artrain: to spread the enjoyment of the arts to Michigan residents who would normally not have access to them. Through the outreach program, arts organizations such as the Detroit Symphony Orchestra, Meadowbrook Theatre, and Michigan Opera Theatre go on the road each year giving concerts and performances to outstate and Upper Peninsula residents. Every county in Michigan has been visited by an arts outreach participant.

The council also supports several other programs. The Arts in Education and Artist in Resident programs developed by the MCA provide opportunities for elementary through high school students to become involved in the arts through special school and community projects. The Artist-in-Schools and Creative Writers in Schools programs funded by the National Endowment for the Arts allow students to interact with working artists in Michigan school districts.

The MCA also provides operational support for many arts organizations. These grants assist both large and small arts organizations. Examples are the Calumet Theatre Company and the Luce County Inter-Tribal Center in the Upper Peninsula, the Interlochen Center for the Arts in northern Michigan, the Muskegon Museum of Arts and the Blue Lake Fine Arts Camp in western Michigan, and the Caro Arts Society in the thumb area. In the Lansing area, operational support funds have been given to the Boarshead Theater, Happendance Inc., the Lansing Art Gallery, the Lansing Symphony Association, The Opera Company of Mid-Michigan, the Arts Council Center of Greater Lansing, the East Lansing Arts Workshop, and the Michigan Dance Association.

In addition, the MCA funds specific arts projects in such fields as audience development--to help organizations attract new and expanded audiences; joint ventures--to help organizations and/or individuals undertake arts projects together; cultural preservation--to promote the maintenance of the state's ethnic cultural heritage; economic development--to stimulate arts-related jobs; and special constituencies--to benefit such groups as handicappers, senior citizens, and prisoners.

A new program, started in 1981, provides grants to individual artists. Developed because of the MCAs concern that many of the state's talented people were leaving Michigan for more lucrative positions in other areas, the council decided to offer funds for individual arts projects to help keep native artists in Michigan. In fiscal year 1986-87, the program has awarded grants totaling \$325,000. Since its inception, over 300 artists--painters, sculptors, choreographers, composers, photographers, film makers, and writers--have been awarded grants for their works and projects.

In the nongrant area, the MCA offers several general support services. These include publications available to the arts community and general public such as a fairs and festival calendar, a grants newsletter listing MCA grants that have been awarded, and a quarterly newsletter of council activities and general state and national art news. The council staff helps organizations and individuals with board development, grant writing, program development, and publicity and promotion. Further, the MCA sponsors workshops throughout the year in areas of special concern such as grants assistance, fund-raising, and public relations.

The Role of the National Endowment for the Arts

The National Endowment for the Arts (NEA) has made a significant contribution to the growth of state arts councils and of the arts nationwide. Established by Congress in 1965, in its early years the NEA provided up to \$50,000 support grants to state arts councils, including the MCA. These grants--often the seed monies that established the fledgling state arts councils--have paid off; the total funds appropriated to all state arts councils now exceeds the budget of the NEA (\$158,538,000 in fiscal year 1986-87). The NEA also provides funds for specific projects, such as the Artist-in-Schools and Creative Writers in Schools programs mentioned earlier and for state arts organizations such as the Grand Rapids Symphony and the Detroit Symphony Orchestra.

Another NEA-funded program in Michigan that has grown through the years is the public art program. Grand Rapids received the first NEA public art grant for its Alexander Calder sculpture "La Grand Vitesse," installed there in 1971. Public art has spread throughout the state, on display in hospitals, schools, plazas, parks, shopping malls, and building lobbies, funded with both public and private monies.

Michigan now has a Commission on Art in Public Places that encourages funding of public art in state-owned property. With a fiscal year 1986-87 administrative budget of \$187,000, the commission is working on public art projects in the new state museum/archives/library, the Northern Michigan University sports training center, the Central Michigan University industrial education building, and a tourist hospitality center north of Flint.

State Funding for the Arts

Michigan ranks sixth in state and territorial appropriations to arts councils and ranks eleventh per capita. (See Table 1.)

The MCA is the umbrella organization for the majority of Michigan arts organizations and projects that receive state funds. A few organizations, however, receive state support independently of the council; the primary example is the Detroit Institute of Arts (DIA). This practice grew out of the financial difficulties in the City of Detroit. In 1975, because of major city cutbacks in funding for the DIA, the institute called on the state to help keep its doors open. Since then, the institute has received a large portion of its public funds

Table 1

State Arts Agencies
Appropriations:
Fiscal Year 1986-87

<u>Rank</u>	<u>State</u>	<u>Appropriations</u>
1.	New York	\$48,590,702
2.	Massachusetts	18,265,924
3.	New Jersey	13,453,000
4.	Florida	12,710,386
5.	California	12,589,000
6.	MICHIGAN	11,087,000
7.	Puerto Rico	10,535,600
8.	Ohio	9,050,963
9.	Illinois	8,758,300
10.	Maryland	4,776,096

State Arts Agencies Per Capita
Funding: Fiscal Year 1986-87

<u>Rank</u>	<u>State</u>	<u>.Per Capita</u>
1.	Alaska	\$4.20
2.	District of Columbia	3.78
3.	Puerto Rico	3.22
4.	Massachusetts	3.14
5.	New York	2.73
6.	Guam	2.55
7.	Hawaii	2.16
8.	North Marianas	2.15
9.	New Jersey	1.78
10.	American Samoa	1.33
11.	MICHIGAN	1.25
12.	West Virginia	1.16

SOURCE: The National Assembly of State
Arts Agencies, Washington, D.C.

from the state through the Michigan Equity Package.¹ For fiscal year 1986-87, the DIA was appropriated \$16,248,000. Grants to certain other Detroit area organizations such as the Detroit Public Library and the Detroit Historical Museum are also made through the Michigan Equity Package. (The Detroit Symphony Orchestra also receives specially designated funds, but through the MCA appropriations.)

Because the MCA does not fund bricks and mortar projects--building construction, repair, or refurbishing--organizations and communities can seek state help for such projects through the equity package. Out-state cities will receive \$14.5 million in grants through the Michigan Equity Package in fiscal year 1986-87. These funds are used for cultural and historical projects, zoos, libraries, tourism, and economic development.

Although on paper the MCA has benefitted from steadily increasing state funding, the council--as with most state-funded programs--suffers during slowdowns in the Michigan economy. As a result, arts organizations and projects sometimes have had their grants cut back. This was particularly true during the recession of the early 1980s when state funding to the MCA declined and then was cut back further through budget adjustments (see Table 2).

Art supporters argue that the arts are equally important to the state in bad times as well as good and that funding levels should not be reduced. They make the case that the arts contribute to the aesthetic environment in Michigan and improve the quality of life; but more important, the arts provide jobs and generate revenue.

The Arts and the Economy

A study undertaken by the Concerned Citizens for the Arts (CCAM) supports the argument that the arts not only make good aesthetic sense, but also good business sense.

¹The Michigan Equity Package is an annual appropriation through which state government recognizes that because certain organizations such as the DIA serve the state as a whole and not just the cities in which they are located, they merit some state financial support.

Table 2

State Funding for the Michigan
Council for the Arts,
Fiscal Year 1965-66 to Date

<u>Fiscal Year</u>	<u>Appropriation</u>
1965-66	\$ 5,000
1966-67	100,000
1967-68	102,000
1968-69	109,020
1969-70	140,000
1970-71	220,000
1971-72	237,700
1972-73	251,400
1973-74	485,000
1974-75	2,109,000
1975-76	2,900,300 ^a
1976-77	1,949,900
1977-78	3,847,900
1978-79	5,024,100
1979-80	6,040,400 ^b
	<u>-470,700</u>
	5,569,700
1980-81	5,036,700 ^b
	<u>-222,800</u>
	4,813,900
1981-82	6,040,200 ^b
	<u>-869,700</u>
	5,170,500
1982-83	5,617,200 ^b
	<u>-400,000</u>
	5,217,200
1983-84	\$7,126,400
1984-85	\$8,489,400
1985-86	\$9,942,600
1986-87	\$11,087,000

^aFifteen months.

^bCutbacks imposed by Executive Order during the recession.

Concerned Citizens for the Arts was created in 1983 to help broaden support and awareness of the arts in Michigan. Its members are arts organizations; interested individuals; and business, labor, and government leaders. In 1984, CCAM commissioned its Arts Economic Impact Study "to quantify the economic impact of the arts and to develop an economic profile of Michigan's nonprofit institutions." The study, conducted by Touche Ross, polled nonprofit, independent arts organizations. The study does not include for-profit art-related organizations and commercial firms, individual artists, and nonprofit organizations such as the educational community and local governments that offer art programs and services.

The Arts Economic Impact Study provides evidence that the arts make a significant contribution to the Michigan economy. The study reports that in 1983, the nearly 1,200 independent nonprofit arts organizations in Michigan generated \$195 million in direct and indirect spending and created 12,500 full- and part-time jobs. In addition, the Michigan nonprofit arts industry returns \$3.50 for every \$1 invested by individuals, corporations, foundations, and government, and it generates over \$2 million annually in state payroll, sales, and admission taxes. The study also finds that in 1983 over 17 million people attended arts-related events; this was six times the number who attended major sporting events in the state.

The study presents several other findings. Nonprofit, independent arts organizations in Michigan rely heavily on gifts and grants to meet their operating budgets. Of their total 1983 revenues of \$133 million, \$55 million was from gifts and grants, including government grants. The visual arts (museums, art galleries, art fairs), which have the highest attendance levels--10 million out of the 17 million, received the most grant money. The performing arts (such as ballet, orchestras, and drama) generate the greatest number of jobs. The multidiscipline arts (such as arts centers and arts educational institutions) earn the most income, relying primarily on tuition; in 1983, there were over 900,000 people enrolled in arts education programs.

The economic impact study demonstrates clearly that the arts are an integral part of the Michigan economy and are subject to its swings. Nevertheless, the arts have survived past economic storms relatively intact. There is, however, some concern that the arts may be permanently disadvantaged by the recently passed federal income tax law.

The Effect of Federal Tax Reform

The new federal tax legislation, which becomes effective in 1987, contains two provisions that affect charitable or arts-related contributions: the itemizing requirement for deductions and the lower tax rate. Under the new law, an individual is unable to claim a deduction for a charitable contribution unless it is itemized. Previously, deductions could be claimed by nonitemizers for 50 percent of their contribution. Further, the value of the deduction claimed by itemizers will be reduced because of lower marginal tax rates. In 1986, the top marginal tax rate is 50 percent. This rate will be 38 percent in 1987 and from 28 to 33 percent in 1988. Therefore, the value to the taxpayer of the deduction for a \$1,000 contribution will fall from \$500 to as little as \$250 in 1988 for taxpayers in the highest tax bracket. For business, the top tax rate will fall from 46 percent in 1986 to 34 percent in 1987, again reducing the value of the charitable deduction.

How this will affect private contributions to the arts in Michigan and, indirectly, state funding for the arts is an open question right now. Some say the new law will have an adverse affect on charitable giving; others predict no change. Still others believe there will be some effect, but that it will level out over the years.

A study by Independent Sector of Washington, D.C., a coalition of national nonprofit organizations, provides a worst case scenario. The study, conducted by Lawrence Lindsey of Harvard University, predicts an annual loss of \$11 billion in charitable giving nationwide under the new tax law. This figure includes \$6 billion lost from the expiration of the charitable deduction for nonitemizers and \$4 billion lost as a result of the lower marginal tax rates. Total giving nationwide in 1985 to charitable organizations--religious, educational, social, health, and cultural--was \$79.84 billion, an increase of 8.9 percent over 1984. Of that, contributions to the arts accounted for 6.4 percent, or \$5.09 billion. According to the Independent Sector study, nationwide cultural contributions will be reduced by \$680 million each year under the new tax law.

Because of their concern, some arts organizations in Michigan are soliciting greater contributions in 1986 so donors can reap tax benefits under the present law. Others who are less concerned feel that the \$55 million donated annually to the arts in gifts and government grants in Michigan will not be affected under the new tax law, despite the dire predictions of the Independent Sector study.

There are a number of reasons for this optimism. For example, under the current tax law, corporations can donate up to 5 percent of their before-tax profits to charitable organizations. This does not change under the new law. Further, the tax reform law may generate a new source of donors. Under the new law, a number of businesses will pay less taxes and thus have more after-tax income. Perhaps the same optimism can be applied to individual giving: with lower tax rates, individuals will have more disposable income with which to make charitable contributions. These individuals will have lower allowable deductions for charitable contributions under the new law, but they will also have lower tax rates.

In addition, because individuals often make charitable contributions for altruistic rather than tax reasons, the spirit of giving and the belief in the worth of a cause or organization will probably not change drastically. And finally, if the national trend of the past ten years continues, charitable giving will grow.

How will the new tax law affect state funding for the arts? Little, unless there is a drastic drop in private contributions, creating increased demand for limited state funds. A slowdown in the Michigan economy will also mean a slowdown in arts development and growth. But the arts are here to stay, part of the fabric of Michigan life.

The Future of Funding for the Arts

As to the future, most arts supporters feel that, despite the ups and downs of the economy and a possible shortfall caused by the new federal tax law, participation in and support of the arts will continue to grow. The question now is not why the arts should be supported, but by how much. State funding will continue to be a concern of arts organizations in the years ahead. As operating costs rise, so will the need for increased funding.

Through the years, a number of proposals have suggested ways to supplement state arts appropriations; these include a state income tax credit for contributions to the arts, diversion to the arts of a week of state racing box office receipts, and a checkoff on the state income tax form that would earmark a voluntary contribution to the arts. But many feel that such actions could jeopardize current levels of state funding.

Encouraging increased private and business contributions to the arts, especially at the local level, is seen as one way to supplement state appropriations, particularly for building, renovation, and maintenance costs, which are not funded through the MCA. As individuals and businesses realize the importance of the arts to their community, they are more inclined to support them. A proposed incentive for increasing such support is a challenge grant program; i.e., the MCA would contribute a certain amount of money to a community arts organization provided that the community raises a specified amount in the private sector.

In conjunction with private support of the arts, there is also a need for education about and appreciation for the arts, starting in elementary schools. Encouraging an interest in the arts in Michigan residents is crucial for the development of future arts audiences and supporters in the state. It is also a means of encouraging a new generation of Michigan artists. Without audiences and advocates, the growth and interest in the arts, evident over the past twenty years, could decline.

The arts have become part of the mainstream of Michigan life, contributing aesthetically, spiritually, and economically. To ensure continued growth, an expanded arts constituency must be nurtured and developed, a constituency that will contribute to the arts not only financially, but as appreciators and participants.

V. Hollister Angell, a journalist by training, served Governor William G. Milliken as his liaison with the Michigan Arts Council and the state arts and cultural communities. While on the governor's staff, she was instrumental in setting up the Michigan/Sichuan sister state relationship to foster economic and cultural relationships between the people of Michigan and the citizens of Sichuan Province in the People's Republic of China. She recently returned from eighteen months on the faculty of Sichuan University where she taught English to Chinese students and assisted the Michigan departments of Commerce and Agriculture and others in promoting trade and cultural relationships between Michigan and Sichuan.