

CHAPTER I THE PROBLEM

This report addresses the question of how adequate financial support for the, major arts and cultural facilities in southeast Michigan can be assured. Historically, public support for some cultural institutions was provided by the City of Detroit. When the financial condition of the City of Detroit precluded the city from maintaining an adequate level of support, the State of Michigan assumed major responsibility for funding these institutions. Now, however, that state support is threatened. If the city cannot fund regional cultural institutions and the state will not fund them, what are the alternatives?

This issue arises because of past and proposed reductions in the Detroit equity package, which has been the main conduit for state grants to City of Detroit owned and administered arts and cultural facilities; the financial problems of Detroit city government; the declining ability of Detroit officials to influence state resource allocation decisions; and the continuing financial problems experienced by private arts and cultural institutions. Other issues, such as the proper roles of various levels of government and the effect on the arts of public funding, are crucial in the development of strategies to guarantee the future viability of major arts and cultural institutions. This analysis will explore where along the public support--private support continuum the major cultural institutions in southeast Michigan might be positioned, and if public support is appropriate, identify potential sources of that support, the existing cultural institutions that might receive it, and the basis on which it could be distributed.

History and Description of Selected Major Institutions

There may be various definitions of "cultural institution," some of which are more exclusionary than others. This paper will use a broad definition that encompasses both art and recreation. Primary focus is placed on City of Detroit art and recreation facilities that serve a regional audience: art and historical museums, zoos, the main library, Belle Isle park. Secondary focus is on private, nonprofit cultural institutions such as the Detroit Symphony and Orchestra Hall, Cranbrook, the Edison Institute, and smaller cultural organizations; participation of those organizations could be built into any regional or other funding strategy that might be developed.

The inclusion of cultural facilities and services in the structure of city government occurred as a result of donations, intentional development, and state legislative action. At the time most cultural activities were assumed by the city government (library in 1903, arts in 1918, zoo in 1924, historical in 1945), the economic prospects of Detroit were considerably different than they are now.

The current Detroit City Charter, which became effective on July 1, 1974 makes the mayor the head of the executive branch of city government, and provides for mayoral appointment of the directors of all executive branch departments except as otherwise provided by law or the Charter. Charter sections do provide otherwise for the Arts, Historical, and Zoological Departments. For those departments, the city charter contains nearly identical language requiring that the mayor appoint commissions. Those commissions appoint with the approval of the mayor the department directors and deputy directors, theoretically shielding those department heads from political pressure.

As executive branch departments, Arts, Historical, Zoological, and Recreation are subject to normal city rules and procedures. Employees of these cultural departments are city employees, who belong to the city's pension system. They are bound by labor contracts negotiated by the city Labor Relations Division and by Personnel Department rules on hiring, assigning, supervising, disciplining, and firing employees. Budget, Finance (including Purchasing, Payroll, and Voucher Audit), Data Processing, and all other city staff agencies and rules apply to all city cultural agencies except the Library Department. The library is a unique entity. The library board is appointed by the Detroit Board of Education rather than the mayor, and library officials have more administrative latitude than other city department officials.

The Arts Department, which is responsible for operating the Detroit Institute of Arts, the Historical Department, which is responsible for operating the city's three historical museum facilities, the Zoological Department, which is responsible for two zoos and an aquarium, and the Detroit Public Library, which is responsible both for Main Library and the branch library system, differ from other city departments in the assistance they receive from "founders" and "friends" societies. These societies, which collect membership fees from the public (allowing free admission and discounts on some purchases) and which may have their own employees, provide resources which are in addition to those provided by or through the City of Detroit and which do not appear in the city budget. These support organizations may provide additional staff, salary supplements, capital improvements, purchase of exhibit items, or program enhancements. The library also has earmarked millage composed of two voter approved mills and .64 mill passed through from the Detroit Public School levy.

While attendance records for these cultural institutions are not consistently maintained and there is limited information available as to the residence of users, the DIA, zoo, and main library serve a regional, state, national, and international clientele as well as Detroit residents.

Revenue Comparison Selected major institutions' revenues reported in Table I include contributions from support organizations such as the Founders Society of the DIA. It is clear that none of the seven institutions included in Table 1 operate exclusively on revenues earned from operations, but the proportion of costs covered by revenues from operations vary from seven percent for Belle Isle to 70 percent at the Edison Institute and Greenfield Village. These facilities rely on interest from large endowment funds, substantial private sector gifts and grants, tax supports or some combination of unearned revenues to provide the difference between earned income and operating needs.

Table 1
Operating Revenue Sources of Selected Major Cultural Facilities: 1991-92
(in Millions)

	DIA	Detroit Zoo	Main Library	Belle Isle#	DSO	Edison Institute*	Cranbrook
Direct Taxes	-	-	\$3.1	-	-	-	-
State Equity Grant	\$9.6	\$1.5	6.0	\$2.8	\$1.8	\$0.1	-
City of Detroit Subsidy	0.5	2.9	-	1.2	0.1	-	-
Other Government Grants and Transfers	-	-	1.1	0.2	0.2	-	\$0.5
Revenue from Operations	3.4	3.4	1.0	0.2	5.3	16.5	17.5
Earnings on Investments	1.0	-	-	-	0.9	4.5	6.2
Gifts and Private Grants	4.7	0.3	-	-	7.8	2.6	1.9
Other Revenue	-	-	-	-	0.1	-	2.1
Total	\$19.2	\$8.1	\$11.2	\$4.4	\$16.2	\$23.7	\$28.0

* Calendar 1991 data.

Estimated from budget.

Note: Operating revenues exclude sale of bonds, gifts of works of art, and contributions to endowment funds.

Sources: Annual Financial Reports; Senate Fiscal Agency, 1992 Statistical Report; and other information.

The Detroit Institute of Arts The institution that became the Detroit Institute of Arts (DIA) was established in 1885 by the Detroit Museum of Art Corporation, which donated its building on Jefferson Avenue and its collections to the city in 1918. The original Detroit Institute of Arts building on Woodward Avenue was opened in 1927; wings were added in 1966 and 1971.

The DIA is now a world class art museum of 596,000 square feet, 145,000 of it in exhibition space. The Founders Society of the Detroit Institute of Arts reported 42,500 individual or family memberships, over 1,000 volunteers, and endowment fund market value of about \$44 million in 1991. Attendance in that year was 761,000.

State funding for the DIA increased from \$3.5 million in fiscal 1976-77 to \$16 million in 1983-84. The 1986-87 state equity grant to the DIA included an additional \$200,000 that was designated for outstate exhibits and services; the 1987-88 through 1990-91 annual grants each included an additional \$400,000 for that purpose. The 1992-93 city operating budget for the DIA is \$11.7 million; state equity grant revenue is included in the city budget at \$9.6 million. The total DIA budget including Founders Society contributions will be about \$30 million according to the state Senate Fiscal Agency, but that figure includes contributions of works of art and contributions to the endowment fund.

Table 1 compares 1991-92 operating revenues of seven regional cultural institutions. DIA revenues reported in Table 1 reflect both the City of Detroit and the Founders Society contributions to operations. The \$9.6 million in 1991-92 state equity funding for the DIA was a reduction of \$6.8 million or 41 percent from the \$16.4 million received in 1988-89.

The Detroit Zoo The main Detroit zoo is located in Royal Oak, Michigan, on a 100-acre parcel that was deeded to the City of Detroit in 1924 on condition that the city would spend at least one-tenth of a mill of property tax each year for the next five years on the improvement, maintenance, and upkeep of the zoo. In 1928, 20 acres adjoining the zoo on the south side were given to the city. In the 1920s, attempts to establish a tri-county zoo under the auspices of Wayne, Oakland, and Macomb Counties failed when the Wayne County Board of Supervisors rejected the idea. The department also includes the modern, 13-acre Belle Isle Zoo and the antiquated Belle Isle aquarium, the first public aquarium built in the U.S.

The zoo first imposed an admission fee in 1972. Admissions are expected to generate \$3.4 million in the current year budget, 42 percent of the \$8.1 million cost of operations. Other revenues include \$1.5 million from the state equity grant (down from \$2.5 million in 1988-89) and \$2.2 million in city general fund support. The city budget for 1992-93 includes capital appropriations funded by the sale of \$1.7 million of general obligation bonds. The zoo receives both operating and capital assistance from the nonprofit friends society.

Table 1 data for the 1991-92 fiscal year reflect similar revenues: \$1.5 million from the state, \$2 million from the city, \$4 million in revenues from operations, and \$0.5 million in gifts and private grants.

Main Library The Detroit Public Library was created by specific state legislation in 1869, and is a public corporation, its commission members appointed by the Detroit Board of Education. The Library Department includes both branch operations and the Main Library, a federal depository library with a collection of about 1.6 million books, periodicals, and other documents. The Main Library is considered a regional cultural institution. The Library Department controls its own hir-

ing and labor relations, purchasing, and other internal matters, but state law places budgeting, accounting, and payments from the library fund under the control of the City of Detroit. Library employees are members of the Library division of the city's general pension system.

In August of 1984, city voters approved a one-mill, five-year property tax for the support of the library; that tax was renewed in 1988 for another five years. In November 1990, city voters approved a second mill for five years for library support. This library millage is in addition to the city's 20-mill operating levy, and counts as part of the city tax levy for purposes of state revenue sharing. The library also receives the revenues generated by .64 mill of the school property tax which is passed through by the Detroit Board of Education in compliance with state statute. Of the \$12.8 million in property tax revenues the library expects to receive this year, \$3.1 million is budgeted for Main Library and \$9.8 million is allocated to branch operations. The 1992-93 budget for the main library is \$10.3 million; all equity grant revenues are allocated to the main library. The current year state equity funding of \$6 million is \$1.2 million less than the \$7.2 million received annually from fiscal 1984 to fiscal 1987. The library's friends organization provides volunteers and funding assistance for capital projects.

The library is the only major cultural institution in the region that has dedicated tax support; the library generates relatively little revenue from operations.

Detroit Historical Museums The Detroit Historical Society, founded in 1921, organized the first museum in 1928. The Historical Society had raised \$400,000 for a new building by 1945, when a charter amendment to establish a Detroit Historical Commission was approved. The society gave the \$400,000 and its collections to the city in 1946.

The Detroit Historical Department now encompasses four separate museum sites: the main museum; Dossin Great Lakes Museum on Belle Isle; Historic Fort Wayne, now closed; and Moross House, which is leased to another organization. The 1992-93 department budget of \$3.4 million includes a \$0.7 million appropriation for the operation of the Museum of African American History; in August 1992, Detroit voters authorized issuance of \$20 million of general obligation bonds to build a new Museum of African American History. State equity funding has been reduced from \$3.5 million annually in fiscal years 1986 through 1989 to \$2.0 million in 1992-93. Net tax cost to the city in 1992-93 is expected to be \$1.3 million.

Belle Isle The Recreation Department operates Belle Isle, a major island park containing a Zoological Department zoo and aquarium; Dossin Great Lakes Museum; two private boat clubs; public golf course; conservatory; police ministration, harbormaster, and other police facilities; beach; fishing piers; nature center; picnic areas; nature areas; refectories; and other facilities. Belle Isle is comparable to regional parks operated by the Huron Clinton Metropolitan Authority, but its \$3.8 million cost is offset by \$1.6 million in state equity funding, \$1.6 million in general city support, and \$0.6 million in other revenues. Annual state equity funding for Belle Isle has declined by 43 percent from \$2.8 million.

Table 1 reflects estimated revenues for Belle Isle. Although the city budget contains an appropriation for Belle Isle, city annual financial reports do not provide detail on this part of the Recreation Department budget.

Detroit Symphony Orchestra The private Detroit Symphony Orchestra (DSO) was founded in 1914. The DSO had occupied Orchestra Hall from 1919 until 1941, when it moved to the Ma-

sonic Temple. A few years later, the symphony moved to the Music Hall, and in 1955, to Ford Auditorium, which had been donated to the city. The boards of the symphony and Save Orchestra Hall, Inc. cooperated to form Detroit Symphony Orchestra Hall, Inc. in 1989, and in that year the DSO returned to the restored Orchestra Hall. Save Orchestra Hall, Inc. owns Orchestra Hall and Detroit Symphony Orchestra Hall, Inc. operates the facility. The DSO, which has both classical and modern components in its repertoire, is a world class symphony.

Unlike the preceding institutions, the DSO is not a part of city government. Because the orchestra owed a substantial debt to the city for unpaid rent on Ford Auditorium, an agreement was reached whereby the orchestra would provide six public concerts over two years in lieu of cash payment (the “City of Detroit subsidy” reported in Table 1 represents partial write-down of the debt).

The DSO has survived periodic financial crises. State funding was intended to help the orchestra reduce its deficit. The annual deficit used to be \$3 million to \$4 million each year, and has been reduced to about \$2 million a year; at the end of 1991, the accumulated deficit had been reduced to \$6.8 million. In recent years, state aid was made contingent on affirmative action efforts and state outreach programs. Since that state emphasis, the orchestra has initiated several affirmative action programs, including an Afro-American composers forum, minority fellowship program, and gospel celebration concert. Recent reductions in state funding have resulted in the reduced presence of the orchestra outstate. For example, the DSO used to present six symphony performances in the upper peninsula, but now sends the brass quartet instead.

Table 2
State Funding for the Detroit Symphony
(in Millions)

1980-81	\$.8		1986-87	\$2.6
1981-82	.8		1987-88	2.7
1982-83	8		1988-89	2.6
1983-84	1.6		1989-90	2.6
1984-85	1.9		1990-91	2.5
1985-86	2.4		1991-92	1.8

Source: Senate Fiscal Agency

The DSO’s endowment fund was \$16.7 million in 1990, and grew to \$19.2 million in 1991. Table 1 reports operating revenues for the symphony for 1991-92. Of the total \$16.2 million in operating revenues, the \$1.8 million state equity grant, \$0.1 million city contribution, and \$1.8 million of corporate and private sector gifts were used for deficit reduction. The remaining \$12.5 million supported symphony activities. 42 percent of these activities were funded by revenues from operations.

Edison Institute The private Edison Institute, which operates Henry Ford Museum and Greenfield Village in Dearborn, serves 1.1 million visitors annually, the largest audience of the cultural institutions in southeast Michigan. This historical museum was founded by Henry Ford in 1929, and members of the Ford family still hold some seats on the institute’s board of directors. In the early 1980s, the institute lost annual operating subsidies from the Ford Motor Company, but the company made a gift of company stock to the institute to compensate for that loss; the endow-

ment fund balance at December 31, 1991, was \$64.9 million, with another \$10.6 million in the plant fund. Edison Institute received over \$2.5 million in state equity and historic preservation grants in the five-year period 1987 through 1991. Table 1 indicates that in 1992, out of a total operating budget of \$23.7 million, only \$0.1 million came from the state equity grant.

Cranbrook The Cranbrook Educational Community, which comprises Cranbrook Schools, Academy of Art and Museum, and Institute of Science on a 315-acre campus in Bloomfield Hills, is one of the major private regional cultural institutions that are not dependent on tax financing. Cranbrook depends on tuition and fees, investment income and gains, and donations by individuals, corporations, and foundations to support its programs and to maintain its structures, works of art, and grounds. The institute has received grants from various public agencies including the U.S. Department of Education and the Pontiac Schools for specific programs, but has not received state equity grants. Cranbrook reported the value of its endowment and similar funds as \$120.5 million at June 30, 1992.

CHAPTER II

CITY OF DETROIT AND STATE OF MICHIGAN SUPPORT FOR THE ARTS

History of Tax Support for City Cultural Institutions

Cultural institutions that are City of Detroit departments were supported primarily by city general funds through fiscal 1975-76. In that year, however, Detroit incurred a general fund deficit of \$36.9 million and temporarily closed the Detroit Institute of Arts, historical museums, and other facilities. In response to the city's financial difficulties, the State of Michigan appropriated the first equity grant to Detroit in 1976-77. The rationale for the "equity grant" was to reimburse Detroit for services provided to individuals who were not Detroit residents and to facilitate the merger of the Detroit Department of Transportation with the Southeast Michigan Transportation Authority.

The first grant contained a total of \$9.7 million for the main library, DIA, and historical museums and \$17.9 million for non-cultural activities including Department of Transportation pensions, Detroit General Hospital, and public health. Allocations for the Detroit Zoological Department were not included in the equity package until 1984-85. The equity grant program was originally designed primarily to provide financial assistance to the City of Detroit and incidentally to support cultural institutions. Over the years, the grant has included funding for a changing array of non-cultural activities performed by the city, including police special events and the police crime lab, but 78 percent of the grant that is now received by city government is used to support arts, cultural, and recreational facilities and activities. If an alternative funding source were developed for regional cultural institutions, part of the state grant that now supports city-owned cultural institutions could be directed to other city activities in recognition of Detroit's importance to the economic well being of the region and of the state.

Since the beginning of the equity grant program, the state has provided the City of Detroit with more than \$400 million to support major cultural and recreational institutions. Reductions in state equity grants to Detroit were part of the state's response to its own financial problems starting in fiscal 1990-1991, and were also consistent with a general philosophy in favor of smaller state government. Annual state equity grants to Detroit government cultural institutions have declined by \$11.5 million, from a high of \$32.3 million in 1989-90 to \$20.3 million in 1992-93. Because City of Detroit cultural institutions had become dependent on state support, loss of portions of the state equity grant resulted in reductions in programs, hours, and facilities open to the public.

Table 3
History of Detroit Equity Grants to City-Owned Cultural Facilities
(in Millions)

Fiscal Year	DIA	Main Library	Historical Museums	Zoo	Belle Isle*	Total
1977	\$ 3.5	\$ 5.5	\$ 0.7	-	-	\$ 9.7
1978	4.4	6.5	0.7	-	-	11.6
1979	7.1	6.5	0.7	-	-	14.3
1980	10.0	7.5	1.8	-	-	19.3
1981	10.5	7.0	1.8	-	-	19.3
1982	12.4	7.9	2.1	-	\$ 1.8	24.2
1983	14.7	6.9	1.7	-	-	23.3
1984	16.1	7.2	2.4	\$ 0.2	3.3	29.2
1985	16.0	7.2	2.5	1.5	2.8	30.0
1986	16.0	7.2	3.5	2.5	2.8	32.0
1987	16.2	7.2	3.5	2.5	2.8	32.2
1988	16.3	7.1	3.5	2.5	2.8	32.2
1989	16.5	7.1	3.5	2.5	2.8	32.4
1990	16.0	7.0	3.4	2.4	2.7	31.5
1991	13.6	7.1	2.9	2.1	2.3	28.0
1992	9.6	6.0	2.1	1.5	1.6	20.8
1993	9.6	5.8	2.0	1.4	1.5	20.3
Total	\$208.5	\$116.7	\$38.8	\$19.1	\$27.2	\$410.3

*The Belle Isle allocation was part of the “regional cultural grant” that was also used to support Cobo Hall and the trolleys.

Source: City of Detroit; Senate Fiscal Agency

Changes in the level of city and state funding for cultural institutions and activities and the significant growth in the equity grant to the Detroit Institute of Arts, which created a heavy dependence on state funding, have focused attention on the critical issues of who ought to pay for support of regional cultural institutions, and the level at which these institutions should be funded.

The City of Detroit

The City of Detroit established cultural and other services during a period when much of the wealth of the state was concentrated within the city’s boundaries. Detroit grew explosively in the early decades of this century, and in 1950 the city population was over 1.8 million, 29 percent of the total state population. The population of Detroit declined about ten percent in the 1950s, another ten percent in the 1960s, 21 percent in the 1970s, and about 15 percent in the 1980s. In 1990, the city population was 1,027,974, only 11 percent of the total state population. Many of those who left the city were middle and upper income residents.

Many of Detroit’s remaining residents are poor; 32 percent are below the poverty level. Detroit has the lowest median household effective buying income of the nation’s 20 largest cities, and 28 percent of Detroit households have median household effective buying income under \$10,000.

Property values have remained relatively stable in nominal terms for decades, but in real terms the state equalized value of property on the ad valorem tax roll in 1992 was worth 32 percent of the value in 1970. The eroding tax base has caused the city to increase the number and rates of taxes. In 1991P Detroit city property, income, and utility users' excise taxes combined to produce a relative tax effort that was 6.8 times the average of all Michigan cities, villages, and townships. The city no longer has the economic base or the fiscal capacity to support regional cultural facilities.

In the current fiscal years the city's \$1.2 billion general fund will contribute \$5.5 million (0.45 percent of general fund appropriations) to the three cultural departments, Main Library, and Belle Isle. The total anticipated expenditures for those five activities (excluding off budget friends and founders societies' expenditures) is about \$40 million; the city's general fund net tax cost will be about 14 percent of budgeted appropriations for those functions.

Table 4
1992-93 City of Detroit Budget

Total Activity	Net Appropriations	City Tax Cost	Net Tax Cost as a Percent of Total Appropriations
Arts	\$11,718,994	\$ 400,000	3.4%
Historical	3,418,502	1,340,202	39.2
Zoological	9,770,633	2,161,833	22.1
Library	10,861,633	0	0.0
Belle Isle (Recreation)	<u>3,809,742</u>	<u>1,596,793</u>	41.9
Total	\$39,579,504	\$5,498,828	13.9%

Source: Detroit 1992-93 Budget; CRC Calculations.

While the city provides \$5.5 million to these activities, it charges the DIA, main historical museum, and Main Library a total of \$1.7 million for external police and fire protection. These are the only city departments charged for public safety services. The payment of nearly \$1.1 million from the Arts Department to the city is \$0.7 million more than the city provides to that department. The city provides no general tax support to Main Library, but charges that institution over \$0.5 million. Of the three affected institutions, only the Historical Museum receives more from the city than the \$94,000 it is required to pay to the city. If the charges for police and fire protection are subtracted from the amount the city provides to the regional facilities listed in Table 4, the net cost of those facilities to the city's general fund is \$3.8 million.

Effects of State Equity Funding on the City Budget State equity funding allowed the city to substitute state support for city support of targeted services while retaining complete ownership and control, provided substantial increases in cultural agency support over time, and altered the budgetary relationships among city departments.

Charts 1 through 5 reflect changes in city operating budgets for the three departments and parts of two departments that are the focus of this report.

The charts indicate the total city operating budget for each function and divide the revenues into three categories: city general fund support (net tax cost); state equity grants; and all other revenues. Because budgets for the Recreation Department and the Library Department did not isolate Belle Isle and Main Library in the earlier years, charts 3 and 5 include only fiscal 1984-85, 1989-90, and 1992-93. The charts demonstrate that equity grants were the major factor in changing the fiscal relationship among these institutions; the fiscal relationship between these institutions and the rest of city government was also affected.

In fiscal 1969-70, the city operating budget for the Arts Department totaled \$1.3 million, nearly all financed by the city's general revenues. Five years later, the city operating budget for the Arts Department was \$2.1 million, with \$0.1 million generated by Arts Department activity. Equity funding resulted in very rapid growth in the Arts budget, which totaled \$10.4 million in fiscal 1979-80. Of that total, \$10.3 million was provided by the state equity grant, less than \$69,000 was provided by the city, and \$63,000 came from all other sources. The city subsidy was the same amount in 1984-85, but the equity grant had grown to \$16 million, and changes in the relationship between the city and the Founders society resulted in \$1.6 million in other revenues in the city operating budget, for a total of \$17.7 million. The 1989-90 operating budget reached \$19.5 million, with \$16.4 million from the equity grant, \$0.5 million from the city, and \$2.5 million from all other sources. The revenue reductions of the past few years appear clearly in Chart 1: fiscal 1992-93 budgeted operating revenues total \$11.7 million, with \$9.6 million in equity funding, \$0.4 million in city support, and \$1.7 million from all other sources.

In 1969-70, the total operating budget for the Zoological Department was larger than the Arts Department city operating budget. Of the \$2.3 million in the Zoo budget, \$1.5 million was produced as a result of Zoo operations and \$0.7 million was general city support. Five years later, the city's net tax cost had doubled to \$1.5 million, and operating revenues were budgeted at nearly \$2 million. In 1979-80, budgeted city support was almost \$2 million, while CETA and other revenues totaled \$6.4 million. In the 1984-85 budget, the state equity grant accounted for \$1.5 million in Zoo revenues, the city contributed almost \$2.1 million, and all other sources generated about \$2.6 million. The 1989-90 budget projected similar amounts from the three sources: \$2.5 million from the state equity grant; \$3 million from the city; and \$2.8 million from all other sources. The 1992-93 budget included reductions in both city and state support, and an increase in other revenues to \$4.5 million.

In 1969-70, the Historical Department budget was just over \$0.6 million nearly all funded by the city. The 1974-75 budget was twice as large, \$1.2 million, of which only \$48,000 was expected to come from sources other than general city revenues. CETA revenues of about \$0.7 million and the state equity grant of over \$1.7 million allowed the net tax cost of Historical to shrink to \$0.4 million in the 1979-80 budget. City support was budgeted at \$0.8 million in 1984-85, when the state equity grant contributed \$3.5 million to Historical Department operations. In the 1989-90 budget, the city's net tax cost was \$1.3 million and the state's support had grown to \$3.5 million. The city's contribution remained at \$1.3 million in the 1992-93 budget, but state funding fell to less than \$2.1 million.

In fiscal 1969-70, general city tax support for Arts Department operations was about double that for either the Zoological or Historical Departments: \$1.3 million for Arts, \$0.7 million for Zoological, and \$0.6 million for Historical. The largest of the three budgets was for the Zoological Department, which projected \$1.5 million of revenues from operations, compared to \$37,000 for the Arts Department and \$8,250 for the Historical department.

In fiscal 1979-80, the Arts Department operating budget had grown to \$10.4 million, with \$10.3 from the state equity grant and \$69,000 from the city. The Zoological Department operating budget of \$6.4 million was smaller than Arts, and the historical department budget had grown only to \$2.9 million.

The disparities between the budgets of the three departments had grown very large in 1989-90: the Arts Department budget totaled \$19.5 million (\$16.4 million from the state equity grant); the Zoological Department budget was \$8.1 million (\$2.5 million from the state equity grant); and the historical department budget was \$4.9 million (\$3.5 million from the state equity grant).

In Charts 1 through 5, the recent deductions in state equity funding appear most dramatic for the Arts Department, which budgeted \$9.6 million in state equity funding in 1992-93. Percentage reductions in budgeted state equity grants were the same in the Historical and Zoological Departments, however. The Zoo, which has historically generated the largest proportion of its revenues from operations, expected to increase that support to compensate for the reductions in state funding.

Although the budget for the Main Library was not separated from branch operations in fiscal 1970, 1975, and 1980, by 1985 it is clear that no general city support was allocated to Main. Detroit voters approved one mill of property tax support for the library commencing on December 1, 1984, and second mill commencing on July 1, 1991. Increasing property tax revenues have replaced declining state equity grants.

The city reallocated part of the discretionary equity grant to Belle Isle. While the total budget for the park increased slightly from \$4.3 million in 1985 to \$4.5 million in 1990, reductions in the state grant caused the budget to shrink to \$3.8 million in 1993.

As would be expected, the city has resisted reductions in state equity grants. The 1991-92 city budget reflected the amounts Detroit hoped to receive from the state equity grant program; it was believed that budgeting less would result in a self-fulfilling prophecy. After expenditure reductions in the affected departments, state equity program cuts contributed to an estimated \$4.7 million to the \$196 million 1991-92 general fund deficit. The 1992-93 city budget projected as revenues the same amount as had been received in 1991-92, but state executive cuts in the original 1992-93 equity grant appropriations again caused revenue deficits in affected city departments.

Comparisons with Other Cities The inclusion of Arts, Historical, and Zoological Departments as part of city government directly affects per capita expenditures for parks and recreation, as reported by the Bureau of the Census. A comparison of per capita expenditures for parks and recreation activities, which include cultural and scientific activities such as museums and art galleries, as well as park maintenance and organized recreation programs and activities indicated that in fiscal 1989-90 (the last year for which data are available) City of Detroit per capita expenditures were the second highest of the twenty largest continental U.S. cities. The comparisons in Table 5 include all of the city expenditures for the Arts, Historical, Zoological, and Recreation Departments, regardless of whether those expenditures were funded by the city, state, or other source. San Francisco, which reported higher per capita expenditures for parks and cultural facilities, also includes museums as part of the city government structure.

Table 5
Per Capita Expenditures for Parks and Recreation: 1989-90
Largest Continental U.S. Cities

City	Amount	Rank	City	Amount	Rank
San Francisco	\$164.91	1	New York	\$61.09	11
Detroit	118.69	2	Columbus	53.19	12
San Diego	103.29	3	Jacksonville	47.44	13
Washington	97.43	4	Philadelphia	46.60	14
Dallas	95.91	5	Los Angeles	45.24	15
Phoenix	92.31	6	Boston	41.93	16
San Jose	79.75	7	Houston	32.97	17
Memphis	76.93	8	Indianapolis	29.74	18
Baltimore	66.90	9	Milwaukee	18.58	19
San Antonio	61.52	10	Chicago	13.81	20

Source: Bureau of the Census, City Government Finances: 1989-90.

Nationally, some museums receive substantial city government support without being part of city government. For example, data from The Association of Art Museum Directors' 1992 Statistical Survey indicate that 32 of the 91 art museums that reported city government support received more from their city than the \$500,000 the DIA received from Detroit.

Table 6
City Government Support Reported by Art Museums

Amount of City Support	Number of Museums	Amount of City Support	Number of Museums
\$ 500-- \$ 99,999	39	\$1,000,000-- \$1,999,999	9
100,000-- 249,999	8	2,000,000-- 2,999,999	1
250,000-- 499,999	10	3,000,000-- 3,999,999	3
500,000-- 749,999	10	4,000,000-- 4,999,999	1
750,000-- 999,999	6	5,000,000-- 9,999,999	4

Source: Association of Art Museum Directors, 1992 Statistical Survey.

The State of Michigan

The State of Michigan has provided funding for cultural organizations and activities in different ways, including direct appropriations to specific cultural institutions, payments to cities for operating cultural facilities, and support for the Michigan Council for the Arts, for its successor agency, the Michigan Council for Arts and Cultural Affairs, and for local arts councils.

State Line Item Appropriations The state budget includes line item appropriations for support of major arts and cultural institutions that are part of Detroit city government, as well as other major private, nonprofit cultural institutions.

Line item appropriations comprise the "Detroit equity grant," which in this report includes the special grant to the Detroit Public Library appropriated in the state's Library of Michigan budget. Appropriations made to the private, nonprofit Detroit Symphony, which is not part of Detroit city

government, are not included as part of the City of Detroit grant in this report. That part of the outstate equity program reserved for cities with populations greater than one million that is appropriated by the city to Belle Isle (\$1,541,600 of \$4,523,300 in 1993) is included in Detroit equity grant figures reported here, but those portions of the state equity grants to Detroit that are not for cultural programs (grants for Police special events and Police crime lab, for example) are not included.

In Table 7 the state equity grants to the City of Detroit government (column 1) include those grants that are made to Detroit government cultural agencies and include the Detroit Public Library (DPL) special allocation as part of the state equity program because it was negotiated at the same time and for the same reasons as equity funding directed to the city's general fund. Other state grants to DPL and to other libraries are not included as part of the equity program. The "Other" column (column 2) includes outstate equity grants and grants to non-governmental institutions in Detroit.

Table 7
State Equity Grants to Cultural Institutions and Activities

	City of Detroit Government	Other
1976-77	\$ 9,702,000	
1977-78	11,591,000	
1978-79	14,342,000	
1979-80	19,277,000	
1980-81	19,277,000	
1981-82	24,177,600	
1982-83	23,340,000	
1983-84	29,164,200	
1984-85	30,014,200	\$ 4,000,000
1985-86	32,014,200	6,000,000
1986-87	32,214,200	6,400,000
1987-88	32,194,600	6,110,600
1988-89	32,360,200	6,200,000
1989-90	31,551,244	6,300,000
1990-91	28,011,542	14,758,300
1991-92	20,780,100	8,398,600
1992-93	20,298,300	7,881,700

Source: Senate Fiscal Agency Statistical Reports; City of Detroit
Budget Department.

The equity program established in 1976 to assist the fiscal distressed City of Detroit was extended in fiscal 1984-85 to other recipients for support of cultural and historical projects, zoos, libraries, tourism, and economic development. The equity program for non-Detroit recipients has remained much smaller than the Detroit grant. The detail of the 1992-93 state budget appropriation, as amended by state executive order reductions, is reflected in Table 8.

Table 8
State of Michigan 1992-93 Budget Appropriations

Specific Grantees:	City of Detroit Government	Other
Detroit Institute of Arts	\$ 9,648,800	
Detroit Historical Department	1,950,700	
Detroit Zoological Department	1,393,200	
Detroit Symphony Orchestra		\$1,759,500
Edison Institute		111,500
Grand Rapids Museum		2,493,700
Regional Grants:		
Cities with population exceeding 1 million		
Allocation to Belle Isle	1,541,600	
Cities with population between 125,000 and 1 million		1,114,600
Cities with population between 40,000 and 125,000	1,170,400	
Cities with population under 40,000	1,232,000	
Detroit Public Library Special Grant	5,764,000	
Total	\$20,298,300	\$7,881,700

Source: Senate Fiscal Agency; CRC Calculations.

While data are not available to compare Michigan with other states, support for all of these functions, the Association of Art Museum Directors 1992 Statistical Survey does allow a comparison of state support for major art museums (see Table 9). Even with the reductions in fiscal 1991, no other state contributed as much as Michigan to the support of an art museum. In fact, the further reduced fiscal 1992-93 state support would still result in the DIA receiving more state support than any of the other museums reported in 1991. Both the DIA and the University of Michigan Museum of Art appear in the list of the dozen museums that received the most funding from a state government.

Table 9
State Government Support for Art Museums: 1991

Art Museum	Total Operating Income	State Government Support	
		Amount	Rank
Detroit Institute of Arts	\$23,237,800	\$13,406,100	1
Virginia Museum of Fine Arts	12,796,500	7,733,500	2
North Carolina Museum of Art	4,871,286	3,073,116	3
Ringling Museum of Art	4,760,714	2,453,687	4
Newark Museum	5,830,234	1,743,500	5
Indiana University Art Museum	1,429,830	1,404,133	6
Art Institute of Chicago	43,796,856	1,118,747	7
Samuel P. Harn Museum of Art	1,707,901	1,054,914	8
University of Iowa Museum of Art	1,119,287	1,018,166	9
Georgia Museum of Art	1,071,492	945,468	10
University of Michigan Museum of Art	1,164,723	747,150	11
Metropolitan Museum of Art	168,103,322	739,501	12

Source: Association of Art Museum Directors, 1992 Statistical Survey.

State Arts Agencies In addition to line item appropriations for specific cultural institutions and regional equity grants, the state has provided funding for a state-level arts council that in turn supported smaller arts organizations and individual artists. The former Michigan Council for the Arts (MCA) was established in 1966 with a \$5,000 grant from the state Legislature. MCA efforts to stimulate, encourage, and expand the arts in Michigan included development of local arts agencies such as the Detroit Council of the Arts, which was eliminated as a department in the city's 1993 budget. Other MCA projects included Michigan Artrain; the arts outreach, arts in education, and artist in residence programs; operational support grants to large and small arts organizations; and grants for specific arts projects and to individual artists. MCA was located in the state Department of Management and Budget.

MCA was succeeded on September 1, 1991, by the Michigan Council for Arts and Cultural Affairs (MCACA). That Council was created by an executive order of the Governor as part of a compromise between the governor, who initially recommended eliminating state funding for the arts, and 13 prominent arts patrons. The Michigan Council for Arts and Cultural Affairs was established in the Michigan Department of Commerce and was to be responsible for accepting and disbursing grants from private entities, the National Endowment for the Arts, and other public entities, including state equity grants, but in fact retained control of only a small proportion of cultural grant funding in the 1992-93 budget.

Table 10
Michigan Council for Arts and Cultural Affairs
1992-93 Appropriations

Administration	\$ 858,500
Arts and Cultural Grants	3,645,400
Interlochen	193,400
Blue Lake Fine Arts Camp	57,000
Grand Rapids Symphony	<u>237,500</u>
Total	\$4,991,800

Source: Senate Fiscal Agency.

The mission of the new state arts agency is “to encourage, develop and facilitate an enriched environment for creative cultural activity in Michigan.” The original state budget for 1992-93 contained \$4,577,600 for MCACA administration and discretionary grants and \$513,600 for designated grants, but an executive order reduced those amounts by a total of \$99,400 to \$4,503,900 for administration and discretionary grants and \$487,900 for designated grants.

According to the State Arts Agency Profile published in May 1992 by the National Assembly of State Arts-Agencies, state-level budget crises resulted in the decline of aggregate legislative appropriations to state arts agencies in 1991. In fiscal 1992, total state legislative appropriations to state arts agencies fell below the 1987 level. Of 56 state and territorial arts agencies 36 reported decreases in legislative appropriations between 1991 and 1992. Michigan was one of eight states in which that decrease exceeded 20 percent.

Table 11
Legislative Appropriations for the Michigan State Arts Agencies

Year	Amount	Year	Amount	Year	Amount
1969	\$ 109,000	1977	\$ 1,891,600	1985	\$ 8,817,400
1970	140,000	1978	3,733,600	1986	10,291,500
1971	219,952	1979	5,024,100	1987	11,426,104
1972	237,710	1980	6,075,500	1988	12,611,306
1973	251,349	1981	5,036,700	1989	12,465,600
1974	484,800	1982	5,155,500	1990	12,232,700
1975	2,109,000	1983	5,217,200	1991	9,151,800
1976	2,330,000	1984	7,359,900	1992	4,200,000

Source: National Assembly of State Arts Agencies, The State of State Arts Agencies, 1992.

According to the National Assembly of State Arts Agencies annual survey, the 1992 Michigan state appropriation of \$4.2 million was the 11th largest appropriation to a state arts agency among the 50 states and the District of Columbia. However, on a per capita basis, Michigan's 1992 appropriation to the state arts agency ranked 42nd among those 51 units. The report does not indicate how many other states also appropriate separately and directly to major arts and cultural institutions.

The Outlook for City and State of Michigan Funding

High tax rates and an eroding tax base, a deteriorating economy, declining federal source revenues, and recent reductions in state source revenues have contributed to recent City of Detroit general fund deficits. Over the past two decades, Detroit has eliminated functions, reduced the number of city government employees, reduced salaries and wages of city employees, raised taxes, and sold deficit funding bonds. The city, with its eroding tax base and tremendous competing needs, is in a very poor position to maintain funding for cultural institutions from city resources.

If state funding for arts and cultural activities falls below essential levels, those city departments providing cultural amenities to the region will, once again be in direct competition with police, fire, public health, garbage collection, public lighting, recreation, economic development, and other activities for the city's limited resources. Similarly, nonprofit organizations including the Detroit Symphony Orchestra and friends and founders societies could be forced to heighten the competition with social service organizations for private contributions.

From fiscal 1977 through fiscal 1992, the Detroit equity package transferred over \$400 million from the state government to the City of Detroit to support cultural institutions. The Detroit equity package was in addition to other programs such as state revenue sharing, gas and weight tax distributions, mass transportation grants, health grants, and other transfers that are expected to provide about \$372 million to the city in fiscal 1993 alone.

The current state administration inherited a general fund deficit estimated at about \$1.8 billion. Among the expenditure reductions imposed to resolve the deficit were cuts in the Detroit equity program, which was reduced from \$28.0 million in 1991 to \$20.8 million in fiscal 1992 and further reduced to \$20.3 million in 1993. There were also reductions in funding available for other cultural organizations.

Changes in the manufacturing base in this state have reduced per capita personal income from the previous above average levels to about 0.3 percent below the national average throughout the 1980s, and to 2.1 percent below the national average in 1991. The high tax structure built during the period when state income was high is under attack, as is the size of state government. It seems improbable that state funding for City of Detroit and other cultural institutions will be restored to previous high levels. As the state government grapples with a structural imbalance in its budget and moves to minimize state support for the arts, it is possible that further cuts in public funds may be made in spite of art patrons' efforts to protect arts projects and institutions. Continuing efforts to eliminate line item appropriations to specific institutions and to consolidate state arts and cultural funding in the state arts agency could also affect the amounts available to major institutions.

Nonprofit Arts Support Organizations in Michigan

There are several nonprofit organizations which have as their mission the support and assistance of arts organizations. Among these are Concerned Citizens for the Arts in Michigan, a statewide public education and advocacy organization formed in 1983, which seeks to increase support for the arts among individuals, corporations, foundations, and government. Concerned Citizens for the Arts in Michigan is affiliated with Michigan Advocates for the Arts, a lobbying organization. Business Volunteers for the Arts links volunteers who can provide managerial and planning assistance to arts organizations. In addition to helping arts organizations improve their business practices, Business Volunteers for the Arts works to develop programs that increase cooperation, understanding, and communications between business and the arts.